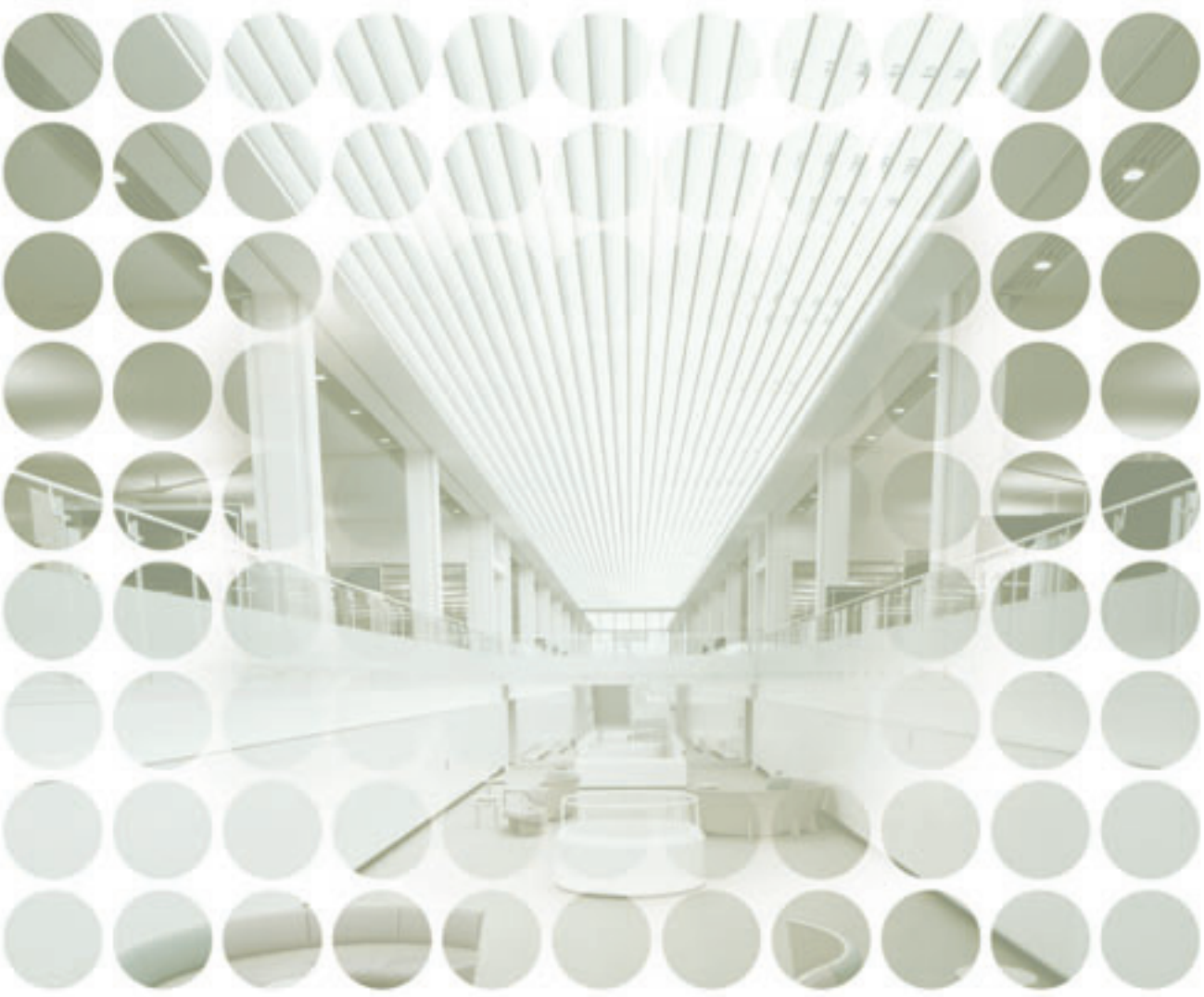
Annual Report 2008

Year ended March 31, 2008

OMRON

Sensing tomorrow™



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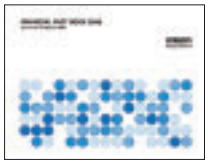
Sustainability Report 2008

For information on Omron's sustainability initiatives, please refer to "Sustainability Report 2008", a report on social and environmental activities to our stakeholders, including employees, clients and customers, shareholders, and regional communities.
http://www.omron.com/corporate/csr/



Financial Fact Book 2008

For financial data from the past 10 years, please refer to "Fact Book 2008".
http://www.omron.com/ir/ir_factbook.html

A Caution Concerning Forward-Looking Statements

Statements in this annual report with respect to Omron's plans, strategies and benefits, as well as other statements that are not historical facts, are forward-looking statements involving risks and uncertainties. Important factors that could cause actual results to differ materially from such statements include, but are not limited to, general economic conditions in Omron's markets, which are primarily Japan, North America, Europe, Asia-Pacific and China; demand for, and competitive pricing pressure on, Omron's products and services in the marketplace; Omron's ability to continue to win acceptance for its products and services in these highly competitive markets; and movements of currency exchange rates.

Definition of Terms

All references to "Omron" and "the Company" herein are to Omron Corporation and consolidated subsidiaries and affiliates.

A BETTER WORLD FOR ALL

PHILOSOPHY

THROUGH

SENSING & CONTROL

About Us

Core Competence and Business Domain

Omron is developing a global business of value that supports safety and security, health, and the environment in business domains of industry, electronic devices, society, lifestyles, and medicine and healthcare.

Our Core Competence is in Sensing and Control

The value that Omron provides is in applying its core competence in sensing and control technologies providing functions approaching the human five senses (sight, hearing, smell, taste, and touch) to create an ideal balance and harmony between people and machines with devices.

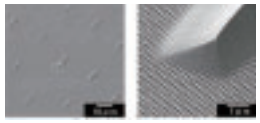
Core Technologies Supporting Sensing and Control

[1] Micromachining

Omron micromachining technology employs micro electro mechanical systems (MEMS) technology enabling the enhancement of semiconductor two-dimensional integrated circuit construction to three-dimensional construction. This technology enables production of the world's smallest radio-frequency relays and ultra-small gas and fluid pressure sensors.

Ultra-small RF MEMS Switches

[2] Microphotonics

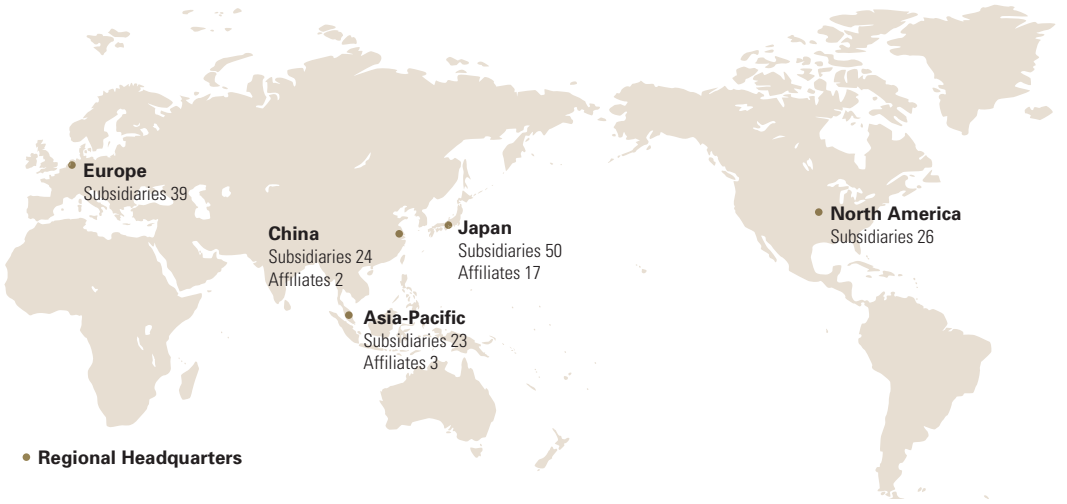


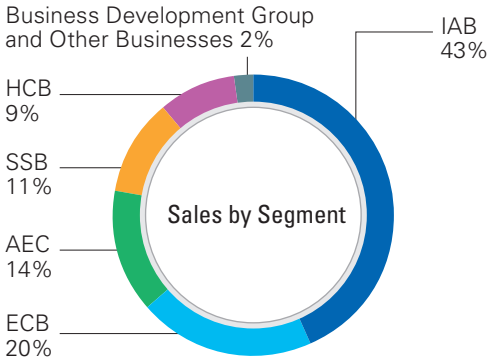
Integrated Nanoprism and Microprism Arrays

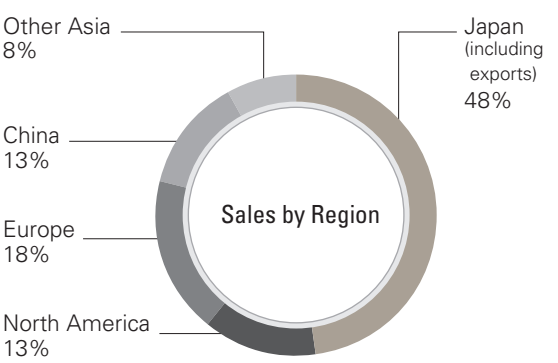
Microphotonics is a light-wave control technology allowing greater miniaturization and integration by fabricating various optical component functions (brightness, speed, energy saving, etc.) on a single substrate as with IC and LSIs. Microphotonics technology realizes low-cost optical transmissions and presents potential for revolutionary devices using high-brightness LEDs and other technologies.

Global Network

To provide customers with what they want when they want it, Omron has established a global network and a closely linked service system covering our operating regions of Japan, North America, Europe, China, and Asia Pacific. Omron provides fast and efficient support to its business partners worldwide from its comprehensive support system from development to production, distribution, and maintenance.







Net Sales ¥763.0 billion (FY2007)

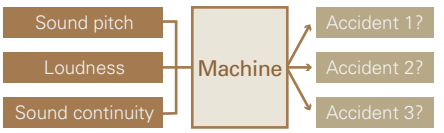
[3] Image Sensing

OKAO Vision accurately identifies any number of faces of any shape or size.

Image sensing technology mechanically recognizes the movement of an object, such as a human face, by detecting the transmission or reflection of light waves and generates detailed data on the object. The technology is used for a diverse range of application, including quality inspection, safety systems, and face authentication.

[4] Knowledge Information Control Technology

Omron possesses numerous patents in Japan for "fuzzy logic" technology resulting from its research in the theory of human behavior based on know-how and intelligence. Integrating an algorithm of human problem-solving processes into a machine-controlling device provides the machine with the ability to learn and make decisions.



Abnormal Noise Detection Systems mechanically identify sounds only highly trained specialists have been able to hear and enable vibration-based quality inspection.

IAB
INDUSTRIAL
AUTOMATION
BUSINESS

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Control Equipment and FA Systems Business

The top provider of control equipment for the manufacturing industry in Japan and supporting *monozukuri* innovation worldwide

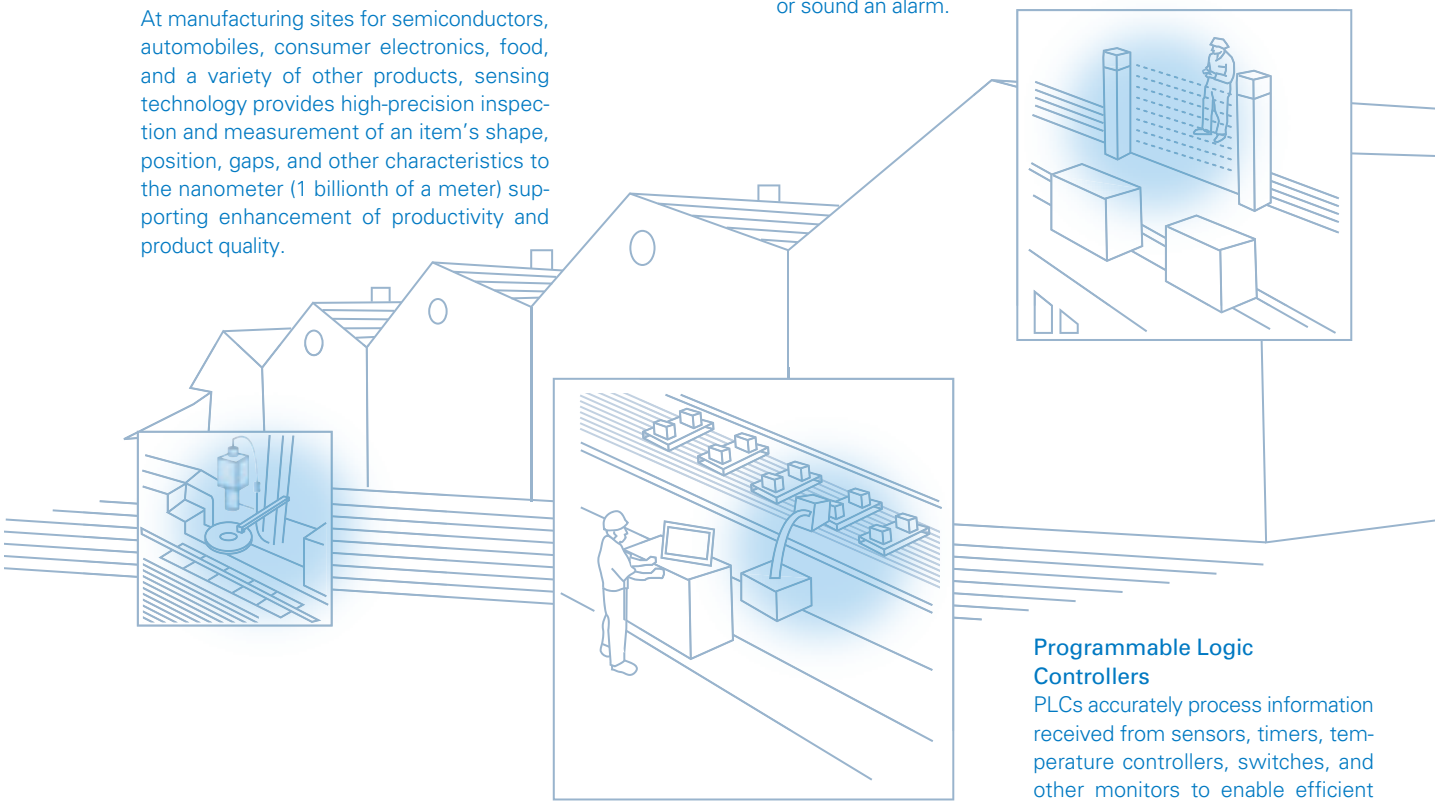
IAB provides a wide spectrum of equipment ranging from factory automation (FA) controllers to sensors, switches, relays, and safety equipment that meet some 100,000 specifications and support *monozukuri* (the art of producing things) innovation and productivity improvement in all types of production operations in 80 countries. Commanding 40% domestic market share, IAB is the Japanese manufacturing industry's leading supplier of control equipment.

Safety Components

Safety components sense worker presence in defined or irregular danger zones and automatically shut down machinery or sound an alarm.

Sensors

At manufacturing sites for semiconductors, automobiles, consumer electronics, food, and a variety of other products, sensing technology provides high-precision inspection and measurement of an item's shape, position, gaps, and other characteristics to the nanometer (1 billionth of a meter) supporting enhancement of productivity and product quality.



Programmable Logic Controllers

PLCs accurately process information received from sensors, timers, temperature controllers, switches, and other monitors to enable efficient control of machinery and facilities. Programmable terminals with touch panels facilitate easy control and change of product line operations.

Sensing Devices

Real Color Visual Sensors

Real Color 3D Visual Sensors

Network Automated Optical Inspection (AOI) Devices

Portable Multidata Loggers

Control Equipment

Digital Timers and Electronic Counters

Temperature Controllers

Temperature Control Modules

Multiple Input Units

Safety Devices

Safety Light Curtains

Safety Laser Scanners

ECB
ELECTRONIC COMPONENTS BUSINESS

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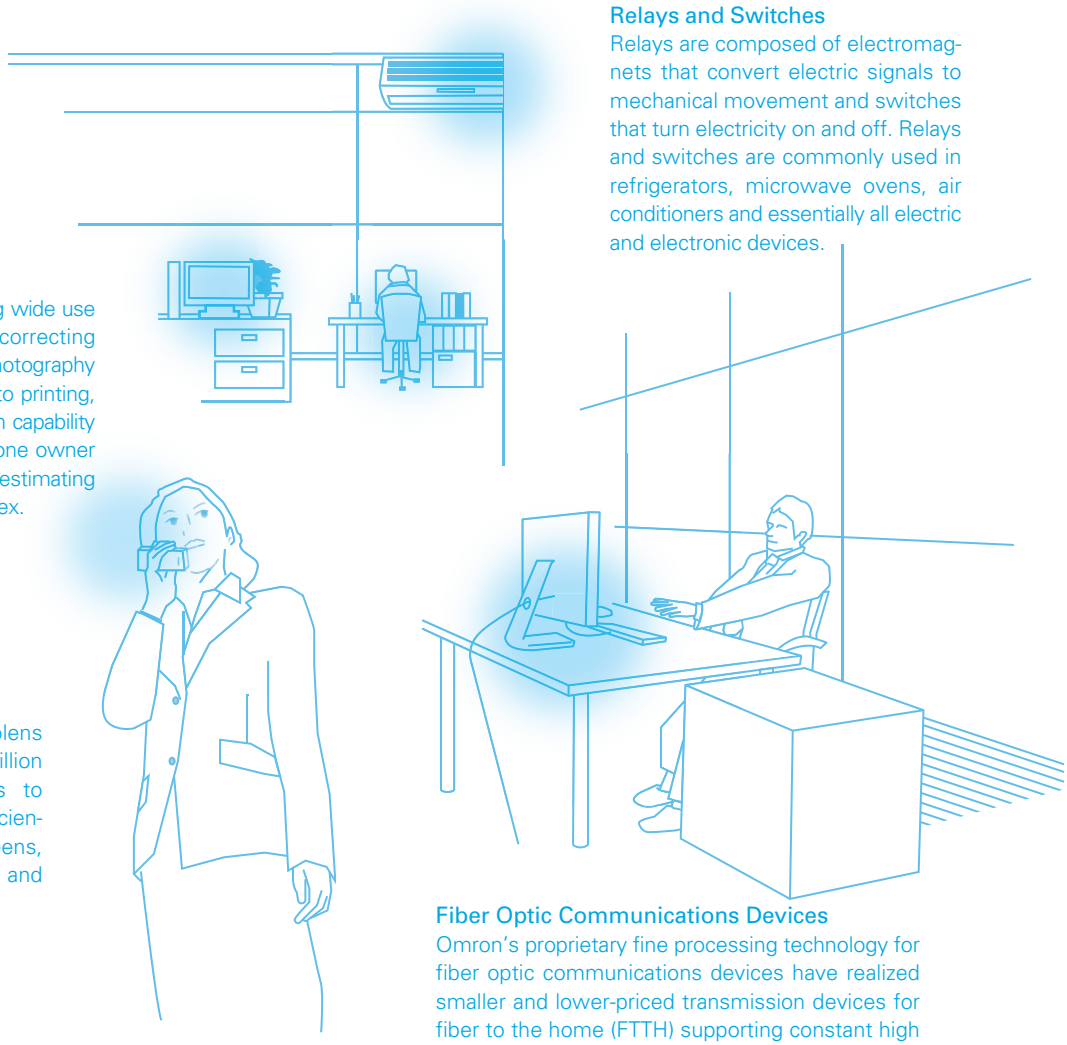
Electronics Components Business

Global No.1 supplier of small-sized LCD backlights and leading supplier of cutting-edge technology

ECB offers an integrated manufacturing system for electronic components for consumer appliances, telecommunications equipment, mobile devices, amusement devices, office automation (OA) and other equipment incorporating our proprietary semiconductors and a wide range of components including all types of relays, switches, connectors, sensors, and optical fiber communications. In particular, Omron is the global leader in the development of cutting-edge devices using MEMS technology, and holds top global market share in small-sized LCD backlights.



Relays and Switches

Relays are composed of electromagnets that convert electric signals to mechanical movement and switches that turn electricity on and off. Relays and switches are commonly used in refrigerators, microwave ovens, air conditioners and essentially all electric and electronic devices.

OKAO Vision

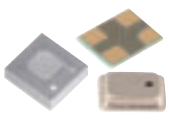
OKAO Vision is gaining wide use as a technology for correcting exposure in camera photography and brightness in photo printing, and its face recognition capability is used for mobile phone owner verification as well as estimating age and determining sex.

LCD Backlights

LCD backlights utilize microlens technology with several million micron-sized micro lenses to maximize light utilization efficiency to brighten display screens, such as on mobile phones, and reduce power consumption.

Fiber Optic Communications Devices

Omron's proprietary fine processing technology for fiber optic communications devices have realized smaller and lower-priced transmission devices for fiber to the home (FTTH) supporting constant high capacity, ultra-high speed network environments.


MEMS Microphones

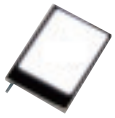

RF MEMS Switches


Combination Jogs


Touch Sensors


FPC Connectors


Surface Mount Switches


LCD Backlights


Optical Splitter Modules


Ultra Wideband (UWB) Antennas


Surface Mount High-frequency Receivers

AEC
AUTOMOTIVE ELECTRONIC COMPONENTS BUSINESS

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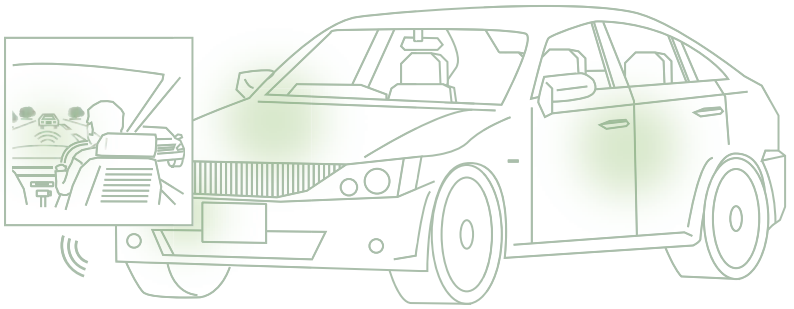
Electronic Components for Automobiles Business

Contributing to safe and comfortable automobiles worldwide

AEC is an active contributor to the rapidly advancing car electronics market in the drive to realize a safe and comfortable automotive society. The company conducts contracted design and development of all types of controllers, sensors, switches, relays, and new systems for automakers and electronics producers around the world. AEC provides the sensing and control technology for the future of auto manufacturing.



Smart Entry

Smart entry devices are portable, wireless transmitters enabling automatic locking and unlocking of doors, authorization for remote engine start-up, and other functions.

Laser Radars

Laser radars are a key step to realizing a "crashless car" and utilize highly sensitive wide-field laser radar to measure the distance between cars and detect potential obstacles, such as pedestrians and bicycles.

Laser Radars

Electric Power Steering Controllers

Automotive Relays

Smart Entry Systems

Power Window Switches

SSB
SOCIAL SYSTEMS BUSINESS

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Social Systems Business

Japan's No.1 supplier of railway infrastructure systems and creator of a wide variety of social systems

SSB provides a wide variety of systems to support social infrastructure centering on railway and traffic control systems. Recently, SSB has been a major contributor of IC card equipment for railway infrastructure systems building on its position as the top domestic supplier of automated ticket gates and ticket machines. The company has further expanded its business scope to contribute to the realization of a safe, secure, and comfortable society through innovative solutions utilizing image sensing and other technologies.

Train Station Solutions

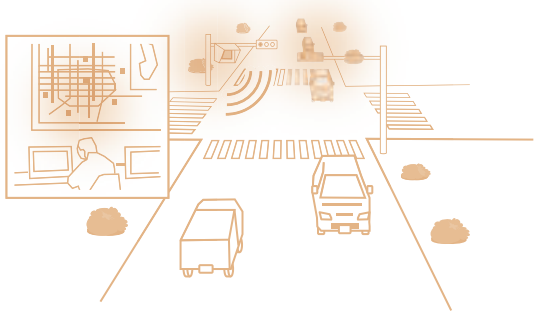
SSB solutions for railway stations enhance infrastructure system efficiency and support the development of new systems to enhance station safety, security, and functionality by gathering information via image sensing and other technologies monitoring the movement and characteristics of people inside stations and the surrounding facilities.

Road Traffic Control Systems

Automated Ticket Gates

Road Traffic Solutions

In addition to control systems for traffic volume and traffic conditions, SSB is developing next-generation traffic safety systems designed to prevent potential accidents by transmitting data on pedestrians, bicycles, and other objects collected by sensors to nearby vehicles.



HCB HEALTHCARE BUSINESS

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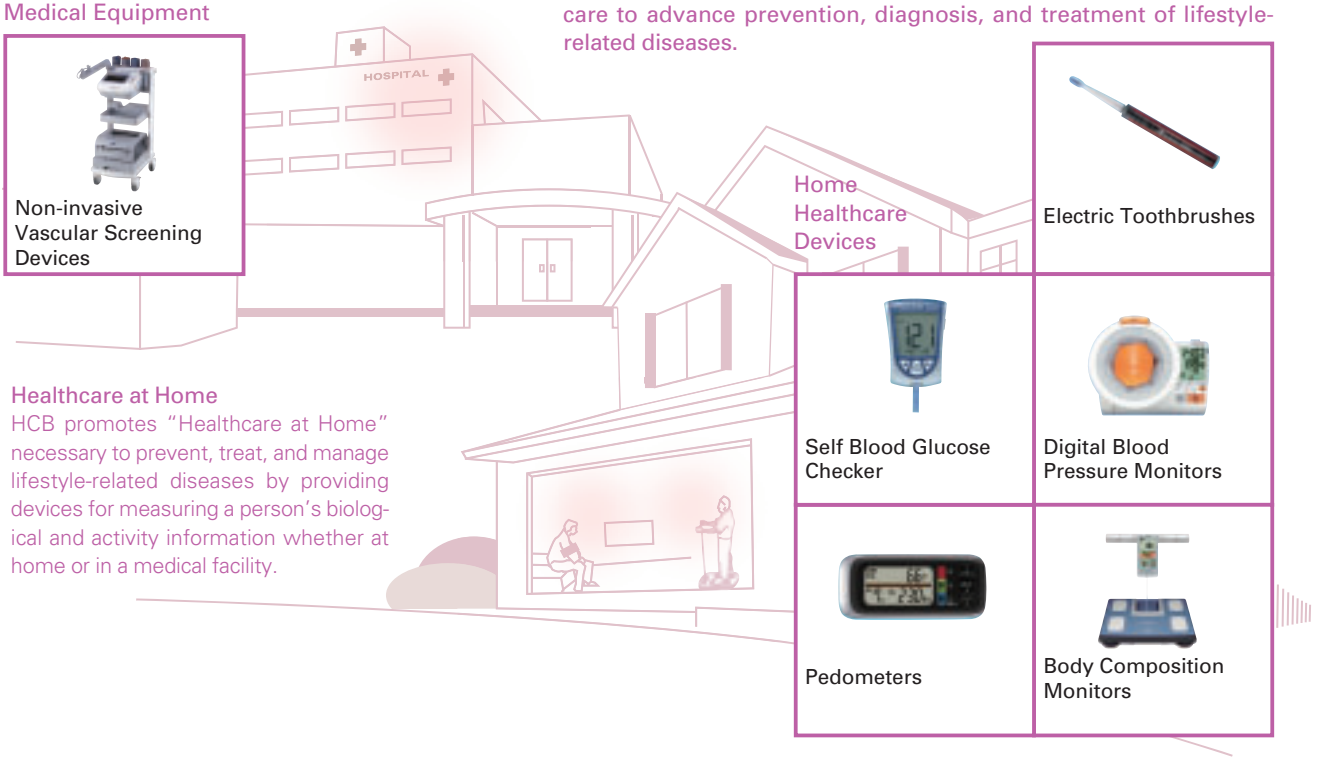
Health and Medical Equipment and Services Business

World's No.1 market share for digital home blood pressure monitors and numerous products in the medical prevention, treatment, and health improvement fields

HCB provides equipment and services worldwide for home healthcare monitoring and medical institutions to support the prevention, treatment, and health improvement fields. The company's digital home blood pressure monitors command top market shares at approximately 70% of the domestic and 50% of the global market. HCB's bio-information sensing technology has made it a leader in the home healthcare market and is pursuing the concept of home medical care to advance prevention, diagnosis, and treatment of lifestyle-related diseases.

Medical Equipment

Non-invasive Vascular Screening Devices



Home Healthcare Devices

Electric Toothbrushes

Self Blood Glucose Checker

Digital Blood Pressure Monitors

Pedometers

Body Composition Monitors

Healthcare at Home

HCB promotes "Healthcare at Home" necessary to prevent, treat, and manage lifestyle-related diseases by providing devices for measuring a person's biological and activity information whether at home or in a medical facility.

BUSINESS DEVELOPMENT GROUP AND OTHER BUSINESSES

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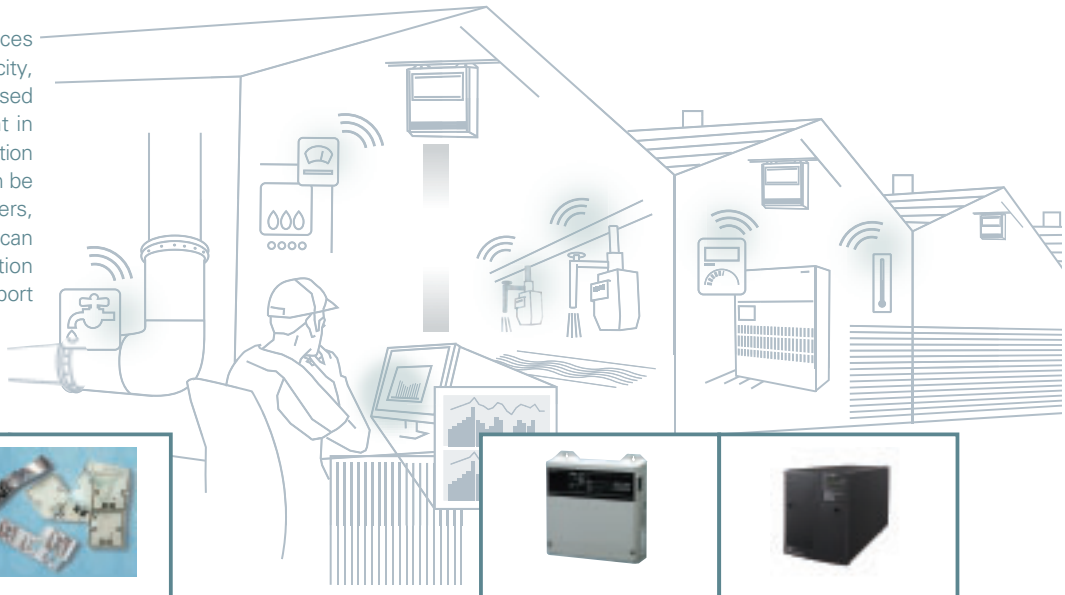
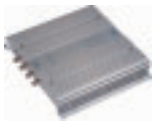
Seeking and fostering new business opportunities for Group growth strategies

The Other Business segment explores and develops new businesses outside the realm of the other five segments. The Business Development Group plays a part in the Omron Group's growth strategy, and is currently focusing on the RFID business and the remote energy monitoring service business.

Energy Monitoring Business

Wireless energy monitoring devices gauge the consumption of electricity, gas, water, and other resources used by a diverse range of equipment in factories and retail stores. Information is gathered in a database and can be transmitted to customer computers, mobile phones, and/or where it can be applied to energy conservation and cost reduction efforts to support operating efficiency.





UHF-band RFID Reader/Writers

UHF-band RFID Inlays

Remote Energy Monitoring Systems

Uninterruptible Power Supply Units

10-Year Financial Highlights

OMRON Corporation and Subsidiaries

Operating Income

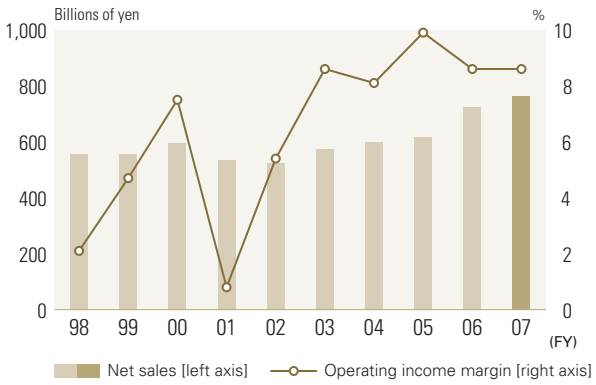
Omron applies "single step" presentation of income under US GAAP (i.e. the various levels of income are not presented) in its consolidated statements of income. For easier comparison to other companies, operating income is presented as gross profit less selling, general and administrative expenses, and research and development expenses.

Discontinued Operations

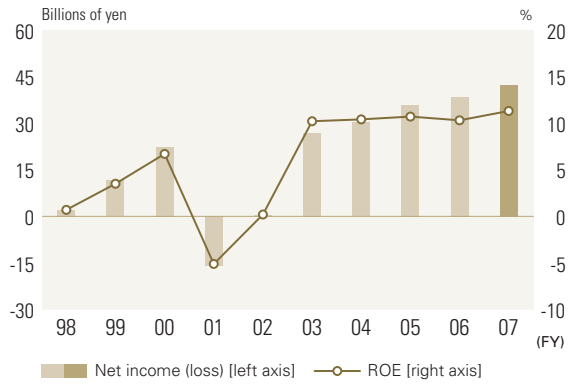
Figures for FY2002 onward have been restated to account for businesses discontinued in FY2007.

	FY2007	FY2006	FY2005	FY2004
Operating Results (for the year):				
Net sales	**¥ 762,985**	¥ 723,866	¥ 616,002	¥ 598,727
Gross profit	**293,342**	278,241	248,642	245,298
Selling, general and administrative expenses (excluding research and development expenses)	**176,569**	164,167	149,274	141,185
Research and development expenses	**51,520**	52,028	50,501	49,441
Operating income	**65,253**	62,046	60,782	54,672
EBITDA (note 3)	**101,596**	95,969	91,607	83,314
Net income (loss)	**42,383**	38,280	35,763	30,176
Cash Flows (for the year):				
Net cash provided by operating activities	**68,996**	40,539	51,699	61,076
Net cash used in investing activities	**(36,681)**	(47,075)	(43,020)	(36,050)
Free cash flow (note 4)	**32,315**	(6,536)	8,679	25,026
Net cash used in financing activities	**(34,481)**	(4,697)	(38,320)	(40,684)
Financial Position (at year-end):				
Total assets	**617,367**	630,337	589,061	585,429
Total interest-bearing liabilities	**19,809**	21,813	3,813	24,759
Total shareholders' equity	**368,502**	382,822	362,937	305,810
Per Share Data:				
Net income (basic)	**185.9**	165.0	151.1	126.5
Shareholders' equity	**1,662.3**	1,660.7	1,548.1	1,284.8
Cash dividends (note 5)	**42.0**	34.0	30.0	24.0
Ratios:				
Gross profit margin	**38.4%**	38.4%	40.4%	41.0%
Operating income margin	**8.6%**	8.6%	9.9%	9.1%
EBITDA margin	**13.3%**	13.3%	14.9%	13.9%
Return on shareholders' equity (ROE)	**11.3%**	10.3%	10.7%	10.4%
Ratio of shareholders' equity to total assets	**59.7%**	60.7%	61.6%	52.2%

Net Sales and Operating Income Margin



Net Income (Loss) and ROE

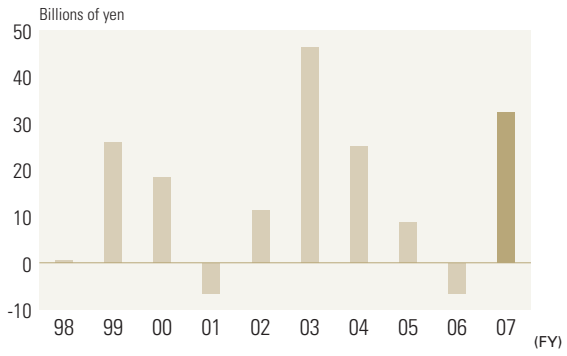


Notes: 1. U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate on March 31, 2008, of ¥100=$1.

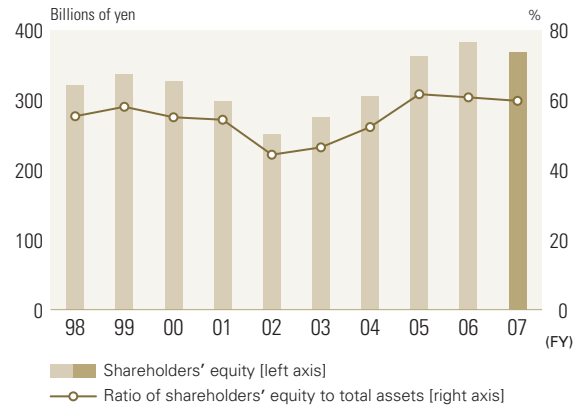
2. Profit or loss (excluding the balance of obligation settled) recognized on the transfer of employee pension fund liabilities in March 31, 2006 is not included in "cost of sales", "selling, general & administrative expenses" or "research and development expenses", to enable easy comparison with previous fiscal years. It is assumed that this profit or loss is allocated in one lump sum.

					Millions of yen	Thousands of U.S. dollars (note 1)
FY2003	FY2002	FY2001	FY2000	FY1999	FY1998	**FY2007**
¥ 575,157	¥ 522,535	¥ 533,964	¥ 594,259	¥ 555,358	¥ 555,280	**$ 7,629,850**
235,460	201,816	180,535	218,065	196,447	190,966	**2,933,420**
139,569	133,406	134,907	131,203	133,662	136,734	**1,765,690**
46,494	40,235	41,407	42,513	36,605	42,383	**515,200**
49,397	28,175	4,221	44,349	26,180	11,849	**652,530**
77,059	57,851	37,790	76,566	57,625	43,245	**1,015,960**
26,811	511	(15,773)	22,297	11,561	2,174	**423,830**
80,687	41,854	33,687	50,796	59,926	29,583	**689,960**
(34,484)	(30,633)	(40,121)	(32,365)	(34,180)	(29,011)	**(366,810)**
46,203	11,221	(6,434)	18,431	25,746	572	**323,150**
(28,119)	(1,996)	(12,056)	(24,582)	(23,785)	21,629	**(344,810)**
592,273	567,399	549,366	593,144	579,489	580,586	**6,173,670**
56,687	71,260	58,711	67,213	69,472	86,723	**198,090**
274,710	251,610	298,234	325,958	336,062	321,258	**3,685,020**
					Yen	U.S. dollars (note 1)
110.7	2.1	(63.5)	87.4	45.0	8.3	**1.86**
1,148.3	1,036.0	1,201.2	1,311.1	1,308.6	1,249.5	**16.62**
20.0	10.0	13.0	13.0	13.0	13.0	**0.42**
40.9%	38.6%	33.8%	36.7%	35.4%	34.4%	
8.6%	5.4%	0.8%	7.5%	4.7%	2.1%	
13.4%	11.1%	7.1%	12.9%	10.4%	7.8%	
10.2%	0.2%	(5.1%)	6.7%	3.5%	0.7%	
46.4%	44.3%	54.3%	55.0%	58.0%	55.3%	

Free Cash Flow



Shareholders' Equity and Ratio of Shareholders' Equity to Total Assets



3. EBITDA = Operating income + depreciation and amortization.
4. Free cash flow = Net cash provided by operating activities – net cash used in investing activities.
5. Cash dividends per share represent the amounts applicable to the respective year, including dividends to be paid after the end of the year.

To Our Stakeholders

Message from the Chairman

Omron celebrates the 75th anniversary of its founding in 2008. The company has seen its shares of peaks and valley since 1933, but has steadfastly maintained its dedication to raising corporate value through the best and worst of times thanks to the unswerving understanding and support of its stakeholders. The business environment is once again presenting a formidable challenge as we enter our fourth quarter century, yet we are eagerly advancing with renewed vigor for a new phase in our corporate development.

Contributing to realizing a global sustainable society

The Omron Group is guided by the management principle of "working for the benefit of society" which is comprised of the two elements inherent to our corporate DNA: "challenging ourselves to always do better" and "innovation driven by social needs". As we have applied these tenets, we have steadily evolved into a global corporation that currently sells 50% of its products, employs 66% of its employees, and maintains 44% of its shareholders outside of Japan.

The concept of corporate value has also evolved with the times and has grown beyond profitability, growth potential, and other aspects that make up economic value to also embrace corporate social value. I believe our corporate principles, characterized by our core value of working for the benefit of society set at Group's founding and reified in our corporate motto in 1959 as "At work for a better life, a better world for all", are common values held by stakeholders in all countries and regions.

As we look ahead to our 100th year, we are committed to continue applying and evolving our good corporate culture and the corporate DNA established at our founding as we earnestly seek to grow and develop into a corporate Group that contributes to realizing a global sustainable society.

Future-oriented management must be pursued even in rough times

While the pace of globalization is accelerating, spurred by the rapid rise of the BRICs and other developing nations, serious issues that call for the concerted efforts of the world, such as global warming, quickly rising prices for crude oil and other raw materials, and staple foods, as well as product safety, poverty, and human rights, have begun coming to light.

The SINIC (Seed-Innovation to Need-Impetus Cyclic Evolution) Theory created by Omron founder Kazuma Tateisi in 1970 predicted that an Optimization Society would emerge after the final stage of industrial society, and this prediction indeed appears to be coming true.

(Please see page 88 for further details on SINIC.)

The Omron Group has utilized the SINIC theory as a management compass and is already actively working on "innovation driven by social needs" in areas ranging from protecting the environment, saving and seeking alternative resources and energy, enhancing safety and security, and maintaining and improving people's health.

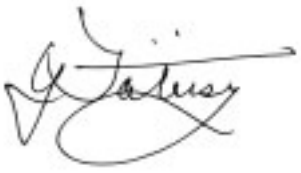
We see fiscal 2008, during which we anticipate increasing inflationary pressure on raw material and staple foods and various factors combining to produce deteriorating business conditions, as an opportunity to further strengthen our contact with customers and fully advance our "future-oriented management". For example, we can engage our principle of "innovation driven by social needs" with our MEMS and face authentication technologies to create new products, new production techniques, and new marketing methods that contribute to international society while also establishing firm foundation for future growth of Group earnings.

Aiming for the highest level of corporate governance

The newly appointed directors and myself are dedicated to applying the Corporate Principles in every facet of our operations and realizing the highest level of corporate governance based on the common values of our global enterprise.

As Omron enters its 75th year, I wish to express my sincere gratitude to all our stakeholders and request your ongoing support and understanding as the Omron Group lays the groundwork for future growth.

July 2008



Yoshio Tateisi, Chairman of the BOD

Message from the President

In fiscal year 2007, Omron once again set new record highs for sales, operating income, and net income and entered the final stage of our 10 year long-term corporate vision, "Grand Design 2010". Buoyed by our strong performance, we have raised our sales target to ¥1 trillion as we set an aggressive agenda for investment in growth and aim to maximize our corporate value over the long term.

In the 3rd Stage, we will return our focus to fortifying existing businesses

Omron is aiming to establish a business model to make us a major contributor to development of 21st Century society, and this is the essence of our goal to realize long-term maximization of corporate value as set forth in our long-term corporate vision, Grand Design 2010 (GD2010), to the year 2010. In the 2nd Stage of GD2010, covering fiscal years 2004 to 2007, we designated safety and security, health, and the environment as our focus areas for the social needs for the next 10 years and beyond.

Fiscal 2008 marks the start of the 3rd and final stage of GD2010, covering fiscal years 2008 to 2010. The 3rd Stage strategies center on fortifying the existing businesses selected in the 2nd Stage as our core business domains and laying the groundwork for several of our businesses to pursue the leading position in global markets. We are also continuing to foster new businesses with significant profit potential beyond the GD2010 plan period (Please see page 18 for details). In particular, we are planning major investment in the MEMS business, which is primed to debut after more than 20 years since we first began research in the technology. (Please see the Special Feature on page 20 for details). Our regional growth strategies will continue to focus on China.

Sixth consecutive year of record highs for sales, operating income, and net income in fiscal 2007

Boosted by contributions from newly acquired operations, a favorable yen rate, and the rise to profitability of the Automotive Electronic Components Business (AEC), Omron's earnings results in fiscal 2007 included 5.4% year on year growth in net sales to ¥763.0 billion and a 5.2% rise in operating income to ¥65.3 billion. Net income increased 10.7% to ¥42.3 billion, which was partially due to a capital gain from a business transfer. The results mark the sixth consecutive year of record highs for net sales, operating income, and net income. In addition, ROE amounted to 11.3% in fiscal

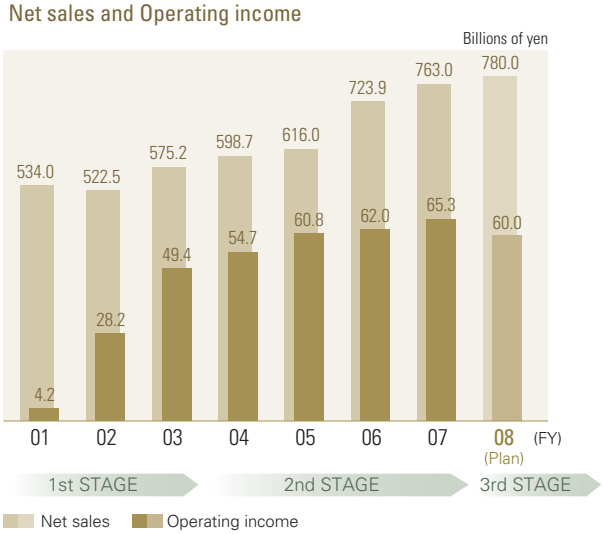
2007, as we achieved our 2nd Stage objective of maintaining ROE above 10%.

Despite the solid performance, we fell short of our 2nd Stage target of ¥75.0 billion in operating income. Our outlook assumed that the industry demand for products related to safety, security, and the environment would remain steady even amid a temporary lull in economic growth. However, the rapid deterioration of overall business conditions beginning in the third quarter diminished demand for these social needs.

Dividends were raised for the fifth straight term and the dividend payout ratio reached 23%

Our basic policy for shareholder return is to maintain a minimum dividend payout ratio of 20% of consolidated net income, and we accordingly distributed a ¥20 per share dividend at year-end. In addition, we added a commemorative dividend of ¥5 in celebration of the forthcoming 75th anniversary of the founding of Omron in May 2008, which raised the year-end dividend payment to ¥25 per share. In fiscal 2007, we paid total dividends of ¥42 per share, which is an ¥8 increase over the previous fiscal year and representing a 22.6% dividend payout ratio. (Please see page 19 for Omron's capital policy.)

Net sales and Operating income



Note: Fiscal year 2006 and previous year results have been revised to exclude contributions from the business that was discontinued in the first quarter of fiscal 2007 (the entertainment business of the Others business segment).

Fiscal 2008 is expected to result in a seventh year of sales growth while profits decline because of increased investment for growth

It is nearly impossible to predict how business conditions will develop in fiscal 2008, as we see no reason to expect the surge in raw material prices to abate and anticipate an increase in speculative investment. These combine with concern of the subprime loan crisis in the United States spurring a global economic recession and a rapidly weakening dollar to present a triple threat to the business environment.

Amid the increasingly severe business climate, we expect full-year contributions from previous-year business acquisitions to support a 2.2% year on year growth in sales to ¥780.0 billion in fiscal 2008, enabling us to achieve seven consecutive years of rising sales. However, our investment focus during the year will be on fortifying our foundation for growth rather than on securing profits for a single term. Our aggressive plans for capital investment and R&D spending coupled with our depreciation expenses are expected to increase our cost burden by about ¥11.0 billion. (Please see page 18 for details of Omron's capital expenditures.) We also anticipate an approximately ¥8.0 billion impact from a weaker dollar and general conditions in the foreign currency exchange market.

As a result, we expect the first decline in income in seven years in fiscal 2008, with operating income decrease 8.1% to ¥60.0 billion and net income declining 13.9% to ¥36.5 billion.

Striving to be a ¥1 trillion-sales corporation

Omron transformed into a true global corporation during the four years of the 2nd Stage of GD2010 as our overseas sales more than doubled to exceed domestic sales for the first time in our history. In the 3rd Stage, I would like to crown this achievement by fulfilling our vision of attaining ¥1 trillion in net sales and ¥95-100 billion in operating income with an operating income margin near 10%.

I hope that our shareholders have high expectations for Omron's future, and I look forward to your ongoing support and cooperation through the year ahead.

July 2008

Hisao Sakuta

Hisao Sakuta, President and CEO

Interview with the President

Q **The company posted record highs in sales, operating income, and net profit for the sixth consecutive year in fiscal 2007. How do you view the performance in terms of the GD2010 targets?**

A I think it is important to state at the start that we understand that our forecasts were overly ambitious and I would like to apologize for not reaching our 2nd- stage goal. It is my hope that our shareholders will recognize the significant advances we made during the year, which I will discuss below, and continue to support our ongoing efforts.

2nd Stage Targets and Results

We fell slightly short of our targets, yet I believe our achievement of an EPS of ¥185 is significant.

Encouraged by the greater-than-expected progress of our structural reform in fiscal 2006, the third year of the 2nd Stage, and anticipating M&A effects, at the start of fiscal 2007 we raised our net sales target for the 2nd Stage's final year from ¥750 billion to ¥800 billion and aimed to generate more than ¥75 billion in operating income. However, deteriorating business conditions in the second half of fiscal 2007 caused a sudden slowdown in our business momentum resulting in net sales of ¥763.0 billion and operating income of ¥65.3 billion for the year.

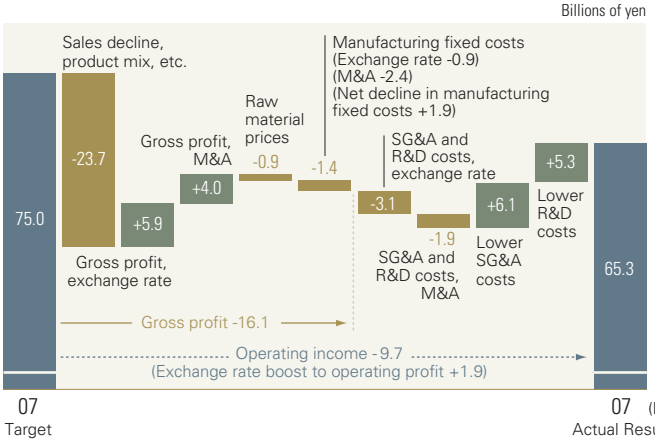
In reviewing performance for the year, the largest factor weighing on our results was the combined ¥15.4 billion operating income shortfall for the Industrial Automation Business (IAB) and Electronic Components Business (ECB). IAB was only able to generate a 2.3% rise in domestic sales, well short of the 7.2% target for growth. ECB performance suffered from a stagnating LCD backlight market and declining sales of the high-margin amusement devices.

IAB domestic sales were supported by strong fundamental demand for safety, security and environmental products, but we were slow to respond to the market with new product proposals while the situation was further exacerbated by a worsening business climate. In particular, we were also unprepared for the weakening demand for capital investment in the second half of the year.

At the same time, although the business conditions were anything but favorable, we steadily raised both sales and profit in each of the four years of the 2nd Stage and increased EPS from ¥110 to ¥185.

In the 2nd stage, we selected our businesses and established a revenue structure that is stronger than it appears. Our main objective going forward is to continue steadily progressing with the GD2010 Plan.

FY2007 Operating Income: Target vs. Actual Result



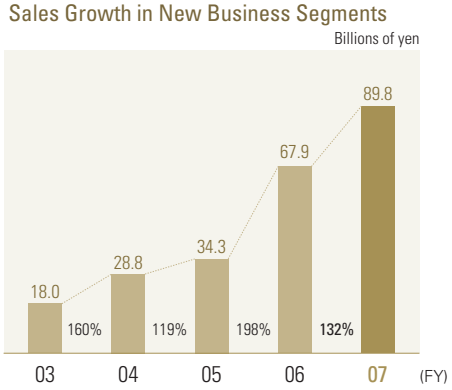
Overview of the 2nd Stage of GD2010

Progress in two growth strategies and operating structure reform

We committed in the 2nd stage to advancing two growth strategies and to a sweeping reform of our operating structure to fortify our earning structure.

The growth strategies aimed at achieving sales expansion in new business segments and in Greater China. The operating structure reform sought to realize an earning structure of 40% gross profit margin, a 30% SG&A expense ratio (including an 8% R&D expense ratio), and a 10% operating income margin. Specifically, we planned to shift production to Greater China and enhance productivity through plant consolidation while revising our business portfolio with a priority on efficiency.

Sales Growth in New Business Segments



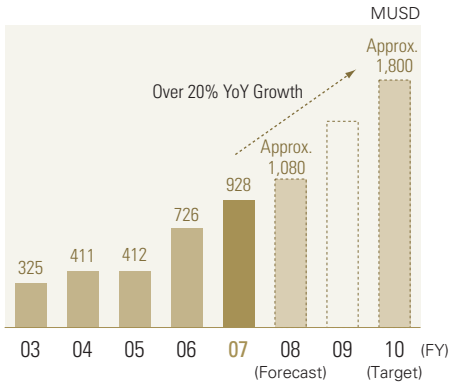
In new business segments, the LCD backlight business struggled more than anticipated

Our first growth target in new business segment was to raise new business sales from ¥18.0 billion in fiscal 2003 by ¥50.0 billion, excluding M&A contributions, to ¥68.0 billion. Encouraged by aggressive M&A moves, we subsequently revised the target upward to ¥100.0 billion including the M&A contributions. Ultimately, however, we achieved new business sales of ¥89.8 billion, which was approximately ¥10.0 billion short of the new target. The primary reason for the shortfall was the unexpectedly sluggish sales of small- and large- sized LCD backlights after substantially increasing our profile in LCD backlights through M&A.

IAB is focusing on Greater China and aiming to raise sales by over 20%

China, being both the "world's factory" and the world's largest "consumer nation", is a very promising market for the group, and we set a sales target of US$1,330 million, quadruple our fiscal 2003 sales in Greater China. Our actual result for the year, however, was $928 million, or $402 million short of the target. Our expectations for the Greater China market are unchanged. The underperformance was largely due to difficulties establishing the IAB marketing structure, including our training of local staff, as well as the sluggish business conditions in the LCD backlight industry, for which, as with many other new business fields, the majority of manufacturing and sales operations takes place in the region. IAB is our core revenue generator, and we will continue forging its marketing structure to maintain our goal of raising Greater China sales by over 20% with a fiscal 2010 target of US$1,800 million.

Sales Growth in Greater China



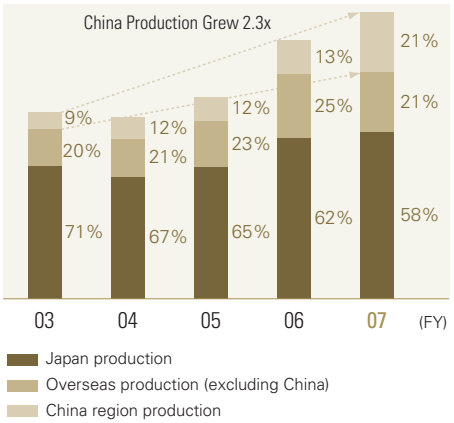
SG&A ratio reduced, business restructuring advanced more than is apparent

Our business restructuring measures were unable to keep pace with changes in the business environment in fiscal 2007, and our operating income margin was 8.6%, the same level as before the start of the 2nd stage. Difficulties securing profits amid rising raw material costs and downward pressure on product prices undoubtedly contributed to this result. However, the biggest factor was the less-than-expected growth in sales which occurred despite tangible progress in various areas, such as structural reform of our manufacturing operations, and which prevented improvement in earnings indicators.

Manufacturing operation reform progressed through factory consolidation and the shift to Greater China

Amid the adverse business conditions, we continued implementing the reforms to our manufacturing operation outlined in the 2nd Stage plan and shifted production operations to Greater China. We also implemented large-scale restructuring of our domestic plants. In the core IAB company, we consolidated three plants into a single plant in Shanghai, China, and moved the development and production functions of the Mishima and Okayama plants onto the Kusatsu Plant site. Extensive reorganization of the manufacturing operations at the China plant has positioned it as the primary producer of IAB general-purpose products and increased our production capacity in Greater China by 2.3 times the level in fiscal 2003. Fulfillment of these measures in fiscal 2007 has greatly contributed to the improvement of the Group's overall manufacturing operations.

Steady Progress in the Production Shift to the China Region



We also reorganized the production processes for our relays (electrical circuit switches), which represent large percentages of the total sales of each of IAB, ECB, and AEC. To establish a more effective development system for high-value-added products, we set up an intracompany Relay Business Improvement Project and eliminated overlapping entities within the Group.

We also took measures to revise our business portfolio by following up the transfer of the SSB ATM business to Hitachi-Omron Terminal Solutions, Corp. (in which Omron holds a 45% stake) with a further concentration of the SSB core business including reorganizing its business processes and fortifying its solutions development capability. These efforts helped SSB improve its operating income margin to 8.3%, exceeding our target and marking a significant improvement on the 5.6% in fiscal 2004.

Efforts to revise our operating structure will not be limited to the 2nd stage period but will continue as necessary to improve performance to maintain our competitiveness and respond to changes in business conditions. We will endeavor to apply value analysis (VA) and value engineering (VE) on every level and across the board.

Q **The GD2010 3rd Stage drive to strengthen existing businesses is based on a strategic shift to position the company to become the top global company in its field. What are the specific points of this strategy?**

A

Strengthen existing businesses to provide steady income growth

The main strategy in the 3rd stage is to implement aggressive measures to establish prominent positions in the global markets for our core businesses, which have the greatest influence on our short- and medium- term performance.

In the IAB, the focus will be on strengthening high-value-added businesses in equipment and solutions services, mainly in the safety equipment*1, quality lifecycle management (QLM)*2, and micro programmable logic controller (PLC)*3 businesses. The ECB strategy centers on the LCD backlight business and promotes development and launch of slimmer as well as mid- size products along with a revision of production processes. AEC will seek to maintain and promote strong sales growth for its electric power steering controllers, which have received high acclaim for improving automobile fuel efficiency and are attracting increasing demand, and to improve the efficiency of its development and production systems. SSB will strengthen its safety and security equipment lines for the railway and traffic control fields. The HCB strategy is to introduce new blood pressure monitoring equipment and to expand the sale of its body composition monitor products on a global scale.

In addition, we will implement a group-wide project to accelerate the establishment of globally integrated purchasing and highly efficient R&D processes for our relay technologies.

*1 The Safety Equipment Business manufactures and markets control devices and provides consulting services to support safety for workers, equipment, and devices at the plant site.

*2 QLM Business provides equipment enabling quality testing equal to expert professionals, which it complements with a solutions business to support efficient and effective quality improvement and quality control.

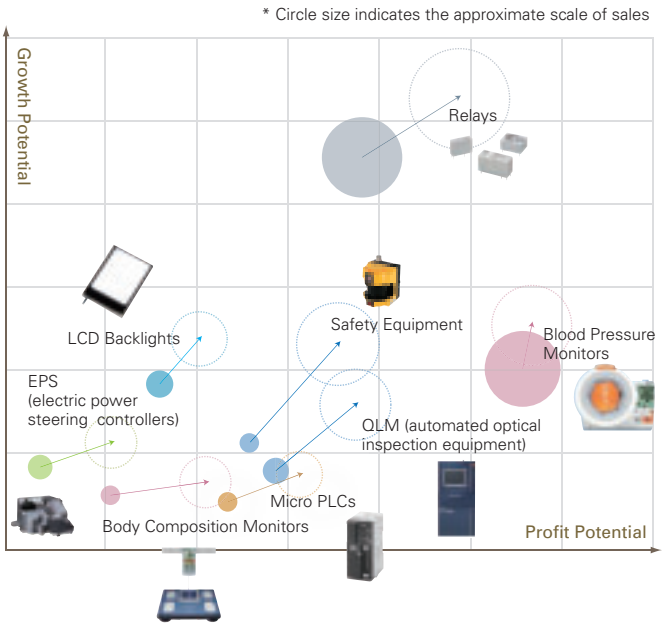
*3 PLCs are intelligent control devices used in production processes. PLCs control equipment by processing information from various control components such as sensors, timers, temperature regulators and switches.

Our objective is to achieve balance between business units and secure a 10% operating income margin

Given the varying levels of profitability of each business segment, it may seem more prudent to focus our efforts on the high-profit segments. However, the vast scope of our businesses—spanning some 120 business units—means that numerous business opportunities exist across the Group, and we believe our most effective approach will be to integrate the operations and maximize business synergy effects. Rather than following strict business classifications for our business segments, we are approaching the individual business units from the product portfolio management (PPM), product life-cycle, and other perspectives with the aim of realizing an overall balance for the Omron Group and a target of a 10% operating income margin.

The top priority in the 3rd stage is to strengthen our existing businesses.

Strategic Shift for Attaining Top Global Position



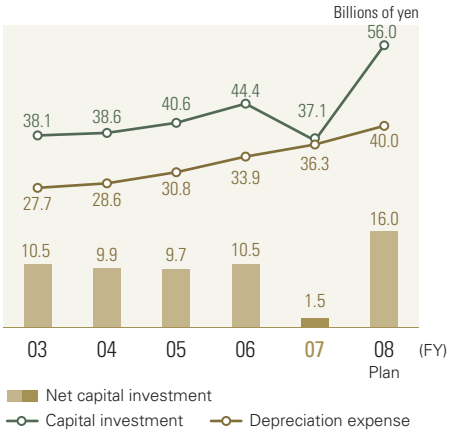
Q What is your vision for business growth and your investment plan for beyond GD2010?

A Capital investment will increase by 50% in fiscal 2008.

The 3rd Stage of the GD2010 Plan will focus on strengthening our existing businesses and on building new businesses through aggressive capital investment and R&D investment anticipating the social needs for safety and security, health, and the environment.

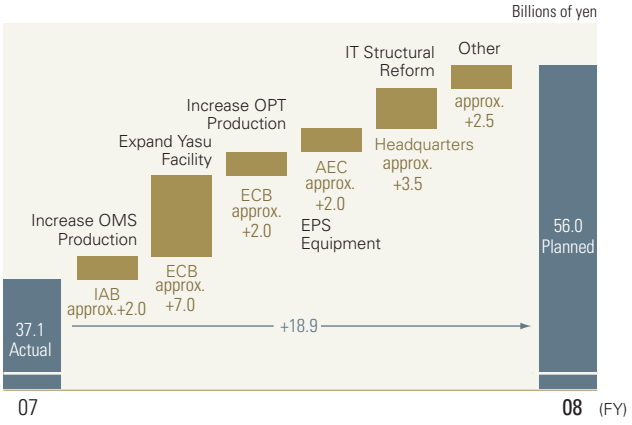
In the first year of the 3rd Stage, we plan to raise capital investment by a substantial ¥18.9 billion from fiscal 2007 to ¥56.0 billion in fiscal 2008 and to increase our R&D budget by ¥5.5 billion to ¥57.0 billion. In sum, we plan to increase our costs related to growth investments, including higher depreciation costs and R&D spending, by approximately ¥11.0 billion.

Capital Investment and Depreciation Expense



Strengthen existing business and aggressively invest for long-term growth.

Capital Investment Increase



Major investment planned for the MEMS business

The biggest increase in the capital investment planned for fiscal 2008 will be for the ECB micro electro mechanical systems (MEMS) business. We have allotted ¥7.0 billion to increase our MEMS production capacity, centered on constructing a new MEMS plant at the Yasu Factory site. We will continue to aggressively invest in MEMS in fiscal 2009.

(Please see the Special Feature on MEMS on page 20.)

Our second focus of capital investment, ¥3.5 billion, will be on IT to add speed to our management and operations.

ECB will invest ¥2.0 billion to expand its production facilities to support development of mid-size products for the LCD backlight business. Capital investment in IAB and AEC will aim at fortifying and expanding production, in IAB for general-purpose products in China and in AEC for electric power steering controllers.

We are also increasing R&D investment for future business growth in the areas of safety and security, health, and the environment.

(Please see Table below.)

New Business Expansion: 3rd Stage Strategies for New Growth

Business Category		Main Projects	Action Plan
Safety and Security	Industrial	Laser Precision Processing	Promote OLFT Acquisition effect
		MEMS	Promote MEMS microphones, strengthen OMRON Semiconductors product development and production capability
	Social	Face Recognition Systems	Strengthen face recognition and search technology
		Social Sensors	Identify needs, strengthen technology and product development
Health		Internet Health Care	Develop products for the Internet
Environment and Energy		Electric Power Gauges	Develop high precision electric power gauge technology
		Solar Power Conditioners	Develop core technologies

Q **The company forecasts a profit decline in fiscal 2008. How will this affect shareholder return and what is the company's policy going forward?**

A We will seek to fulfill shareholder expectations for both performance and business stability

We intend to maintain our dividend payments and share buyback programs each term as our business performance allows. At the same time, Omron is still evolving and developing as a company, and we believe our priority should be placed on capital investment and R&D spending to strengthen our ability to grow. Our policy is to maintain a minimum 20% dividend payout ratio and 2% dividend on equity (DOE) ratio.

In fiscal 2007, we paid an annual dividend of ¥42 per share, including a ¥5 commemorative dividend for the 75th anniversary of our founding, representing an increase of ¥8 over the previous fiscal year, a 23% dividend payout ratio and 2.5% DOE. The ordinary dividend (excluding the ¥5 commemorative dividend) was ¥37, representing an increase of ¥3 over the previous fiscal year, a 20% dividend pay out ratio, and 2.2% DOE.

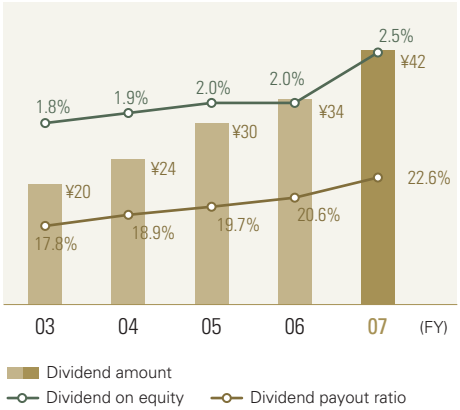
While we anticipate a decline in income in fiscal 2008, our forecast is primarily based on our increased spending for business growth and the temporary affects of the uncertain business environment. We fully expect to reestablish our strong record for shareholder return in fiscal 2008 and beyond.

Our policy is to proactively retire treasury stock above a set percentage of total stock

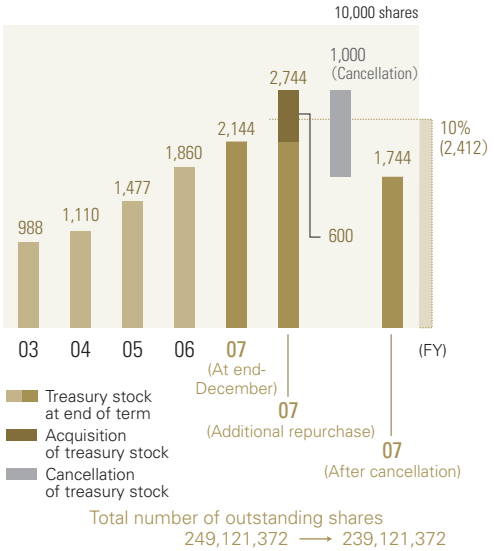
We will continue repurchasing shares to raise capital efficiency and enhance shareholder return. In principle, repurchasing company shares enhances shareholder return when the treasury stock is cancelled, not by holding on to the shares. Our fundamental policy is to retire treasury stock that represents more than 10% of the total number of outstanding shares. In line with this policy, we bought back six million shares at a price of about ¥13.5 billion during February and March and retired 10 million shares at the end of the fiscal 2008. We are fully aware of the expectations of our shareholders, and will continue to apply available cash assets to proactively raise dividends and repurchase shares.

We will continue steadily producing shareholder return in fiscal 2008 and beyond

Dividends and Dividend Payout Ratio



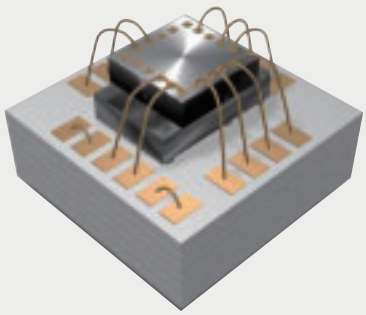
Treasury Stock Holdings



Total number of outstanding shares
249,121,372 ⟶ 239,121,372

“Beyond the Semiconductor”

Omron takes the lead to control the MEMS market.



Under the banner “Beyond the Semiconductor”, Omron launched the first 8-inch MEMS (micro electro mechanical systems) production line in Japan capable of comprehensively producing semiconductors perfectly suited for mass production and chips integrated with MEMS. We have focused our development on high value-added MEMS that are beyond the process capabilities of semiconductor manufacturers and component makers on their own. We are also integrating our original MEMS into our wide array of components and modules as we seek to further raise the high value-added features of all our product lines.

Michinao Maeba
General Manager, Sales Department
Microdevice Division,
Semiconductor Division Headquarters

MEMS

MEMS: Micro Electro Mechanical Systems

MEMS are ultra-small scale electrical mechanical systems. The MEMS scale has shrunk from the micrometer level (1 millionth of a meter), which is currently used in devices, to the molecular level of nanometers (1 billionth of a meter).

MEMS are essential components enabling the technological enhancement and miniaturization of most common electronic devices, from mobile phones to computers and digital electronics, allowing them to become smaller, thinner, and consume less energy while making them functional in ways that simply were not possible before.

Smaller for higher performance

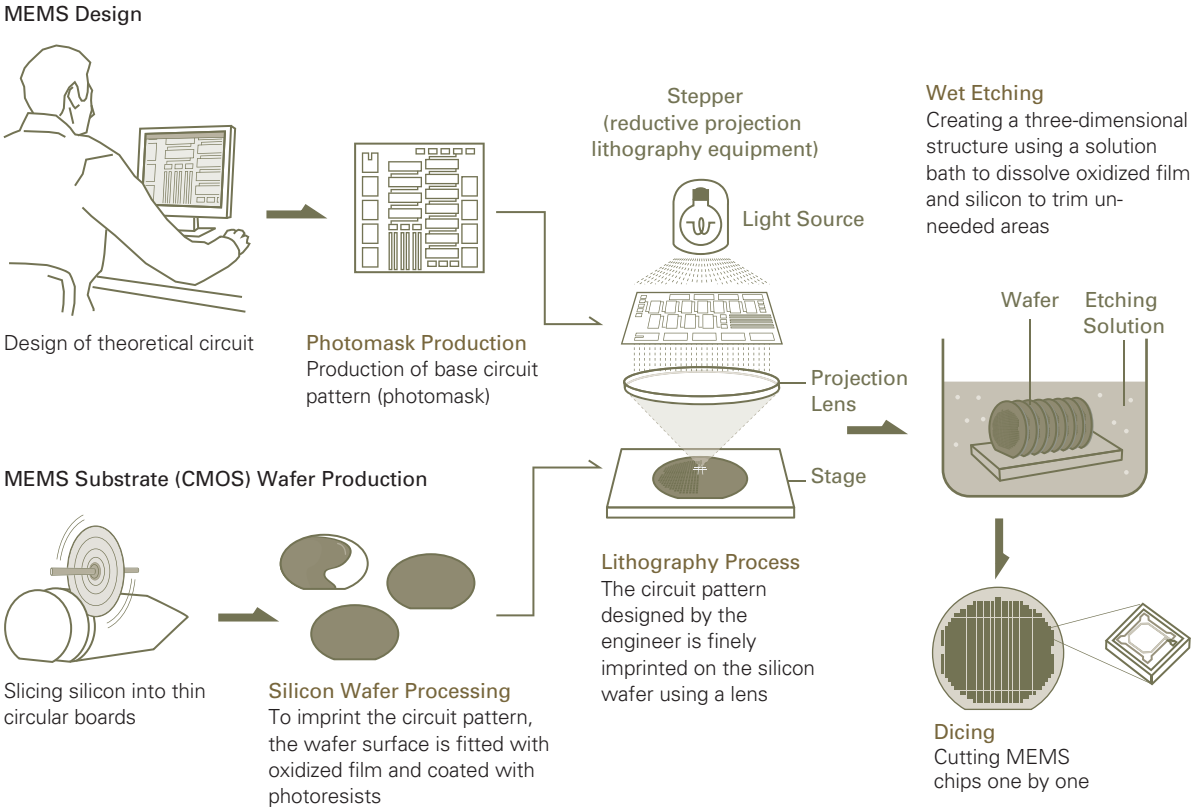
While it is generally believed that smallness is achieved at the cost of performance, for MEMS it is the opposite. Our efforts to bring MEMS sensors down to the nanotechnology level is not just to facilitate smaller and lighter electronic devices but to realize higher sensitivity and higher response speeds. In sensors, for example, MEMS enables higher and faster responsivity. For sensors measuring physical quantity by the flexibility of thin sheets, thin sensors enable more accurate detection of physical quantity because of their flexibility, and for sensors measuring fluctuations in heat conduction, ultra-small areas enable quicker detection (see chart below).

MEMS mass production using semiconductor manufacturing technology

Three-dimensional structures with sensing functions are built into MEMS via repeated coating, lithography, and etching, like the semiconductor production process charted below.

MEMS chips can be mass produced by creating a three-dimensional structure through a process of applying photoresists over a silicon wafer, using irradiation to transfer the design structure en masse, and filing off unnecessary residue.

MEMS Production Process Overview



MEMS Market Trend

Accelerated growth after fiscal 2010 reaching a ¥2.4 trillion domestic market

Data from the nonprofit foundation Micromachine Center estimates the MEMS market in Japan was a ¥440 billion industry in fiscal 2005, and profitable MEMS were relatively limited. Since then, however, image processors in digital cameras that correct image blurring due to hand jiggle, mobile phones with face recognition functions, and other portable devices with built-in sensors have become increasingly common. Acceleration sensors are used for GPS functions, which are rapidly becoming standard in products ranging from automobiles to mobile phones, and are essential components in increasingly popular game equipment that feature motion-sensitive controllers. The applications for MEMS sensors are expanding rapidly in manufacturing machinery, telecommunications, home electronics, entertainment systems, automobiles, transportation systems, biotechnology and medical devices and for environmental preservation, energy conservation, and crime and disaster prevention.

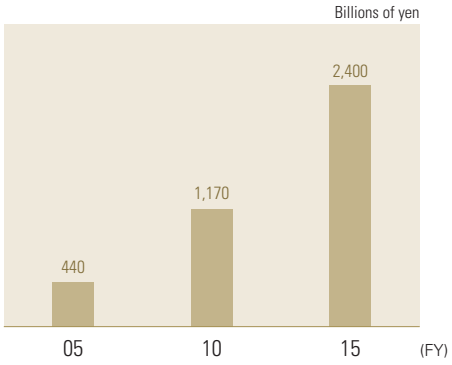
The Micromachine Center forecasts massive growth in the domestic MEMS market to ¥1.17 trillion in fiscal 2010 and ¥2.4 trillion in fiscal 2015. MEMS applications are expected to continue increasing until they are ubiquitous in essentially every product industry.

First in becomes the winner

While the long-term prospects for the MEMS market are substantial, current conditions are quite severe. The development speed of MEMS technology must keep pace with the rapid evolution of electronics devices featuring new functions. Being the first to develop and supply the MEMS chip when a new application is developed and meeting the customer's (user's) design specifications creates an immeasurable competitive advantage. From a different perspective, the reality is that falling behind in development and being late releasing even a somewhat better performing product would not recoup the capital investment. Time really is money in the MEMS industry, and the first to arrive will be the industry winner.

Be the first to identify client needs, assess the profit potential, swiftly develop a prototype product, and show that you are capable of stable mass production—these are the fundamental conditions required to emerge a victor in the MEMS market.

Japan MEMS Market Growth Forecast



Omron's Strengths

1) MEMS pioneer in Japan with technology cultivated over more than 20 years

Omron has been developing MEMS for more than 20 years since we first introduced the MEMS manufacturing concept for applications in semiconductor production technology in Japan in the late 1980s. We began mass production in 1996 of pressure sensors*1 for portable blood pressure monitors and acceleration sensors*2 for automobile antilock brake systems. We have since expanded to a wide range of products, such as pressure sensors for gas meters.

*1 Pressure sensor: measure pressures changes in a gas or liquid.
*2 Acceleration sensor: gauges displacement using a spring-loaded weight.

2) In-depth contact with diverse users

Success in the MEMS industry requires more than technical capability; the ability to gather and assimilate information is crucial. As a MEMS developer and manufacturer, Omron is unparalleled in its ability to work closely with customers to ascertain their needs and provide components for industrial instruments, home electronics, automobiles, social infrastructure instruments, medical equipment, and multitude of other devices. This gives us first-mover advantage.

3) Integrated production from proprietary semiconductors to components at the Yasu Facility

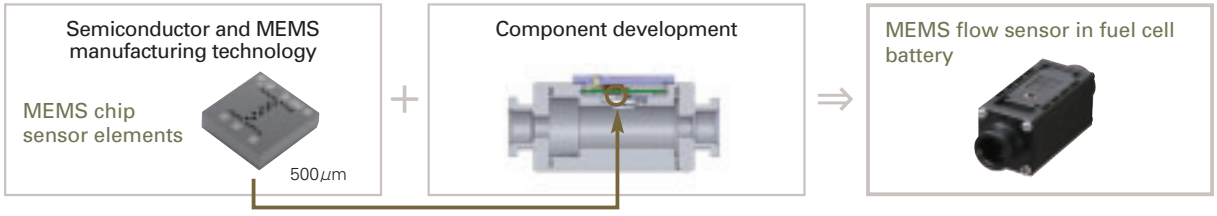
In April 2007, Omron acquired the CMOS* production assets (Yasu Facility) of Seiko Epson, and in April 2008 completed Japan's first 8-inch MEMS mass production line. In addition, unlike rival makers that are limited to commission manufacturing at dedicated semiconductor makers or that procure semiconductors from external sources to develop and supply components, we not only develop components but are also fully equipped for integrated production of components using exclusive MEMS semiconductors.

* Complementary Metal Oxide Semiconductors (CMOS): feature low power consumption and simple construction. CMOS are the most widely used type of semiconductors in integrated circuits (IC) and large-scale integration (LSI) for digital instruments.

4) Eight-inch MEMS line offers low unit cost and high-speed mass production

Omron, which has been a producer of 5-inch MEMS line, in fiscal 2008 began accelerating its shift to 8-inch MEMS production line to increase productivity and lower manufacturing unit costs. The shift allows higher chip yield from a single wafer. In addition, the introduction of a high-speed flow control system at the Yasu Facility production line has enhanced our ability to provide quick delivery and mass production while meeting high precision specifications and lowering unit costs. Quick delivery and stable mass production capabilities is essential for component suppliers to high-volume industries such as mobile phones, and the first 8-inch MEMS production line in Japan gives Omron a distinct advantage.

Integrated manufacture from semiconductor to component (Example: MEMS flow sensor in fuel cell battery)



5) Reinforcing our global standard surface micromachining know-how

The acquisition of the semiconductor manufacturing assets of the Yasu Facility has enabled Omron to complement and reinforce its surface micromachining technology.

There are two types of MEMS manufacturing processes depending on whether etching is necessary on the silicon substrate. Surface micromachining is common with IC and LSI chips with flat surfaces; it entails few processes and etching only on the coating materials, and thus features lower cost. Bulk micromachining entails etching directly on the silicon substrate as well as on the coating materials and permits greater design flexibility with three-dimensional chip structures.

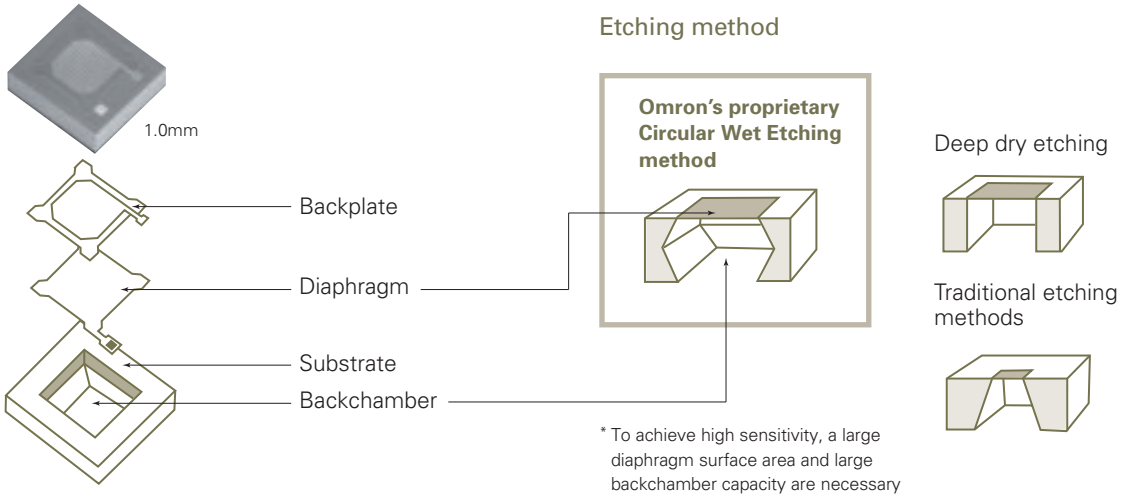
Omron has cultivated its specialty in bulk micromachining processing technologies for deep lengthwise etching, and the addition of the Yasu Facility enables the company to meet the complete needs of the MEMS market by adding the equipment and know-how for surface micromachining, which is more common overseas. By offering manufacturing capability in both types of machining processes, Omron now has a springboard for developing global supply operations.

6) Patented manufacturing techniques, including circular wet etching

Omron also features a variety of patented manufacturing techniques. One of our unique processes is our circular wet etching method, which is used to produce the recently developed world's smallest microphone chip.

Microphone chips are three-layer structures with a diaphragm over a cavity in the backchamber*1. When the diaphragm vibrates in response to sound pressure, the vibration is converted into an electrical signal, which is then transmitted externally. In the manufacturing process, during the surface processing of the silicon substrate, circular wet etching is used to create the rhombus-shaped cavity in the backchamber. This process technique enables a larger diaphragm for acoustic sensitivity as well as increased capacity in the backchamber, which improves acoustic sensitivity. The process was also a key element in the successful creation of a highly sensitive, world's smallest microphone chip. In addition, because it is a wet etching process*2, several dozen chips can be dipped together in the solution bath*3 to clear away residue, thereby supporting rapid mass production and making it less costly than dry etching methods*4, which require each chip to be exposed to a gas chemical reaction individually when making the chip structure.

Production of World's Smallest MEMS Microphone Chip and Omron's Proprietary Etching Method



*1 Backchamber: cavity over which the diaphragm is placed to allow the diaphragm to vibrate unobstructed in response to sound pressure.
*2 Wet etching: method of chip construction utilizing chemical liquids with corrosive properties to dissolve metals, semiconductor materials or other substances.
*3 Solution bath: contains chemical liquids to dissolve oxidized film or silicon in the chip configuration process.
*4 Dry etching: method of chip construction utilizing ion or other element chemical reactions instead of chemical liquids.

Omron's MEMS Business Plan

Mass production of four new products in fiscal 2008

We plan to enter four new products into mass production in fiscal 2008. These are 1) the world's smallest, thinnest, and highest sensitivity MEMS microphone chip, 2) an RF MEMS switch*1 for semiconductor testers and high frequency meters capable of over 100 million on-off switches, 3) a thermal sensor for microwave ovens and security equipment, and 4) a combination sensor combining flow and pressure sensors.

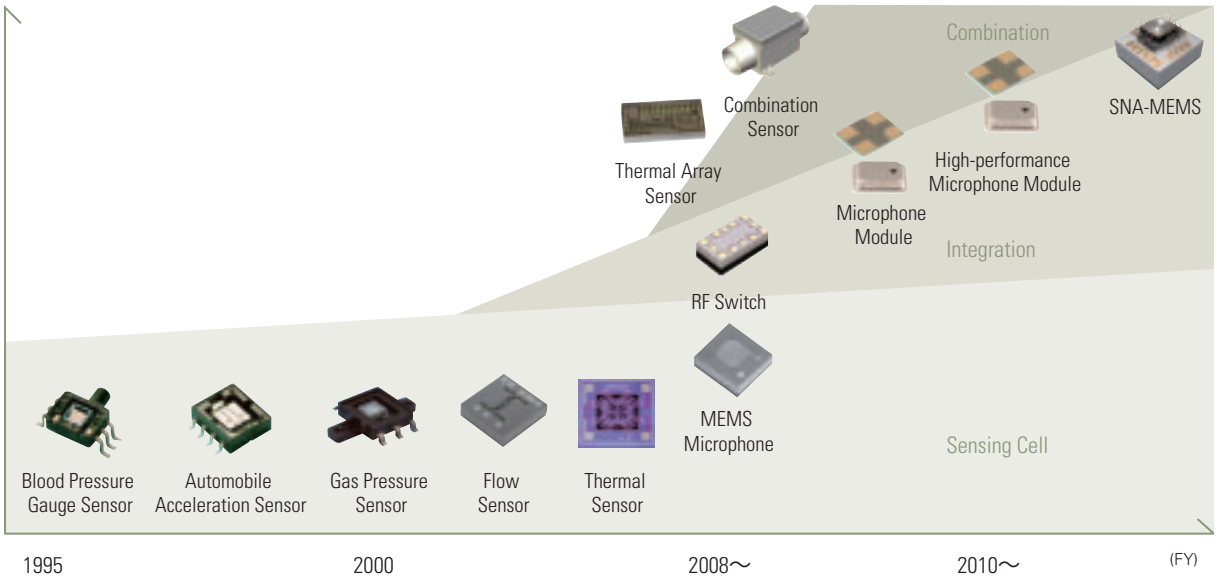
*1 RF (radio frequency) MEMS switch: routes radio frequency signals.

We will also add several high value-added products in the near future, including a thermal array sensor that features multiple microscopic sensors aligned as one and the high-performance microphone module, a composite component with amplifier circuitry and sound distinguishing software.

Omron is also currently seeking to develop a SNA-MEMS chip the size of a grain of sand mounting a wide variety of functions on silicon coupled with an ASIC*2 for function control, utilizing its MEMS technology that can respond to dozens of nanosize particles.

*2 ASIC (application-specific integrated circuit): semiconductor customized for a specific use

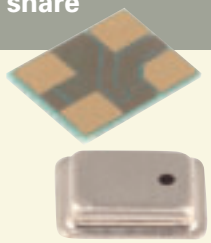
MEMS Products



MEMS Scheduled for Mass Production on the 8-inch Line in Fiscal 2008

Product	Anticipated Application
MEMS Microphone Chip	Mobile device microphones
RF MEMS Switch	Semiconductor testers and high frequency meters
Thermal Sensor	Home, personal electronics, and security devices
Combination Sensor (flow and pressure sensors)	Medical equipment, fuel cell batteries, and boilers

MEMS microphones—aiming for 40% global market share

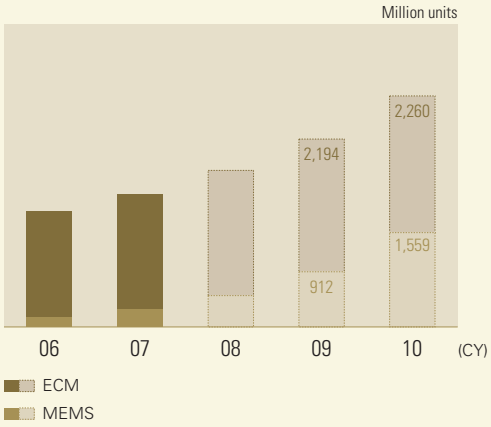


The majority of small microphones used in mobile phones are electret condenser microphones (ECMs), and the market is estimated to be worth over ¥100 billion. We developed the world's smallest high-sensitivity MEMS microphone with the express objective of replacing ECMs.

The organic materials used in ECMs make them sensitive to heat and they must be assembled in separate process with the other electronic components. Silicon-based microphones can withstand heat of up to 200° Celsius (390° F) and can be assembled together with other electronic components via reflow soldering*. This reduces the number of production processes required. These advantages attracted numerous inquiries from potential customers, and we are launching mass productions using the new 8-inch MEMS mass production line. We aim to capture 30-40% of the global market share for MEMS microphone chips in fiscal 2010.

* Reflow soldering: heat-generating mounting process that uses solder to set the electronic components.

Small Microphone Market



Source: Figures Omron estimates

MEMS facility expansion plans for fiscal 2008 and 2009

The Yasu Facility will continue to be a main focus of capital investment into fiscal 2009. During fiscal 2008, as we concentrate our semiconductor and MEMS business planning, development, production, and administration functions to the Yasu Facility, we will also commence construction of a new facility on the site with its completion scheduled for April 2009. In addition, we will partially shift our production of our connectors for mobile phones, music players, and other mobile devices, which have strong demand for miniaturization. With this we will construct an comprehensive high-precision production system ranging from plating and metal die making to mass production of components.

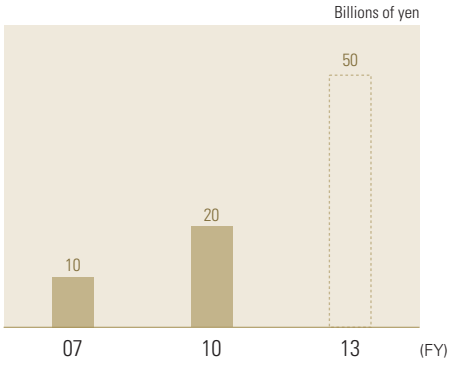
Site of the Yasu Facility and a planned new building

MEMS-related business growing to ¥50 billion in fiscal 2013 with myriad ripple effects

Mass production of microphone chips at the Yasu Facility will start in September 2008. We plan to steadily ramp up operation, beginning in fiscal 2010, of the new 8-inch wafer mass production line as the market grows.

Omron's MEMS-related sales targets are ¥20 billion in fiscal 2010 followed by a surge in growth to ¥50 billion in fiscal 2013. In addition, the Omron group plans to steadily introduce new highly differentiated sensors, programmable logic controllers, healthcare equipment and other devices of all types integrating our MEMS technology, made using our unique semiconductors, with features unavailable in common devices and cost performance. We anticipate MEMS technology to bring a myriad of positive ripple effects throughout the Omron Group.

Projected MEMS-related Sales



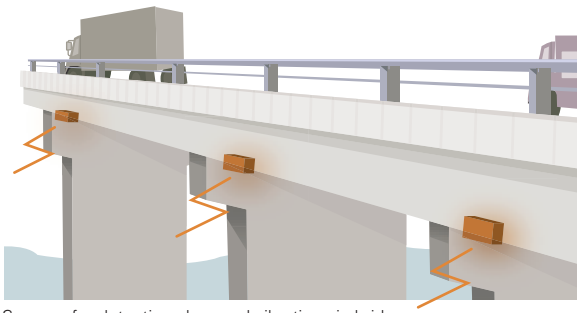
Setting the MEMS paradigm shift in motion

When imagining the future market for MEMS, it is easy to envision their usage in everyday electronics and automobile components that use miniature sensors, but inexpensive ultraminiature sensors can invite a paradigm shift in a broad range of fields.

For example, sensors the size of a grain of rice are attracting attention for their potential to realize a wireless sensor network for information terminals. If a network like this were in place, the sensors would dramatically enhance safety and environmental measures at factories and buildings. During earthquakes or other disasters as well, the sensors could detect danger levels in factories, building, bridges, and other infrastructure and instantly convey that information wirelessly to nearby cars and pedestrians.

MEMS are also attracting increasing attention from the medical and biotechnology fields for numerous applications. Potential uses include sensors that mechanically prevent medical malpractice; sensor systems that can automatically provide the names of diseases based on measurements of blood pressure, heart rate, blood sugar levels, and other data; sensors enabling remote medical care; and molecular level sensors that can play a role in diagnosing and treatment of ailments linked to cerebral, DNA, and other sources. Demand is also growing for sensors that can help maintain ideal growing conditions for agricultural crops.

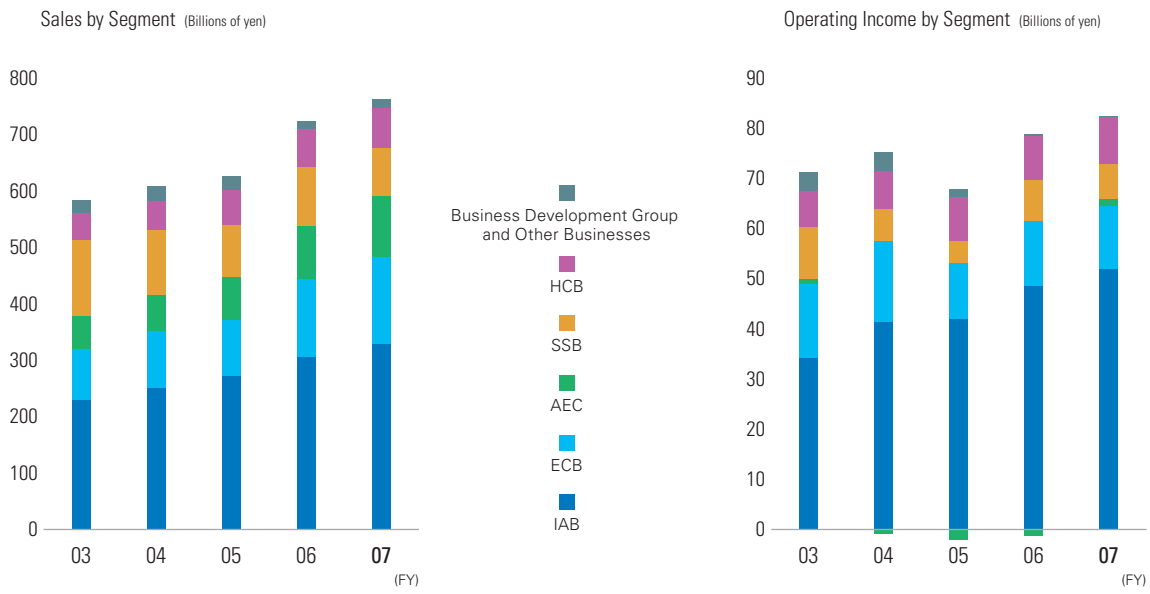
Taken to this level, it is simply fascinating imagining the potential applications for MEMS. To maximize its corporate value, Omron is responding to social needs and is determined to advance aggressively into the MEMS field where it believes the first to arrive will be the industry winner.



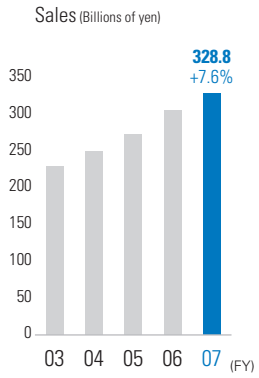
Sensors for detecting abnormal vibrations in bridges

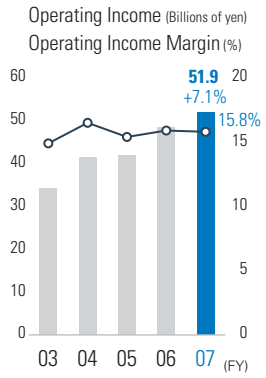
Segment Business Performance and GD2010, 3rd Stage Key Strategies

Segment Sales and Operating Income Performance



IAB
INDUSTRIAL AUTOMATION BUSINESS

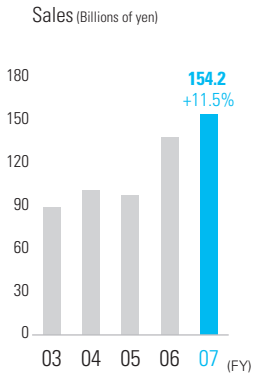


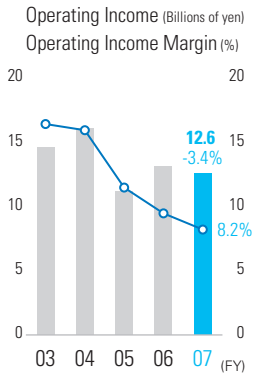


IAB is fortifying its safety, QLM*, micro PLC, and other businesses to enhance its application business meeting emerging needs for quality, safety, and the environment.

* Quality Lifecycle Management (QLM) is an Omron solution service equipping machines with the same quality-testing capability as experts in the field to realize efficient and effective quality improvement and control.

ECB
ELECTRONIC COMPONENTS BUSINESS

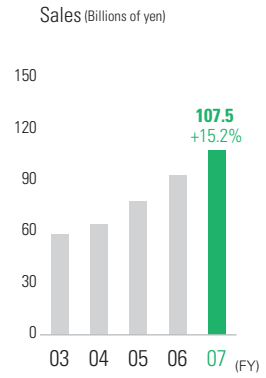


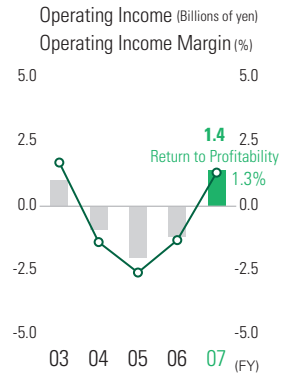


ECB aims to enhance productivity for relays, switches, and other existing electronics components as well as for the promising MEMS business and to raise sales and profitability of the LCD backlight business.

Note: Operating income includes internal income prior to the deduction of amounts such as inter-segment transactions and headquarters expenses that are not apportionable.

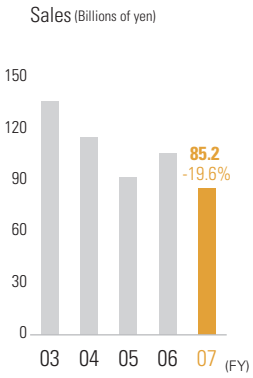
AEC
AUTOMOTIVE ELECTRONIC COMPONENTS BUSINESS

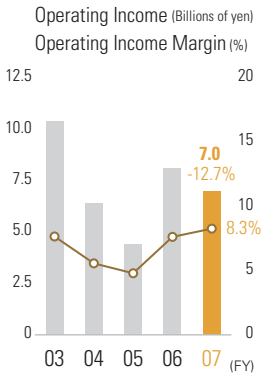




AEC is focused on expanding sales of strategic products, including electric power steering controllers for domestic and foreign automakers' new car models.

SSB
SOCIAL SYSTEMS BUSINESS

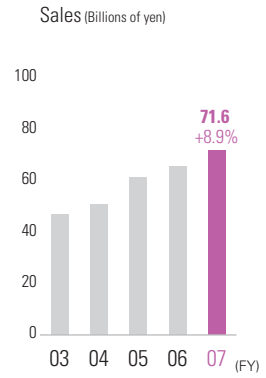


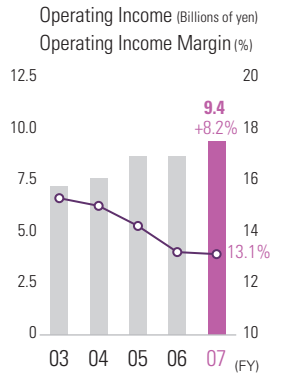


SSB is fortifying its earnings structure and expanding its product applications focused on its social sensors* for railway and road infrastructure, commercial facilities, and other applications.

* Social sensors are sensor systems designed to meet the safety, security, and environmental needs of society.

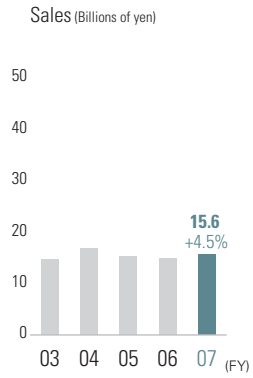
HCB
HEALTHCARE BUSINESS

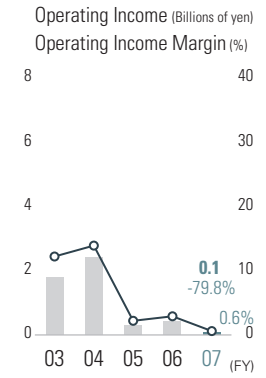




HCB aims to raise sales and income and is enhancing its lineup to provide total support for Healthcare at Home and medical institutions with particular focus on lifestyle-related disease prevention devices.

BUSINESS DEVELOPMENT GROUP AND OTHER BUSINESSES





The Business Development Group is a central driver of the Omron Group's growth strategy, and is currently focusing on the RFID business and the remote energy monitoring service business.

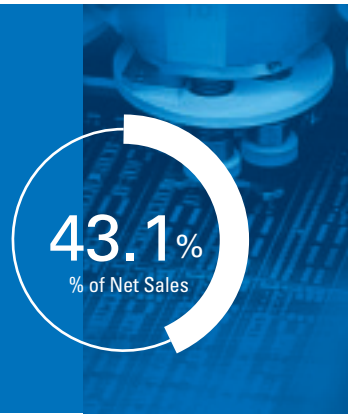
Yoshinobu Morishita
Senior Managing Officer

Company President,
Industrial Automation Company

IAB focuses on the highest priority topics at production sites—quality, safety and the environment—and is promoting expansion of the solutions business.

IAB
INDUSTRIAL AUTOMATION BUSINESS

Manufacturing and sales of control systems for factory automation



Fiscal 2007 Management Review

Increased sales and income on strong overseas sales

In fiscal 2007, IAB posted growth in net sales of 7.6% year on year to ¥328.8 billion and operating income of 7.1% to ¥51.9 billion.

In Japan, capital investment continued with a generally strong undertone through the year in manufacturing industries, particularly in the automobile sector. However, equipment-related demand grew slower than expected in the semiconductor, electronic components, and flat panel display (FPD) sectors, which are the primary drivers of our sales growth. In this environment, we focused on our themes of quality, safety, and the environment at the production site. We also enhanced our specialized sales staff and augmented consultation services for our wide range of products to expand the application and safety components businesses. In June 2007, Omron acquired a 95% stake in Omron Laser Front Co., Ltd. (OLFT), a developer and manufacturer of laser fine processing devices, to bring about synergies with IAB. OLFT's previous entity recorded net sales of ¥10.3 billion in fiscal 2006.

Brisk plant and equipment investment in Europe boosted sales of programmable logic controllers (PLCs), motion controllers, and image sensors. In China, sales rose for PLCs, print automatic optical inspection (AOI) equipment, and other equipment as we focused on meeting the specific needs of local customers by aggressively releasing new products and fortifying the business capabilities of our distributors. Sales in North America grew only marginally as demand for oil and gas-related control devices plummeted in the fourth quarter amid the economic instability caused by the subprime loan crisis.

IAB Results and Plans

Billions of yen

Fiscal Year	2008 Plan	2007	YoY	2006	2005	2004
Net sales*	337.5	**328.8**	**107.6%**	305.6	272.7	250.3
Domestic	150.0	**144.1**	**102.3%**	140.8	136.2	130.2
Overseas	187.5	**184.7**	**112.1%**	164.8	136.5	120.1
North America	30.5	**35.6**	**102.0%**	34.8	25.4	20.3
Europe	94.0	**92.3**	**113.5%**	81.3	69.6	65.6
Asia	23.0	**16.2**	**116.2%**	14.0	12.7	10.4
China	38.0	**34.6**	**120.1%**	28.8	24.0	19.5
Direct exports	2.0	**6.0**	**103.6%**	5.8	4.8	4.3
Operating income*	50.0	**51.9**	**107.1%**	48.5	41.9	41.4
Operating income margin*	14.8%	**15.8%**	**(0.1%pt.)**	15.9%	15.4%	16.5%
R&D expenses	21.0	**19.5**	**107.5%**	18.1	18.5	16.7
Depreciation and amortization	12.5	**11.7**	**104.8%**	11.2	10.2	7.6
Capital expenditures	10.0	**8.4**	**61.3%**	13.7	10.0	8.8

* Projections for FY2008 are based on exchange rates of ¥100/US$ and ¥155/Euro.
* The sales figures given indicate sales to external customers and exclude inter-segment transactions. Operating income indicates income including internal income prior to the deduction of amounts such as inter-segment transactions and headquarters expenses that are not apportionable.

Full Color, Three-dimensional Visual Sensors

IAB has introduced the world's first three-dimensional visual sensor utilizing a dual camera system capable of measuring depth within a production line. Demand is strong from the automotive industry where the sensors are used to verify alignment after body assembly and in other automated systems.

Multi-Input Units for PLCs

Multi-input units for PLCs are process input units incorporating heat, displacement, pressure and other sensors in a single body that perform a range of functions, including collecting and categorizing data and reporting safety information.

Power Conditioners

Power Conditioners are power control units for solar power generation systems. They convert electricity generated by the photovoltaic cells of solar power systems from direct current (DC) to alternating current (AC) for household use and thus control power generation conditions to ideal levels.

Business Strategy and Outlook for Fiscal 2008

Rising income on expanding domestic application business sales and sales to developing markets

We forecast 2.6% year on year growth in net sales to ¥337.5 billion and a 3.7% decline in operating income to ¥50.0 billion in fiscal 2008.

In Japan, we anticipate a recovery for the FPD sector with the proliferation of digital broadcasting. However, we also anticipate restrained capital investment during the year owing to the rapid appreciation of the yen against the US dollar, rising raw material prices, and the slowing economy in the United States along with the impact on the world economy that it brings.

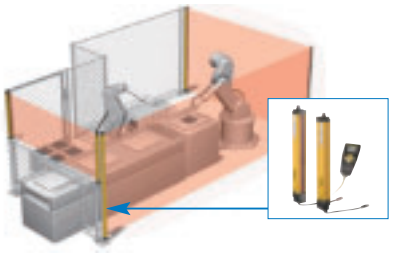
Our strategy for the domestic market is to continue strengthening our sales structure to expand the application business, aggressively promote our solutions for users' quality, safety, and environment issues, and establish a close link with sales channels to increase sales of general-purpose products. We will also expand the scope of the quality solutions business by leveraging the IAB sales network to market OLFT's precision laser processing technologies, which command top global share for laser CVD repair systems* for LCD panels.

Overseas, we will fortify our marketing capabilities in India, Russia, and other emerging markets. In China, we will continue upgrading the facilities at Omron (Shanghai) Co., Ltd., which commenced operations in June 2006, while introducing new safety components, application sensors, and other products to boost sales. We expect these initiatives to counter the negative impact of diminishing demand from oil and gas-related businesses in the United States and from a strong yen against the US dollar, allowing IAB to secure sales growth for our overseas operations.

* CVD repair systems for LCD displays: Chemical vapor deposition (CVD) repair systems improve LCD production yield by repairing areas in the metal wiring pattern on LCD substrates that have been flawed during the LCD manufacturing process. The repair process irradiates flawed areas using lasers, applies thin film pattern cuts, fusion joining, and reconnection of wiring with laser CVD film. Laser CVD is a coating method based on the formation of a membrane through chemical and physical reactions of raw material gas on a laser irradiated surface achieved by irradiating laser beams on a substrate placed in the gas.

Safety

Introduction of new safety light curtains with double the detection distance



Safety light curtains are photoelectric transmissive sensors used with industrial robots and hazardous areas near machinery and equipment to automatically shut down the operation when a worker's fingers, hands, legs, or other body parts enter or pass through the sensor detection range. The Industrial Safety and Health Law revision in April 2007 is expected to bring steady domestic demand for Safety Light Curtains in the medium and long-term.

The combination of safety and productivity is also becoming a major business issue at production facilities overseas, and IAB is focusing on cultivating its overseas safety component business. In January 2008, we introduced a new safety light curtain for large machinery with a maximum detection range of 20 meters, more than double the previous range capability. We anticipate demand for the new model in particular for use in automotive assembly lines; LCD production lines; automated operating areas with machine tools, metal-working machinery and casting equipment; areas employing industrial robots; and automatic warehousing.

IAB safety equipment commands top share in the Japanese and Asian automotive and semiconductor industries, and we plan to leverage the June 2006 acquisition of the safety equipment business of a top manufacturer in North America to become the number one supplier of safety equipment worldwide.

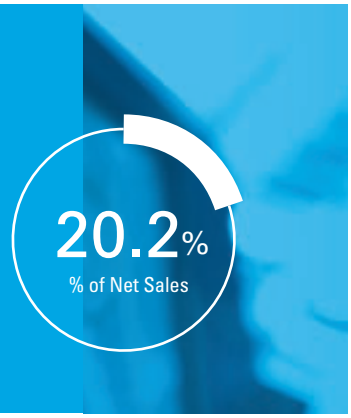
Soichi Yukawa
Senior Managing Officer

Company President,
Electronic Components Company

ECB actively introduces new products and develops new markets under a strategy of developing semiconductor technology applications for all fields to differentiate Omron.

ECB
ELECTRONIC COMPONENTS BUSINESS

Manufacture and sales of electronic components for consumer electronics, mobile phones, telecommunications and industrial equipment, and amusement devices



Fiscal 2007 Management Review

Income declined on struggling results for amusement device components

ECB net sales increased 11.5% year on year to ¥154.2 billion while operating income decreased 3.4% to ¥12.6 billion in fiscal 2007.

In Japan, demand from the semiconductor and automotive industries slowed from last year when these sectors were key drivers for our earnings, and inventory adjustments in the business and consumer equipment sectors impacted sales. Overseas results were affected by the deteriorating business conditions worldwide beginning in the second half as the global economy reacted to the deepening subprime loan crisis in the United States.

In this environment, demand continued growing for our mainstay relays for printed-circuit board, with notably strong demand from air conditioner manufacturers in the BRICs and other developing nations. Sales also grew for input switches, connectors, and other components as demand grew in line with the development of ever-thinner mobile devices. The full-year contribution of the multi-light source LCD backlight manufacturing operation acquired in August 2006 and sales growth in the expanding China market, a key marketing base, also contributed to sales. However, the deteriorating economic conditions resulted in fewer large-scale orders than we anticipated from panel makers during the year. Also, sales of transmission relays slowed substantially in North America and Europe from the strong demand in fiscal 2006.

Amid the unstable business conditions, the full-year contribution from the newly acquired LCD backlight operation increased net sales over the previous fiscal year. Overall, however, ECB product profitability declined from stagnating sales in the high-margin amusement device business and rising raw material costs and downward pricing pressure in the backlight operation, which undermined efforts to improve profitability.

ECB Results and Plans

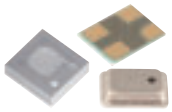
Billions of yen

Fiscal Year	2008 Plan	2007	YoY	2006	2005	2004
Net sales*	154.5	**154.2**	**111.5%**	138.4	97.7	101.1
Domestic	62.5	**62.4**	**106.2%**	58.8	45.0	51.8
Overseas	92.0	**91.8**	**115.4%**	79.6	52.7	49.3
North America	9.5	**10.4**	**95.0%**	11.0	9.9	9.5
Europe	13.0	**12.4**	**102.7%**	12.0	12.5	12.0
Asia	10.0	**10.3**	**120.4%**	8.6	6.3	5.6
China	53.0	**48.3**	**135.4%**	35.7	14.5	11.6
Direct exports	6.5	**10.4**	**84.3%**	12.4	9.5	10.7
Operating income*	11.5	**12.6**	**96.6%**	13.1	11.2	16.1
Operating income margin*	7.4%	**8.2%**	**(1.3%pt.)**	9.5%	11.5%	15.9%
R&D expenses	9.0	**8.2**	**100.9%**	8.1	7.8	7.9
Depreciation and amortization	12.0	**10.5**	**115.7%**	9.0	8.4	5.8
Capital expenditures	22.0	**14.1**	**110.0%**	12.8	7.1	9.1

* Projections for FY2008 are based on exchange rates of ¥100/US$ and ¥155/Euro.
* The sales figures given indicate sales to external customers and exclude inter-segment transactions. Operating income indicates income including internal income prior to the deduction of amounts such as inter-segment transactions and headquarters expenses that are not apportionable.

MEMS Microphones

The MEMS microphone utilizes the world's smallest microphone chip — a mere 1.2mm x 1.3mm x 0.4mm — in an ultra-thin 1.1mm package.

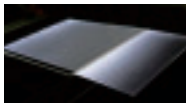


Ultra-slim FPC Connectors

Omron's ultra-slim connector for flexible printed circuits (FPCs) with a superior impact-resistant backlock mechanism has an ultra-low 0.6 mm profile, making it ideally suitable for mobile phones, notebook computers, and other mobile devices.

Sheet-type Backlights

Omron has developed a flexible sheet-type LCD backlight using a proprietary production method for placing microlenses on a 0.59 mm polycarbonate sheet.



Business Strategy and Outlook for Fiscal 2008

Leveraging the backlight business and launching new products to maintain sales

We forecast growth of 0.2% year on year to ¥154.5 billion in net sales and a decline of 9.0% to ¥11.5 billion in operating income in fiscal 2008.

We anticipate an ongoing deterioration in domestic and worldwide business conditions in the year ahead. We expect business conditions in the United States to worsen further as slowing housing construction starts impact demand for home electronics and housing equipment and facilities. We expect an additional negative influence on operating income from a strong yen versus the dollar.

Our business strategy for the year is to aggressively release new products focused primarily on the growth markets of automotive components and mobile devices. In the LCD backlight business, which has been struggling to secure profits, we will seek to expand market share in the large-size LCD backlight market by developing our small-size LCD backlight technology for applications in thin-type large-size LCD TVs. We will also work to generate demand for ultra-thin LCD backlights for mobile phones. Moreover, we will widen our presence in the mid-size LCD backlight market by developing applications for car navigation systems, notebook computers, and other devices. To support these strategies and enhance operating efficiency, we plan to invest in automation equipment for our backlight production bases in China.

The Yasu Facility semiconductor production operation acquired at the end of fiscal 2006 has been established as our semiconductor and MEMS* manufacturing base. We plan to improve operating efficiency and reduce lead times, and commence mass production of high value-added products, such as the world's smallest, high-sensitivity MEMS* microphone chip for mobile phones. We are also constructing a new facility at the Yasu plant (scheduled to start operations in April 2009) to become a base to reinforce our strategy of developing semiconductor applications for all fields by expanding our product lineup incorporating our proprietary semiconductor devices.

We will develop business overseas by establishing engineering centers to enable sales closely linked with local users and support business growth in the priority China and Eastern Europe regions and accelerate our entry into the Mexico and Vietnam markets.

* See the MEMS Special Feature on page 20.

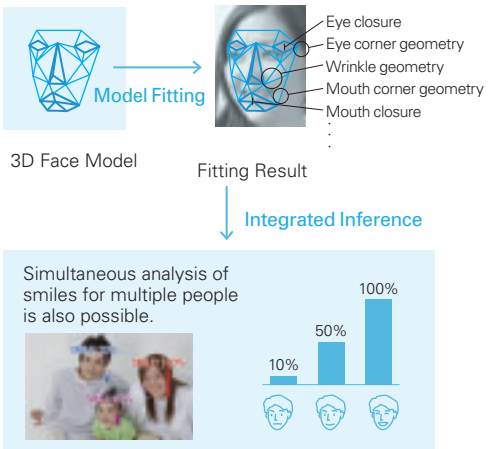
Safety and Security

Further advances in OKAO Vision facial image recognition

ECB has been advancing development of its OKAO Vision face recognition technology since 1995. The technology is capable of collecting and analyzing a matrix of facial data, including position tracking, personal verification, the direction faced, line of sight, degree of opening of the eyes and mouth, and can estimate and determine the age and sex of the individual. The technology has numerous applications for safety and security, such as personal identity verification for mobile phone owners. It is also used in various electronic devices, including the autofocus mechanism in digital cameras and correcting skin tone when printing photographs from printers.

In fiscal 2007, ECB developed real-time smile measurement technology using three-dimensional model fitting technology* that locates a person's face from an image and rates a smile on a scale of 0% to 100%.

Real-time Smile Measurement Technology



* 3D Model Fitting Technology: The 3D model fitting technology is a high-speed fitting system of two-dimensional face image data with three-dimension data collected from thousands of face images. The technology conducts a comprehensive analysis by applying the latest statistical identification methods to observed changes in the distinctive details of each face, such as the wrinkles created when smiling, to produce a rating for the degree of a person's smile.

Yoshinori Suzuki
Managing Officer

Company President,
Automotive Electronic
Components Company

AEC focuses on enhancing manufacturing productivity while contributing to "safe automobiles that are gentle on both people and the environment" and developing business in new arenas.

AEC
AUTOMOTIVE ELECTRONIC COMPONENTS BUSINESS

Manufacture and sales of electronic components for automobiles

Fiscal 2007 Management Review

Sales growth achieves profitability for first time in four years

In fiscal 2007, AEC net sales rose 15.2% year on year to ¥107.5 billion and the division recorded operating income of ¥1.4 billion, marking the return to profitability for the first time in four years.

Worldwide demand for automobiles steadily expanded during the year led by growing demand from China and developing automobile markets even as demand slowed in Japan and the United States. Sales expanded largely from the increasing use of AEC products in new automobile models as automakers are incorporating more electronic components to enhance vehicle safety and environmental performance.

In Japan, where unit volume of new car sales has peaked, rising export volumes of models with superior environmental performance and other value-added features boosted AEC sales. The company also attracted steady order growth and increased production output in China. Automobile industry-related producers are shifting manufacturing operations to China and the country is becoming a global supply center for the automobile industry. Sales also rose significantly in Europe as the results of our acquisition in 2004 of Europe's third largest maker of automotive relays and efforts to develop new markets started to appear. The North America automobile market, the world's largest market, struggled under deteriorating economic conditions in the second half of the year. However, sales continued to be brisk for our keyless entry systems, tire pressure monitoring systems*, and other wireless equipment.

Earnings were affected by the steep rise in raw materials costs that reduced the profitability of our relay products. We responded by raising productivity and adjusting product prices while implementing group initiatives to improve earnings, such as enhancing operating efficiency through alliances with IAB and ECB. As a result, AEC attained its goal of achieving profitability.

* Tire pressure monitoring systems: Legislation requires all automobiles sold in the United States from September 2007 to be equipped with a tire pressure monitoring system to warn of inadequate tire pressure.

AEC Results and Plans

Billions of yen

Fiscal Year	2008 Plan	2007	YoY	2006	2005	2004
Net sales*	108.5	**107.5**	**115.2%**	93.3	77.6	64.6
Domestic	33.0	**28.0**	**107.4%**	26.1	27.2	26.0
Overseas	75.5	**79.5**	**118.3%**	67.2	50.4	38.6
North America	37.5	**42.4**	**112.0%**	37.9	28.8	21.0
Europe	14.5	**13.9**	**141.2%**	9.8	6.2	5.4
Asia	17.5	**18.3**	**113.0%**	16.2	15.1	11.9
China	3.5	**3.1**	**226.8%**	1.4	0.1	0
Direct exports	2.5	**1.9**	**93.2%**	2.0	0	0.3
Operating income*	0.5	**1.4**	**—**	(1.2)	(2.0)	(0.9)
Operating income margin*	0.5%	**1.3%**	**—**	—	—	—
R&D expenses	8.5	**8.3**	**116.5%**	7.1	6.7	6.4
Depreciation and amortization	8.5	**8.0**	**98.8%**	8.1	7.0	3.3
Capital expenditures	9.5	**9.1**	**101.7%**	8.9	11.2	7.6

* Projections for FY2008 are based on exchange rates of ¥100/US$ and ¥155/Euro.
* The sales figures given indicate sales to external customers and exclude inter-segment transactions. Operating income indicates income including internal income prior to the deduction of amounts such as inter-segment transactions and headquarters expenses that are not apportionable.

Laser Radars

Laser Radar is a key part of cutting-edge safety systems that aid in driving control, with highly sensitive and wide-field lasers to anticipate danger of collision and reduce injury from impact.

Smart Entry Systems

Smart Entry systems are portable devices that enhance automobile security on several levels, including transmitting signals to automatically lock and unlock doors and an authorization function during keyless engine start-up.

Electric Power Steering Controllers

Electric Power Steering Controllers assist driver steering. Electric (motorized) power steering systems enable better fuel efficiency than conventional hydraulic steering systems.

Business Strategy and Outlook for Fiscal 2008

Expand electric power steering component and strategic product sales

For fiscal 2008, we project 0.9% year on year growth in net sales to ¥108.5 billion and a ¥900 million decline in operating income to ¥500 million.

We anticipate ongoing rises in automobile production output in China, India, Eastern Europe, South America, and other growing markets, but expect oil prices to continue rising and create severe repercussions in the world economy. Particularly, the business environment for automobile sales appears on the verge of deteriorating further in Japan and the United States.

AEC is preparing by improving productivity through value analysis/value engineering-based cost reductions and by shifting to local production operations in growth markets. With the rise in oil prices spurring demand for more energy efficient vehicles, we plan to expand sales of our electric power steering controllers and other strategic products. During the year, we plan to increase spending to develop safety and environmental products to meet growing demand. We expect this strategic investment coupled with the impact from a fluctuating foreign currency exchange market to have a net effect of lowering operating margin for the year.

Safety

Developing a high-performance image sensor to bring about "crashless" cars

Amid the increasing attention given to automobile safety features, AEC has developed over five years a high performance image chip, called a high dynamic range CMOS* (HDRC), and has begun shipping sample HDRC sensors to clients. The image chip (image pickup device) features the world's widest dynamic range at 170 decibels and can produce clear images even in the dark and in harsh back light.

The sensor can become the "eyes" of the car to verify safety in front by recognizing other cars, obstacles, or whether the car itself is between the white lines on the road. A sensor mounted in the rear of the car can identify an object in blind spots from the driver's position.

High tech devices such as these are currently appearing in the safety systems of luxury vehicles but are expected to eventually become widely available in standard vehicles in the future. AEC is combining its laser radar technology and high performance image sensors into unique sensor fusion technology with the aim of contributing to the realization of crashless cars.

* Image sensors with imaging pickup devices containing CMOS (complementary metal oxide semiconductors)

Sensor Fusion
Combined sensor data from laser radar and image sensors enables recognition differentiation between automobiles and pedestrians.

Hiroshi Fujiwara
Managing Officer

Company President,
Social Systems Solutions
Business Company

SSB develops a variety of systems and offers Omron's unique solutions to contribute to the creation of a society that is safe, secure, and comfortable.

SSB
SOCIAL SYSTEMS BUSINESS

Providing solutions and services for realizing a secure, safe, and comfortable social environment

11.2%
% of Net Sales

Fiscal 2007 Management Review

Ebbing demand for railway IC card equipment reduced sales while profitability steadily improved

SSB net sales fell 19.6% year on year to ¥85.2 billion while operating income declined 12.7% to ¥7.0 billion in fiscal 2007.

The passing of the demand peak for IC card readers for automated passenger gates and ticket vending machines led to lower sales in the railway infrastructure business and was the main factor in the decline in overall SSB sales. The market for traffic control and road management systems continued to shrink due to restrained public sector investment. The railway infrastructure maintenance business was also weak, with sales declining for IT-related maintenance and services.

The ID management solutions business, which supplies security and account settlement solutions, continued posting brisk sales of its new ID entry key devices used for access control at companies and offices and for other security applications. This was despite slowing sales to the credit industry, which restrained investment in the face of a lowered maximum interest rate and revised credit limits for borrowers.

In the software business, sales increased for account settlement software to the logistics industry and for plug-in software incorporating character input conversion and other functions to the mobile phone industry.

Overall, while the decline in sales related to railway infrastructure strongly impacted SSB sales revenue, efforts to reform operations by reducing fixed costs and leveraging our solutions expertise supported steady improvement in profitability.

SSB Results and Plans

Billions of yen

Fiscal Year	2008 Plan	2007	YoY	2006	2005	2004
Net sales*	90.0	**85.2**	**80.4%**	105.9	91.8	115.2
Domestic	88.0	**81.0**	**79.6%**	101.8	90.5	108.6
Overseas	2.0	**4.2**	**101.7%**	4.1	1.3	6.6
North America	0.5	**0.6**	**120.0%**	0.5	0.2	0.2
Europe	0	**0**	**—**	0	0	0.4
Asia	0	**0**	**—**	0	0	0
China	0	**0**	**—**	0	0	0
Direct exports	1.5	**3.6**	**99.1%**	3.6	1.1	6.0
Operating income*	8.0	**7.0**	**87.3%**	8.1	4.4	6.4
Operating income margin*	8.9%	**8.3%**	**+0.7%pt.**	7.6%	4.8%	5.6%
R&D expenses	4.0	**2.6**	**52.1%**	5.1	3.9	5.3
Depreciation and amortization	3.5	**3.3**	**99.8%**	3.3	3.2	6.1
Capital expenditures	2.0	**1.7**	**44.3%**	3.9	4.3	4.1

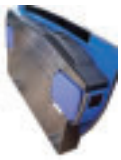
* Projections for FY2008 are based on exchange rates of ¥100/US$ and ¥155/Euro.
* The sales figures given indicate sales to external customers and exclude inter-segment transactions. Operating income indicates income including internal income prior to the deduction of amounts such as inter-segment transactions and headquarters expenses that are not apportionable.

Next-Generation Road and Traffic Image Sensors

Image sensors that can accurately recognize moving objects are gaining increasing applications for vehicle detection in road traffic control systems. Incorporating sensor technology designed to identify people or objects, Omron is working to realize "social sensing" to contribute to the creation of new social systems and the betterment of society.

Non-Contact IC-Card Automated Ticket Gates

Non-contact IC-card automated ticket gates instantly read information contained in an IC card held above the machine. These new automatic ticket gates control passenger access via a non-contact IC-card system.



Business Strategy and Outlook for Fiscal 2008

Expanding new businesses centered on solutions and double-digit income growth

We forecast growth of 5.6% year on year in net sales to ¥90.0 billion and 13.6% in operating income to ¥8.0 billion in fiscal 2008.

We anticipate weak sales in the railway infrastructure business now that investment in IC card equipment has run its course. We forecast sales growth in the traffic control and road management system business on replacement demand from law enforcement agencies. In addition, we expect tangible results for our Driving Safety Support Systems (DSSS)*, which we marketed aggressively in fiscal 2007.

In the ID management solutions business, we forecast higher sales largely on demand for new services using IC cards and sensing devices using image processing technology. This will be complemented by the maintenance business, which will strengthen operations in new fields, such as specialized services for the engineering and IT infrastructure fields. We will also expand the software business by marketing electronic money solutions and acquiring new users in the information appliance and mobile phone industries.

* Driving Safety Support Systems (DSSS) utilize sensors to protect against potential accidents by alerting nearby vehicles when the system identifies pedestrians in crosswalks, bicycles approaching intersections, passing motorcycles, or other potential traffic dangers.

Safety and Security

Sensors: the five senses of society

SSB's objective is to apply its sensing technology to creating new social systems and enhancing value to contribute to security and safety, comfort and convenience, and the environment.

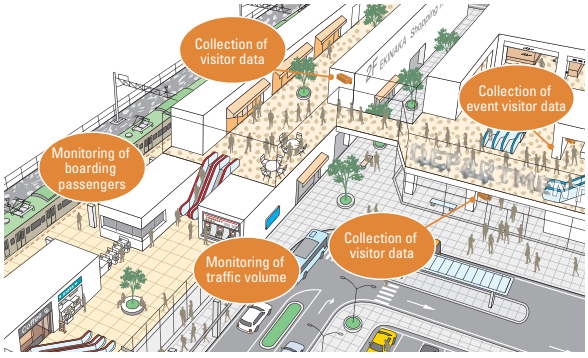
The company's proprietary sensing systems, for example, add value by enhancing railway station and commercial facility safety and security by identifying the presence or movement of an unauthorized person or suspicious object and automatically alerting an authority figure to prevent incidents or accidents before they occur. The systems also collect information on visitor attributes, providing valuable information for marketing.

SSB's devices can also be used for sound warning alerts when danger occurs. Applications range from reading road and rail line vibrations to identifying irregularities; recognizing the presence of harmful ultraviolet waves, which are invisible to the naked eye; and measuring environmentally harmful CO_2 emissions.

SSB is seeking to develop and apply the Omron Group's innovative sensor technologies in a variety of areas to act as society's "five senses" and contribute to building a better society through "social sensing," or the application of our technology for the benefit of society.

Social Sensing

Sensors detecting crowd congestion on train platforms help prevent accidents and optimize train schedules.



Sensors detecting movement in train stations and commercial facilities contribute to optimal facility design and planning.

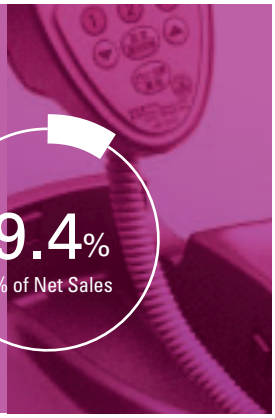
Yoshihito Yamada
Executive Officer

Representative Director and CEO,
OMRON Healthcare Co., Ltd.

HCB is proactively introducing new products based on the fundamental concept of "Healthcare at Home" in line with the positive health trend around the world.

HCB
HEALTHCARE BUSINESS

Health and medical devices and services for home and medical institutions



Fiscal 2007 Management Review

Rising sales and income on growing demand in Japan and in developing countries

In fiscal 2007, HCB recorded rises of 8.9% year on year to ¥71.6 billion in net sales and 8.2% to ¥9.4 billion in operating income.

In Japan, sales of blood pressure monitors and pedometers continued brisk amid high awareness of metabolic syndrome* and supported by the government's required physical examinations and health guidance for all holders of national health insurance aged 40 to 74. Electric toothbrush sales also increased backed by effective TV commercials. Sales of body composition monitors decreased amid intensifying competition.

Overseas, sales in the Europe region continued surging as the rising economic strength and living standards in Russia, Eastern Europe, and developing countries is generating increasing awareness of lifestyle-related diseases, which is spurring demand for healthcare devices, particularly blood pressure monitors. In China, the newly launched blood glucose checker business is off to a strong start with sales up 50% over the previous year and exceeding our initial expectations. Conversely, sluggish private consumption in the United States led to a roughly 10% year on year drop in sales, including diminished demand for our core blood pressure monitors. Other than in Japan and China, sales in Asia remained flat from the previous year.

In December 2007, our new factory in Vietnam began producing 40,000-50,000 units monthly of low-cost home-use blood pressure monitors for the markets in Europe and North America.

* Metabolic syndrome, or visceral adiposity syndrome, is a condition characterized by obesity accompanied by various symptoms, including high blood pressure, diabetes, and abnormal lipid metabolism. The World Health Organization (WHO) has identified metabolic syndrome as creating an extremely high risk of heart attack and other cardiovascular diseases, and Metabolic syndrome is gaining increasing attention as a new risk factor in lifestyle-related diseases.

HCB Results and Plans

Billions of yen

Fiscal Year	2008 Plan	2007	YoY	2006	2005	2004
Net sales*	74.0	**71.6**	**108.9%**	65.7	61.1	50.6
Domestic	36.5	**35.0**	**106.6%**	32.8	30.3	23.1
Overseas	37.5	**36.6**	**111.2%**	32.9	30.8	27.5
North America	11.5	**12.5**	**90.1%**	13.8	15.4	14.6
Europe	17.0	**15.9**	**120.8%**	13.1	10.6	8.9
Asia	2.0	**2.1**	**100.5%**	2.1	1.6	1.4
China	6.0	**5.5**	**152.6%**	3.6	2.9	2.6
Direct exports	1.0	**0.7**	**268.1%**	0.3	0.2	0.1
Operating income*	9.5	**9.4**	**108.2%**	8.7	8.7	7.6
Operating income margin*	12.8%	**13.1%**	**(0.1%pt.)**	13.2%	14.2%	15.1%
R&D expenses	5.5	**4.3**	**111.6%**	3.9	3.3	2.7
Depreciation and amortization	1.5	**1.1**	**109.7%**	1.0	1.1	0.7
Capital expenditures	2.5	**2.4**	**163.5%**	1.5	1.6	2.1

* Projections for FY2008 are based on exchange rates of ¥100/US$ and ¥155/Euro.
* The sales figures given indicate sales to external customers and exclude inter-segment transactions. Operating income indicates income including internal income prior to the deduction of amounts such as inter-segment transactions and headquarters expenses that are not apportionable.

Activity Monitors

Activity monitors contain triaxial acceleration sensors that can identify the type of activity, such as walking, and gauge the amount of activity. Additional software can be used to upload the data to a computer.

Digital Blood Pressure Monitors

Our automatic digital blood pressure monitors enable detection of morning hypertension, which is difficult to diagnose at doctor's visit. The monitors display a warning icon when the weekly average readings exceed 135/85mm Hg in the morning, the upper range limit for normal blood pressure levels measured at home.

Body Composition Monitors

Body composition monitors measure the amount of visceral fat and percentage of subcutaneous fat. The analyzers measure visceral fat to a preciseness of 0.5 units and compares the results with the average values for people in the same age group.

Business Strategy and Outlook for Fiscal 2008

Ongoing sales and income growth on increasing health consciousness in Japan and worldwide

We forecast growth of 3.4% year on year in net sales to ¥74.0 billion and 1.0% in operating income to ¥9.5 billion in fiscal 2008.

While overall private consumption is expected to worsen in developed nations amid stagflation and economic deterioration, we anticipate ongoing increasing demand for blood pressure monitors and pedometers supported by the rising health consciousness in Japan and overseas. We also expect Japan's new physical examinations and health guidance national program in April this year to help boost our market share in lifestyle disease prevention and treatment devices. Overseas, we are aiming to attract demand for our blood pressure monitors in China, Russia, Eastern Europe, India and other developing countries. We will accordingly double the monthly output of blood pressure monitors at the Vietnam plant to above 100,000 units as we steadily raise production to a target of over 450,000 units monthly in 2010.

We expect the unfavorable marketing conditions for vital sign monitors for medical institutions to persist owing to the government's reduced reimbursement rates for medical treatment fees. At the same time, we anticipate the shift in perception from treatment to prevention to spur increased sales of vascular screening devices, heart blood pressure monitors, and other equipment used in the prevention of lifestyle-related diseases to general practitioners.

Health

New services leveraging IT to prevent and treat lifestyle-related diseases

The prevention and treatment of lifestyle-related diseases requires more than using monitoring devices to assess one's personal condition, it requires improvement in one's dietary and exercise habits. HCB is seeking to develop behavior modification technology that can create specific health improvement programs catered to each individual and offers one-on-one lifestyle habit improvement programs based on behavioral science. Over 600,000 people have used HCB's programs and the company has presented more than 30 academic reports on program results.

HCB is integrating information technology at all levels, from home-use devices to medical institution equipment. Network connections are making possible a diverse range of health management, and HCB is developing blood pressure monitors, pedometers, body composition monitors, and other devices equipped with wireless Bluetooth, high-speed infrared simple shot (IrSS), and other communication functions. In addition, the company has developed lifestyle disease treatment support applications utilizing IT as a new tool employing monitoring devices to support personal health management and disease prevention and launched the new product line in April 2008.

The start of the physical examination and health guidance system in Japan is expected to provide a solid demand base among medical insurers and health-related institutions.

Body Composition Monitor

Pedometer

Blood Pressure Monitor

Masaki Teshigahara
Executive Officer

Senior General Manager,
Business Development Group

The Business Development Group contributes to establishing the foundation for the Omron Group's growth by exploring and cultivating new business fields, such as energy management and RFID, as well as supporting technological development and fostering new business.

BUSINESS DEVELOPMENT GROUP AND OTHER BUSINESSES

Seeking New Business Opportunities and Businesses that are Not Part of Other Omron Companies

Fiscal 2007 Management Review

Entertainment business transfer reduced operating income

In fiscal 2007, the Business Development Group recorded 4.5% year on year growth to ¥15.6 billion in net sales and a ¥300 million decline to ¥100 million in operating income.

In existing businesses, sales of uninterruptible power supply units and broadband routers increased in the computer peripherals business. In new businesses, heightened competition coupled with slower-than-expected market growth slowed the sales growth for radio frequency identification (RFID) devices. Corporate demand for energy consumption reduction support continued and sales were brisk for our remote energy monitoring equipment.

Business Strategy and Outlook for Fiscal 2008

Continue focusing on remote energy monitoring equipment

In fiscal 2008, we forecast a decline in net sales of 0.9% year on year to ¥15.5 billion and a decrease to breakeven in operating income owing to increased R&D expenses.

We plan to increase sales of computer peripheral equipment by expanding our lineup and diversifying the applications of our uninterruptible power supply units. We also anticipate growing sales for our RFID equipment on the trend of increasing use of IC tags in Japan. Moreover, we plan to expand our energy management business, focused on remote energy monitoring equipment, to capitalize on the increasing attention to reducing energy costs accompanying the sharp increases in raw material prices.

Environment

Remote energy usage monitor capable of monitoring over wider areas

Our remote energy monitoring equipment supports cost savings by providing wireless, 24-hour real-time monitoring of the energy consumption of plants, facilities, and equipment. The monitors play a key role in lowering electricity and other energy-related costs, reducing energy consumption and protecting the environment. In July 2007, we introduced a new remote energy monitor capable of monitoring energy consumption over wider areas within large factories, office buildings, and retail stores featuring local area network (LAN) routers rather than built-in communication equipment.

Remote Energy Monitoring System

Business Development Group and Other Businesses Results and Plans

Billions of yen

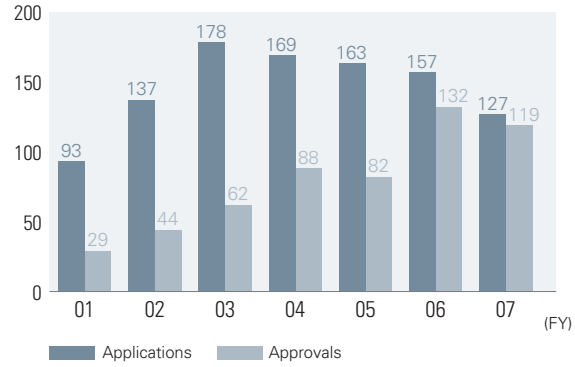
Fiscal Year	2008 Plan	2007	YoY	2006	2005	2004
Net sales*	15.5	**15.6**	**104.5%**	15.0	15.2	16.9
Domestic	15.0	**15.4**	**103.5%**	14.9	15.0	16.5
Overseas	0.5	**0.3**	**238.8%**	0.1	0.2	0.4
Operating income*	0	**0.1**	**20.2%**	0.4	0.3	2.4
Operating income margin*	0.0%	**0.6%**	**(2.3%pt.)**	2.9%	2.2%	13.9%
R&D expenses	9.0	**8.6**	**88.3%**	9.7	10.2	10.6
Depreciation and amortization	2.0	**1.7**	**137.7%**	1.3	1.0	5.1
Capital expenditures	10.0	**1.4**	**37.7%**	3.6	7.0	5.8

* Projections for FY2008 are based on exchange rates of ¥100/US$ and ¥155/Euro.
* The sales figures given indicate sales to external customers and exclude inter-segment transactions. Operating income indicates income including internal income prior to the deduction of amounts such as inter-segment transactions and headquarters expenses that are not apportionable.
* Figures for FY2004 onward have been restated to account for businesses discontinued in FY2007.

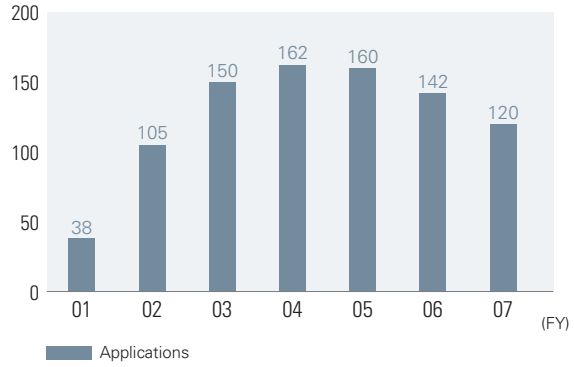
Intellectual Property Strategy

The Intellectual Property Center contributes to the effective use of intellectual assets of the Group and each business segment by analyzing and visualizing potential value and effectiveness of Omron and other company technologies from an independent standpoint. The center plays a crucial role in technology management that supports the long-term maximization of the Omron Group corporate value.

Patent Applications and Approvals in the United States



Patent Applications in China



Identifying useful and competitive technologies and supporting development investment

The Intellectual Property Center reviews all of our technical assets using patent information and identifies key technologies applicable for widespread use in our businesses that can be used to reinforce our competitive superiority. The center also devises strategies to further substantiate our core competence in sensing and control technology. By analyzing technologies both inside and outside the company, the center identifies and selects the technologies that will become the foundation for technological management after GD2010.

The center also coordinates internal operations to ensure the best timing and best application of resources for the development of the technologies selected as fundamental technologies. These activities enable maximum return on development investment and support the growth of Omron's business value over the long term.

Stepping up patent applications in the United States and strengthening our global development structure

As we establish our presence in the global arena during the 3rd Stage of GD2010, we are stepping up efforts to acquire patents in the United States, which are recognized worldwide, as well as in the China growth market.

In addition to our R&D activities in Japan, our development bases overseas, including the Omron R&D Collaborative Innovation Center in Shanghai, China established in June 2007, are independently pursuing themes to respond to local needs and conducting research that will become an essential part of our core technologies in the future. To support these initiatives, we are aggressively implementing training to stimulate the intellect of local engineers, fostering a culture of valuing intellectual property, and localizing R&D in a comprehensive effort to strengthen our global development system.

These activities are key elements in our program to actively promote development of our human resources, establish administrative systems for our intellectual assets, and reduce intellectual property risk in each of our regions of business. It is our common practice to apply exhaustive measures to ensure our technical development does not infringe on patents held by other companies. In addition, we produce practicable guidelines and take steps to ensure engineers at R&D operation are deeply versed in the guidelines. We also give special consideration to the specific characteristics of each business region. Accordingly, we are advancing our applications for foreign patents in line with an expansion in our area of strict enforcement, from China to the Asia Pacific region, against copied goods.

Intellectual Property and R&D-related Data

Fiscal Year	**2007**	2006	2005	2004	2003
Number of patents					
Applications	**1,255**	1,300	1,509	1,216	1,170
Approvals	**943**	836	705	676	580
Total patents	**5,717**	5,206	4,538	4,426	4,154
R&D expenses (billions of yen)	**51.5**	52.0	50.5	49.4	46.5
R&D expense ratio	**6.7%**	7.1%	8.1%	8.1%	7.9%
R&D staff (persons)	**1,622**	1,630	1,591	1,384	1,594

Corporate Governance, Compliance, and Risk Management

Omron is committed to full accountability to stakeholders, increasing management transparency and maintaining and exercising a proper governance system. To firmly establish a high standard of corporate ethics, we will continue to strengthen our compliance system and maintain a risk management framework that supports ongoing improvement in sustainable corporate value.

Corporate Governance

Basic Policies

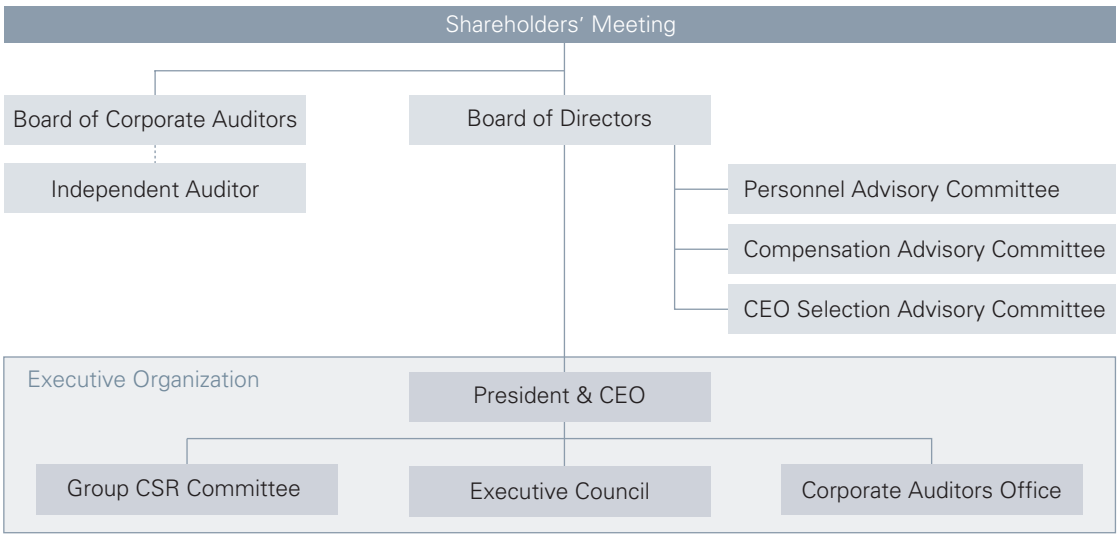
Omron believes the purpose of corporate governance is to earn the support of stakeholders and to function as a verification system (monitoring system) when planning to strengthen corporate competitiveness with the objective of realizing continuous corporate growth. Omron aims to establish an optimal management structure and conduct fair and appropriate business operations to attain maximum long-term corporate value and fulfill the expectations of all stakeholders. In line with this basic policy, we strive to strengthen our corporate governance by conscientiously practicing accountability, transparent management, and business ethics.

Basic Structure: Separation of Management Oversight and Business Execution

Omron has established the Board of Corporate Auditors to promote high management transparency and an executive officer system with clearly segregated management oversight and business execution functions to oversee business activities.

In addition, in consideration of the different operating environments of each of our internal companies, the company presidents have been given greater authority with the aim of accelerating decision making and improving operating efficiency. This business promotion structure allows the business divisions to function independently and clarifies the roles and responsibilities of the president, executive officers, and the top management of each divisional company while supporting a performance-based compensation program linked to management commitment to specific performance targets, including profit results for each division company. This structure supports corporate value management based on the shareholder value of the entire Omron Group.

Corporate Governance Structure



Board of Directors (BOD)
The BOD decides important business matters such as company objectives and management strategies, while overseeing the business practices of the President (CEO).

Board of Corporate Auditors
This board verifies the effectiveness of the corporate governance system and its implementation, while also monitoring the day-to-day operations of executives including directors. The board consists of four corporate auditors, three of whom are outside auditors.

Personnel Advisory Committee
This committee, chaired by an outside director, sets election standards for directors, corporate auditors and executive officers, selects candidates, and evaluates current executives.

Compensation Advisory Committee
Also chaired by an outside director, this committee determines the compensation structure for directors, corporate auditors and executive officers, sets evaluation standards, and evaluates current executives.

CEO Selection Advisory Committee
Dedicated to nomination of the President, this committee deliberates on selection of the new President for the next term and a succession plan in preparation for a contingency.

Executive Council
This council determines and reviews important business operation matters that are within the scope of authority of the President.

Management and oversight structure

Omron has decreased the number of members of its Board of Directors to seven to improve efficiency and support substantive discussion. In addition, the company President is the only director that is also directly involved in business execution. The other directors are distanced from day to day business execution and serve to fulfill a management monitoring function. The Chairman of the Board of Directors serves as a monitor representing stakeholders and does not take part in the execution of business.

To ensure our management objectivity and transparency, the appointment, promotion, and compensation of all officers (directors, auditors, and managing officers) is conducted by three advisory committees—the personnel, compensation, and CEO selection advisory committees—with the two outside board members chairing the committees. These committees allow discussion of personnel and compensation matters relating to all officers without the presence of the Chairman of the Board or President.

Auditing functions

The Board of Corporate Auditors, consisting of four auditors (including three outside corporate auditors), monitors governance practices, management conditions and the daily activities of the Board of Directors and other management.

The Audit Office, which functions directly under the President & CEO, periodically conducts internal audits of accounting, administration, business risks, and compliance in each headquarters division and in each division company as part of its internal auditing function. The Audit Office also offers specific advice for improving business functions.

Appointment of outside directors

To allow the Board of Directors to monitor business practices from a position that represents Omron's shareholders and other stakeholders, the number of outside directors now numbers two out of seven board members. Also, three out of four corporate auditors are outside auditors.

Emphasizing the independence of these outside directors and auditors, Omron has specified strict criteria for qualification of candidates, which are even more exacting than the regulations of Japanese Corporate Law. For example, candidates for outside directors and the organizations to which they belong must not have assumed the role of representative or employee of the independent accounting auditor for the Omron Group for five years prior to the nomination, may not be a principal shareholder of the Omron Group, may not be a director of any principal partner, and may not have kinship with any current director of the Omron Group.

Role of the outside directors

In accordance with the selection standards for outside directors, Omron has appointed Mr. Kazuhiko Toyama and Mr. Masamitsu Sakurai to serve as the company's two outside directors. Mr. Toyama has been selected as a management specialist on the basis of his extensive experience and knowledge gained in the management of several companies, and Mr. Sakurai has been selected for his abundant experience and broad insight to executive management. Omron looks forward to benefiting from the experience and wisdom of the two outside directors in the management of the company.

The outside directors attend and provide advice and recommendations at monthly Board meetings and director liaison meetings (forums for open discussion and information sharing on management strategies held after the Board meetings) as well as technology liaison meetings for narrowing down specific technical themes. The outside directors also serve as chairmen of the Personnel Advisory Committee, Compensation Advisory Committee, and President & CEO Selection Advisory Committee to which they provide and maintain an objective perspective.

Improvement of the Internal Control System Framework

Legislation termed J-SOX* came into effect in April 2008. Omron was quick to recognize the importance of enhancing internal controls to respond to the legislation, and began taking preparatory steps in November 2004. Since then, Omron has been working to establish full-fledged self-assessment and internal control systems.

* J-SOX legislation: Officially known as Article 24-4-4 of the Financial Instruments and Exchange Law, this legislation stipulates that all listed companies must submit a statement that assesses and verifies the proper functioning of the system for preparing financial statements and other financial information in an appropriate manner (internal control report) to the Prime Minister in conjunction with their securities report.

Investor Relations

Open general meeting of shareholders

Omron holds "open" General Meetings of Shareholders with the aim of making the meetings as open and accessible as possible. The meetings are held at a convenient location, a meeting hall in Kyoto Station building on days the largest number of shareholders are likely to be available and TV monitors are set up outside the hall for full viewing by the news media. Shareholders who are unable to attend the meeting may exercise their voting rights through electronic voting. Substantial steps were taken in fiscal 2006 to make the exercise of voting rights available to all shareholders through the initiation of an electronic voting platform for institutional investors enabling trust banks, non-resident investors, and other shareholders with material voting rights through institutional investors.

A record high 586 people attended the General Meeting of Shareholders held on June 21, 2007. A total of 8,033 shareholders, representing 77.8% of all shareholders with voting rights, voted either in person, by written ballot, or via the Internet.

Outside Director Comments

Kazuhiko Toyama

Persistent pressure from the blind capitalism of funds (i.e. those that pursue only profits) and the issue of shareholder sovereignty over corporate governance in the knowledge-based industry, which recently came to the forefront with Microsoft's attempted takeover of Yahoo, have made corporate governance a topic of discussion around the world. It has also made corporate governance more complicated. Corporate governance has become a major topic not just for Omron but for all companies around the world, and corporate leaders must go beyond the philosophical and logical aspects of the question "To whom does a company belong?" to sincerely and boldly address the more integral and practical questions of the essence and purpose of corporate governance.

Corporate governance is not simply appointing committees and external directors, following what others are doing and keeping up appearances; it speaks to the very question of what actions, both practical and fitting Omron's unique situation, should be taken as a real corporate entity.

Career Summary

April 1985	Joined The Boston Consulting Group K.K.
March 1986	Resigned from The Boston Consulting Group K.K.
April 1986	Established Corporate Directions, Inc.
March 1993	Appointed Director, Corporate Directions, Inc.
April 2000	Appointed Managing Director, Corporate Directions, Inc.
April 2001	Appointed President and Representative Director of Corporate Directions, Inc.
March 2003	Resigned from Corporate Directions, Inc.
April 2003	Appointed Executive Managing Director and COO, Industrial Revitalization Corporation of Japan
March 2007	Industrial Revitalization Corporation of Japan is dissolved
April 2007	Appointed CEO & Representative Director, Industrial Growth Platform, Inc. (current position)
June 2007	Appointed Director, OMRON Corporation (current position)
June 2008	Appointed Director, PIA Corporation

Masamitsu Sakurai

I am honored to be appointed an outside director for Omron. How are companies expected to react to the serious global issues we are facing? I believe they are being asked to combine the strength that has made them globally competitive and the friendliness that has earned them the trust of international society to become a powerful ally on social issues. Each company, for better or worse, over many years of operation has developed its own corporate culture. All employees of any company have a standard for value judgment that does not exist in any manual. Fostering a culture that is appropriately responsive to the changes in the environment requires a management structure that is sensitive to the changes and executives capable of well-timed leadership by example. From this perspective, I hope to apply my experience from both my successes and failures to help lead Omron in its transformation into a strong and friendly corporation.

Career Summary

April 1966	Joined Ricoh Company
June 1992	Appointed Director
June 1994	Appointed Managing Director
April 1996	Appointed President and Representative Director
April 2007	Appointed Chairman and Representative Director (current position)
June 2008	Appointed Director, OMRON Corporation (current position)

Compliance and Risk Management

Omron takes preventive action against both internal and external risk that could impede ongoing improvement in sustainable corporate value by seeking to fully identify risk and conduct risk management and maintaining a system to prevent potential unlawful acts by employees and other risk.

Note: Please see Business and Other Risks on page 56 for further details.

Compliance Enforcement

Constant implementation of four key measures

Omron emphasizes compliance activities on four key areas-monitoring, implementing the PDCA (plan-do-check-act) cycle, compliance education, and rebuilding our compliance structure to ensure compliance is thoroughly understood and laws and regulations are proactively followed by all of our Group companies in Japan and overseas.

In fiscal 2007, we continued to hold compliance officer meetings in Japan and the China region to enhance compliance activities and implemented compliance monitoring at 14 affiliated companies, including newly acquired companies, in Japan and abroad. We plan to dispatch compliance officers to affiliated companies in all regions and establish compliance promotion systems while conducting regular monitoring.

Meeting of compliance officers.

Internal reporting system

In Japan and the North America region, we have established third-party corporate ethics communications centers to receive reports directly from employees and their families via telephone, email, or post. To promote usage, we distributed corporate ethics cards with information about the internal reporting centers to all employees in fiscal 2007. We also held sessions for counselors on a regular basis.

Categories and Number of Reports to Domestic Group Companies of Fiscal 2007

Respect for human rights	1
Workplace labor standards and respecting diversity	10
Workplace health and safety	1
Management of information and intellectual property	1
Healthy competition and fair trade practices	1
Abolishment of abuse of administrative authority	1
Private acts to damage the corporate brand	1
Other	5
Total	21

Compliance education measures

Omron provides companywide education and awareness programs along with compliance education catered to the organizational structure and business content of each company. In Japan, the company has designated each October as Corporate Ethics Month and conducts compliance educational activities for the executives and employees of all Group companies.

In fiscal 2007, compliance experts were invited to lead training seminars for executive officers and on-site training for all employees, and the President, company presidents, and affiliated company presidents each issued personal statements to employees regarding compliance matters. The company also proactively distributed and displayed posters, information cards, and other items to maintain vigilant compliance awareness. As part of our routine education program, Group companies can access the Corporate Ethics Bulletin Board, a permanent internal corporate network site presenting compliance-related information and case simulations with instructional Q&A sessions to introduce ways to deal with compliance issues.

Risk Management Measures

Integrated management system for private and confidential information

As a fundamental responsibility to its stakeholders, Omron is continually upgrading its information security to protect against leaks and ensure the appropriate handling of private and confidential information.

In fiscal 2007, the company launched the Information Security Management Committee to further strengthen the integrated control system for private and confidential information. The committee conducted a thorough review of information security measures and enhanced employee education for Group employees in Japan, including issuing information sheets on relevant regulations and procedures and promoting the e-learning program. The company has also performed a detailed assessment of its information security management using the Information Security Measures Benchmark of the Information-Technology Promotion Agency, Japan (IPA) and is using the results to further improve its security measures.

Omron is also vigilant in protecting highly sensitive information maintained by its systems and group companies and has received Information Security Management Systems (ISMS) certification for four systems and PrivacyMark accreditation from the Japan Information Processing Development Corporation for four Group companies.

Corporate Social Responsibility (CSR)

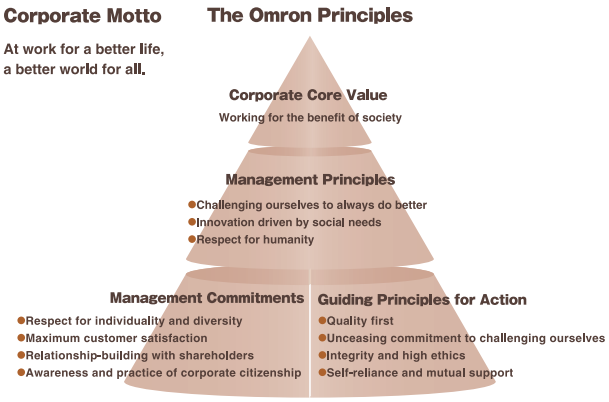
We believe that practicing the Omron Principles is none other than fulfilling our corporate social responsibility. As a fundamental premise of our basic philosophy, we seek to become aware, through dialogue with our diverse stakeholders, of the materiality of the CSR that Omron is expected to fulfill, and accordingly activate measures and set targets.

The basic philosophy of CSR — Working for the Benefit of Society

Omron's corporate core value, "Working for the benefit of society" arises from the principle that companies exist to benefit society and must continually earn the trust of society and validate its existence as a good corporate citizen by conducting business that emphasizes its commitment to the stakeholders that make up society. This is the very spirit behind the Omron Corporate Motto established in 1959, "At work for a better life, a better world for all," that we practice in every facet of our activities.

Following the chief tenet in the Omron Principles of service to society, the Omron Group aims for its operations to fulfill stakeholder* expectations in line with the concept of survival of the fittest under which only the companies that are vital to and trusted by society survive.

* Omron considers as its stakeholders employees and potential employees, business partners, customers, shareholders and investors, and society (representing all interested parties who are affected by Omron's activities).



Engaging the Three Pillars of CSR

Under the long-term management vision GD2010, the Omron Group established the "Omron's CSR vision 10 years into the future" and a "Materiality Map" to identify important issues and endeavor to achieve set targets based on three pillars of CSR: Contributing to a better society through business operations; Always demonstrating fairness and integrity in the promotion of corporate activities; and Showing a commitment to addressing societal issues as a concerned party. (For further details, please see CSR Performance and Objectives on the following page.)

Practicing these activities has clarified the direction that the Omron Group should take in the long term, and we intend to diligently and conscientiously review and address the issues as part of our efforts to enhance our long-term corporate value.

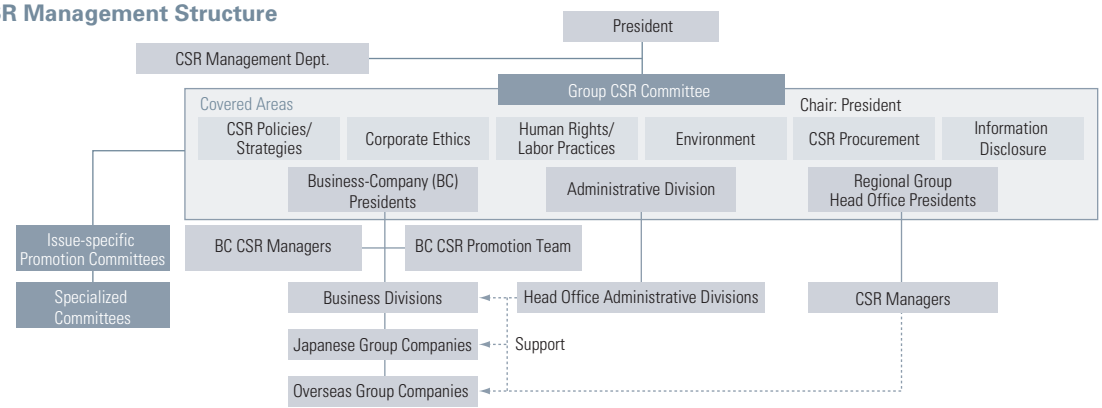
CSR management structure revised to enhance effectiveness and thoroughness

In fiscal 2007, we reorganized our CSR management structure by moving the CSR Department, which was under direct control of the President, into the Corporate Strategic Planning Headquarters and renaming it the CSR Management Department.

Further, in April 2008, we created Group CSR Committee. Comprised of business-company presidents, head office administrative division general managers, and the overseas regional headquarters presidents, the committee discusses the various stakeholder perspectives, reviews the Group's overall CSR conditions and issues, and sets the course for future CSR activities.

Thus by making top management fully accountable for CSR activities and encouraging them to take initiatives in such activities, we intend to enhance the effectiveness and thoroughness of our CSR-oriented management.

CSR Management Structure



CSR Targets and Results

* Degree of progress: Self-assessment was conducted to comprehensively evaluate the progress of activities, including achievement of GD-II (FY2005-07) targets, degree of global expansion of activities, external evaluation, comparison with other companies, etc. ★★★Significant progress ★★Progress ★Need more efforts

CSR issue and basic policy	FY2007 results	Degree of progress*	FY2008 policy/targets
1. Contribute to a better society through business operations			
Innovation driven by social needs	Provided the following products and services to help solve social challenges: • Safety light curtain designed to support operator safety at manufacturing sites • Flow sensor, an essential component of fuel cell systems • Blood glucose self-monitor designed to support prevention and treatment of lifestyle diseases	★★	• Continue working on developing products/services capable of solving issues related to safety, security, environmental conservation and healthcare. • Consider CO_2 reduction solutions for the business sector designed to help prevent global warming.
Customer issues	• MC-670-E digital thermometer selected for German iF Product Design Gold Award. • Established Omron Group voluntary action plan for product safety.	★	• Promote Monozukuri** innovation to further improve quality of products/services. • Develop safe and easy-to-use Universal Design products by incorporating customer feedback.
2. Always demonstrate fairness and integrity in the promotion of corporate activities			
Organizational governance	• Top executives gave presentations to share the Omron Principles at 23 overseas sites. • Held explanatory sessions for CSR Practice Guidelines around the world to accompany presentations.	★★	• Continue top executives' efforts to share the Omron Principles mainly with companies that have recently joined the Group through M&A. • Assess the degree of implementation and instillation of the Omron Principles through employee awareness surveys, and compile issues.
Fair operating practices	• Published regional editions of CSR Practice Guidelines. Held explanatory sessions for managers. • Held compliance officer meeting in China.	★★★	• Establish a system to promote corporate ethics and compliance in each region of the world. • Continue conducting employee awareness surveys regarding corporate ethics and compliance.
3. Show a commitment to addressing societal issues as a concerned party			
Human rights	• Introduced basic human rights guidelines at explanatory sessions for CSR Practice Guidelines held at overseas sites. • Offered training on the theme of sexual harassment and helped raise consultation skills of sexual harassment advisors at Group companies in Japan.	★	• Establish a system in each region of the world to implement activities for raising awareness of human rights at the global level. • Conduct human rights education and awareness-enhancing activities more strongly connected with the Omron Principles and CSR.
Labor practices	• Achieved Group-wide average disabled employee ratio of 2.3% in Japan. • Introduced personnel appraisal system for managerial class, based on evaluation of their implementation and sharing of the Omron Principles. • Opened second onsite daycare center. • Launched career reentry system to support work-life balance from mid/long-term perspective. • Continued female leader training while improving training programs.	★	• Launch global Challenge Commendation Program targeting the entire Omron Group, which commemorates and honors teams/individuals that are committed to taking on challenges. • Promote normalization at Group companies in Japan and further improve ratio of disabled employees. • Gather information on ideal ways and methodologies to support disabled persons' involvement in society. • Conduct employee awareness-enhancing activities regarding work-life balance support initiatives. • Expand female leader training program.
Environment	• Collected information in preparation for the second step in China RoHS and REACH regulations and conducted worksite survey to assess the current status. • Launched resource productivity improvement initiative for selected models on a trial basis. • Conducted corporate environmental audits for 11 production sites in Japan and 2 sites abroad. • Although CO_2 emissions increased 5% overseas compared to FY2006, emissions per unit of production decreased 19%.	★★	• Introduce an energy monitoring system to production sites in Japan to promote CO_2 reduction through visualization. • Select model sites and product models subject to resource productivity improvement and continue efforts. • Acquire integrated ISO 14001 certification for non-production sites of Omron Corporation.
Community involvement and development	• Studied basic scheme of employment support for persons with disabilities. Supported their community involvement through sponsorship of sports events for disabled persons. • Approx. 10,200 employees worldwide participated in Founder's Day volunteer activities. • Launched "Omron Outreach" initiative aimed at improving living standards in underprivileged communities in Southeast Asia.	★★	• Continue support activities/programs that conform to Omron's policy of improving QOL*** for people with limitations. • Continue implementing activities of Kyoto recruitment agent network for disabled persons; plan and implement support measures. • Conduct "Ecovolun" initiative to promote social contributions and environmental conservation activities of employees at the global level, in conjunction with the company's 75th anniversary.
Supply chain management	• Conducted interviews with main suppliers in Japan, asking for cooperation in CSR procurement. • Conducted questionnaire survey regarding CSR targeting 94 main suppliers (69 in Japan and 25 in China) on a trial basis. • Suppliers with whom Omron reached contracts including CSR provisions numbered 249 in China, accounting for 81% of total.	★★	• Conduct questionnaire survey on CSR targeting all suppliers in Japan and China. • Promote closing of basic contracts including CSR provisions with suppliers in China.

** Monozukuri is a Japanese term meaning "the art of producing things." It generally relates to craftsmanship in developing and manufacturing products.
*** QOL (Quality of Life) is a scale for measuring the degree to which a person enjoys a rewarding life as desired.

For more details about Omron's CSR activities, please see our Sustainability Report 2008.
http://www.omron.com/corporate/csr/

Directors, Corporate Auditors and Executive Officers

As of June 24, 2008

Kazuhiko Toyama
Director (external)

Masamitsu Sakurai
Director (external)

Hisao Sakuta
President and CEO

Yutaka Takigawa
Director and Executive Vice President

Fumio Tateisi
Director and Executive Vice Chairman

Yoshio Tateisi
Chairman of the BOD

Keiichiro Akahoshi
Director and Executive Vice President

Directors

Chairman of the BOD
Yoshio Tateisi

Director and
Executive Vice Chairman
Fumio Tateisi

President and CEO
Hisao Sakuta

Director and
Executive Vice President
Keiichiro Akahoshi

Director and
Executive Vice President
Yutaka Takigawa

Directors (external)
Kazuhiko Toyama
Masamitsu Sakurai

Corporate Auditors

Tsutomu Ozako
Satoshi Ando
Hidero Chimori
Eisuke Nagatomo

Executive Advisor

Nobuo Tateisi

Executive Officers

Senior Managing Officers
Soichi Yukawa
Yoshinobu Morishita

Managing Officers
Koichi Imanaka
Takuji Yamamoto
Yoshinori Suzuki
Yukio Kobayashi
Hideo Higuchi
Hiroshi Fujiwara
Kazunobu Amemiya
Yutaka Fujiwara
Kojiro Tobita

Executive Officers
Akio Sakumiya
Tatsunosuke Goto
Mike van Gendt
Toshio Yamashita
Roberto Maietti
Yoshisaburo Mogi
Hiroshi Miyagawa
Koichi Tada
Kiichiro Kondo
Shigeki Fujimoto
Masahiro Ijiri
Masaki Arao
Masayuki Tsuda
Hideji Ejima
Masaki Teshigahara
Taiji Sogo
Yoshihito Yamada

Financial Section (U.S. GAAP)

Notes: Financial Highlights, Six-year Financial Summary, Fiscal 2007 Management's Discussion and Analysis (including Business and Other Risks) are unaudited.

Financial Highlights

OMRON Corporation and Subsidiaries
Years ended March 31, 2008, 2007 and 2006

	Millions of yen (except per share data)			Thousands of U.S. dollars (Note 2) (except per share data)
	FY2007	FY2006	FY2005	**FY2007**
For the year:				
Net sales	**¥ 762,985**	¥ 723,866	¥ 616,002	**$ 7,629,850**
Income from continuing operations before income taxes, minority interests, and equity in loss of affiliates	**64,166**	64,279	63,506	**641,660**
Income from continuing operations	**39,329**	37,094	36,162	**393,290**
Net income	**42,383**	38,280	35,763	**423,830**
Per share data (yen and U.S. dollars):				
Income from continuing operations				
Basic	**¥ 172.5**	¥ 159.8	¥ 152.8	**$ 1.73**
Diluted	**172.4**	159.7	152.7	**1.72**
Net income				
Basic	**185.9**	165.0	151.1	**1.86**
Diluted	**185.8**	164.9	151.1	**1.86**
Cash dividends (Note 1)	**42.0**	34.0	30.0	**0.42**
Capital expenditures (cash basis)	**¥ 37,848**	¥ 44,689	¥ 40,560	**$ 378,480**
Research and development expenses (Note 3)	**51,520**	52,028	55,315	**515,200**
At year end:				
Total assets	**¥ 617,367**	¥ 630,337	¥ 589,061	**$ 6,173,670**
Total shareholders' equity	**368,502**	382,822	362,937	**3,685,020**

Notes: 1. Cash dividends per share represent the amounts applicable to the respective year, including dividends to be paid after the end of the year.
2. The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate at March 31, 2008 of ¥100=$1.
3. A loss of ¥4,814 million in connection with the transfer of the substitutional portion of the benefit obligation and related plan assets is allocated to Research and Development Expenses for FY2005.

Six-year Summary

OMRON Corporation and Subsidiaries
Years ended March 31

	Millions of yen (except per share data)					
	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002
Net sales (Note 2 and 3):						
Industrial Automation Business	**¥ 328,811**	¥ 305,568	¥ 272,657	¥ 250,329	¥ 229,638	¥ 202,518
Electronic Components Business	**154,233**	138,352	97,699	101,127	88,988	79,365
Automotive Electronic Components Business	**107,521**	93,321	77,593	64,558	58,824	59,480
Social Systems Business	**85,223**	105,944	91,804	115,205	135,997	116,652
Healthcare Business	**71,562**	65,726	61,090	50,583	46,962	42,331
Other Businesses	**15,635**	14,955	15,159	16,925	14,748	22,189
	762,985	723,866	616,002	598,727	575,157	522,535
Costs and expenses:						
Cost of sales	**469,643**	445,625	383,335	353,429	339,697	320,719
Selling, general and administrative expenses	**176,569**	164,167	157,909	141,185	139,569	133,406
Research and development expenses	**51,520**	52,028	55,315	49,441	46,494	40,235
Subsidy from the government	**—**	—	(41,339)	—	—	—
Other expenses (income), net	**1,087**	(2,233)	(2,724)	2,225	3,491	27,496
	698,819	659,587	552,496	546,280	529,251	521,856
Income from continuing operations before income taxes, minority interests, and equity in loss of affiliates	**64,166**	64,279	63,506	52,447	45,906	679
Income taxes	**24,272**	25,595	26,701	21,482	19,930	2,250
Minority interests	**217**	238	150	264	411	285
Equity in loss (earnings) of affiliates	**348**	1,352	493	1,483	(92)	59
Income (loss) from continuing operations	**39,329**	37,094	36,162	29,218	25,657	(1,915)
Income from discontinued operations, net of tax (Note 4)	**3,054**	1,186	802	958	1,154	2,426
Cumulative effect of accounting change, net of tax	**—**	—	(1,201)	—	—	—
Net income (loss)	**42,383**	38,280	35,763	30,176	26,811	511
Per share data (yen):						
Income (loss) from continuing operations						
Basic	**¥ 172.5**	¥ 159.8	¥ 152.8	¥ 122.5	¥ 105.9	¥ (7.7)
Diluted	**172.4**	159.7	152.7	120.8	103.0	(7.7)
Net income (loss)						
Basic	**185.9**	165.0	151.1	126.5	110.7	2.1
Diluted	**185.8**	164.9	151.1	124.8	107.5	2.1
Cash dividends (Note 1)	**42.0**	34.0	30.0	24.0	20.0	10.0
Capital expenditures (cash basis)	**¥ 37,848**	¥ 44,689	¥ 40,560	¥ 38,579	¥ 38,115	¥ 34,454
Total assets	**617,367**	630,337	589,061	585,429	592,273	567,399
Total shareholders' equity	**368,502**	382,822	362,937	305,810	274,710	251,610
Value indicators:						
Gross profit margin (%)	**38.4**	38.4	37.8	41.0	40.9	38.6
Income (loss) before tax/Net sales (%)	**8.4**	8.9	10.3	8.8	8.0	0.1
Return on sales (%)	**5.6**	5.3	5.8	5.0	4.7	0.1
Return on assets (%)	**10.3**	10.5	10.8	8.9	7.9	0.1
Return on equity (%)	**11.3**	10.3	10.7	10.4	10.2	0.2
Inventory turnover (times)	**4.96**	5.27	5.34	5.09	4.66	4.27
Price/earning ratio (times)	**10.7**	19.1	22.2	18.5	23.3	900.8
Assets turnover (times)	**1.22**	1.19	1.05	1.02	0.99	0.94
Debt/equity ratio (times)	**0.675**	0.647	0.623	0.914	1.156	1.255
Interest coverage ratio (times)	**44.34**	57.82	69.95	52.05	41.63	20.69

Notes: 1. Cash dividends per share represent the amounts applicable to the respective year, including dividends to be paid after the end of the year.
2. The Automotive Electronic Components Business has been classified separately from the Electronic Components Business effective from April 2003. Figures for FY2002 have been reclassified in accordance with the change.
3. As of October 1, 2004, the ATM and other information equipment business that was included in the Social Systems Business was transferred to an affiliate accounted for using the equity method.
4. In accordance with Statement of Financial Accounting Standards No.144, "Accounting for the Impairment of Disposal of Long-Lived Assets", the figures of the consolidated statements of income for the prior years related to the discontinued operations have been separately reported from the ongoing operating results to conform with the current year presentation. See Note 14 to the consolidated financial statements.

Note: The divisional companies are presented using their abbreviated names
Industrial Automation Business (IAB), Electronic Components Business (ECB), Automotive Electronic Components Business (AEC), Social Systems Business (SSB), Healthcare Business (HCB).

Market Environment

1. Macroeconomic Environment

The global economy destabilized in the second half of the fiscal year on steep price rises for crude oil and raw materials and on the widening impact on financial markets around the world from the subprime loan crisis in the United States. These conditions led to a marked slowdown in corporate earnings growth, but capital investment and private consumption remained firm in Japan with added support from growing exports. Overseas, however, housing investment and private consumption declined sharply in the United States and economic growth in Europe gradually slowed in the second half, while the economic expansion continued brisk in China and Southeast Asia.

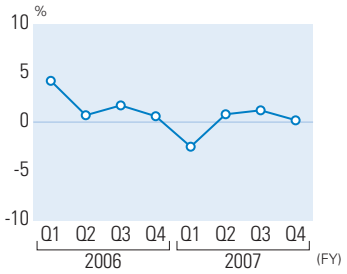
Growth rates of real GDP for each country

CY	Japan	U.S.	EU	China
2003	1.4	2.5	1.3	10.0
2004	2.7	3.6	2.5	10.1
2005	1.9	3.1	1.9	10.4
2006	2.4	2.9	3.0	11.6
2007	2.1	2.2	2.8	11.9

Source: Cabinet Office "Overseas Economic Data" May 2008, etc.

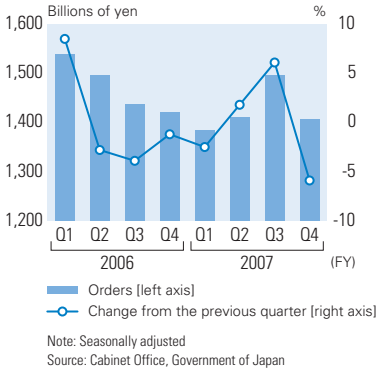
Domestic Macroeconomic Environment

Real Private Capital Investment Growth Rate



Note: Seasonally adjusted
Source: Cabinet Office, Government of Japan

Machinery Orders Growth Rate (Manufacturing)



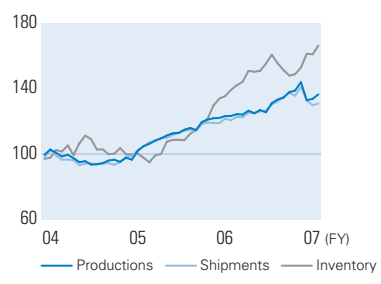
Note: Seasonally adjusted
Source: Cabinet Office, Government of Japan

2. The Omron Group Market Environment

Investment in plant and machinery, which influences orders for the Group's core factory automation control equipment, continued strong through the year, while the growth pace in the semiconductor and flat panel display manufacturing industries slowed, leading to a period of inventory adjustments for electronic components and devices. Meanwhile, last year's surge in demand to upgrade railway equipment with IC card reading systems ran its course. The sharp gasoline price rises and other factors stimulated increased demand for energy conservation products for automotive electronics. Demand also grew for blood pressure monitors and other health-related equipment as interest in health issues expanded from developed to the newly developing countries.

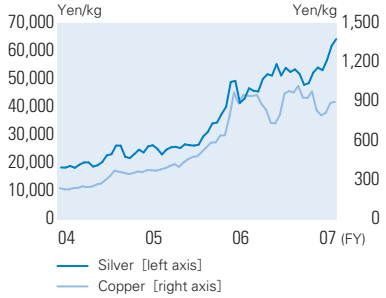
Profits were negatively affected by rising prices for silver, copper, and other raw materials, but were supported by favorable foreign currency exchange rates, specifically a weak yen and strong euro.

Indices of Electronic Parts and Devices
(Seasonally adjusted indices, 2005 average =100)

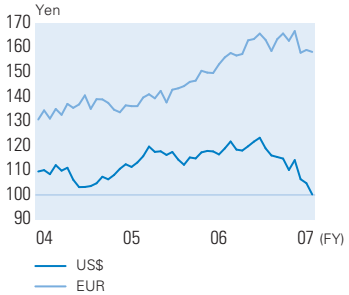


Source: Ministry of Economy, Trade and Industry

Silver and Copper Prices



Exchange Rates

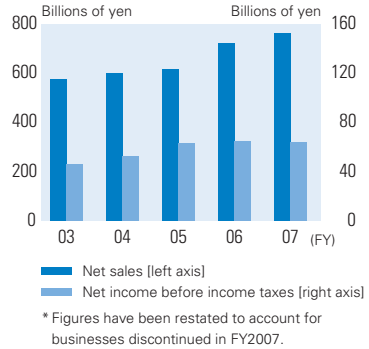


Overview of Consolidated Results and Financial Condition

In this market environment, the Group raised net sales 5.4% year on year and net income 10.7% to post its sixth consecutive year of record levels in both categories. Income from continuing operations income taxes, minority interests, and net income before equity in loss of affiliates* (hereafter "net income before income taxes") decreased by 0.2% from the previous year owing to the recording of a gain on the contribution of securities to retirement benefit trusts in fiscal 2006. Total assets decreased 2.1% from the end of the previous fiscal year owing to a loss on impairment of investment securities reflecting the general decline in stock prices. The associated decline in valuation of investment securities reduced the value of total shareholders' equity by 3.7%, which lowered the equity ratio to 59.7%, from 60.7% at the end of the previous fiscal year. Return on equity (ROE) was 11.3%, as the Group cleared its benchmark of maintaining 10% ROE for a fifth consecutive year.

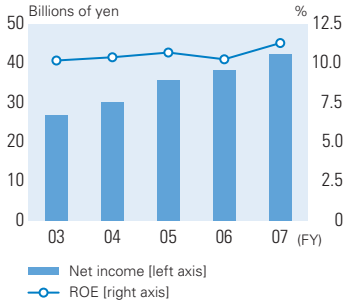
* Figures for operations discontinued in fiscal 2007 are reclassified from fiscal 2006 in accordance with the Statement of Financial Accounting Standards (FSAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

Net Sales & Net Income before Income Taxes



* Figures have been restated to account for businesses discontinued in FY2007.

Net Income & ROE



Review and Analysis of the Statements of Income

Sales *Please see Note 5 on page 69 for corporate acquisition information.

Consolidated net sales rose 5.4% year on year to ¥763.0 billion. Sales volume was boosted by the acquisition of a 95% stake in Omron Laser Front Co., Ltd., (OLFT) in June 2007 and the full-year contribution of Omron Precision Technology (OPT) acquired in August 2006. The weak yen and strong euro currency translations provided an additional favorable effect.

By region, sales declined 2.7% in Japan while rising in all other regions for a combined 13.9% growth in overseas sales, which comprised 52.0% of total sales. Sales in the China region, a particularly key region for the Group, rose 31.7% to ¥91.5 billion, continuing the strong growth momentum from fiscal 2006.

Cost of Sales and SG&A Expenses

In line with the overall growth in sales, cost of sales increased 5.4% year on year and SG&A rose 7.6% in fiscal 2007.

Cost reduction measures were outpaced by the sharp rises in raw material prices, including copper and silver, and the cost to sales ratio remained even with the previous year level at 61.6%.

Aggressive efforts to fortify Group operations contributed to a 0.5 percentage point rise in the SG&A expense ratio to 23.1%.

The increase in sales accompanying business acquisitions reduced the ratio of R&D expense to sales by 0.5 percentage point to 6.7% even as R&D spending decreased by ¥500 million to ¥51.5 billion. Aggressive investment in R&D is a vital part of the Group growth strategy, and we expect the ratio of R&D expense to sales to increase in fiscal 2008.

Other Expenses (Income) *See Note 11 on page 77

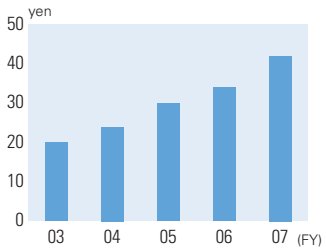
The net amount of other expenses (income) was a net loss of ¥1.1 billion, as income in this category declined ¥3.3 billion from the previous fiscal year. The main elements were a ¥10.1 billion gain on the contribution of securities to retirement benefit trusts and a ¥5.9 billion loss on the sale of property at the Tokyo head office, which produced an extraordinary gain of ¥4.2 billion.

Net Income before Income Taxes, Net Income and Profit Distribution

As a result of the above, net income before income taxes decreased by ¥100 million, or 0.2%, from the previous year to ¥64.2 billion. Net income increased by ¥4.1 billion, or 10.7%, to ¥42.4 billion, largely owing to the booking of a pretax gain of ¥5.2 billion (¥3.1 billion after taxes) from the transfer of the entertainment business.

Basic net income per share was ¥185.9, up from ¥165.0 in the previous year. Based on our profit distribution policy (see page 19), an ordinary dividend of ¥37 per share was paid to which was added a special ¥5 commemorative dividend to mark the 75th anniversary of the founding of the company, bringing the total dividend paid per share to ¥42 for fiscal 2007.

Dividends per Share



Costs, Expenses and Income as Percentages of Net Sales

*based on the assumption that the all the profit from the transfer of the substitutional portion of employees' pension fund was accounted for in a lump sum

	FY2007	FY2006	FY2005	
Net sales	**100.0%**	100.0%	100.0%	
Cost of sales	**61.6**	61.6	62.2	59.6*
Gross profit	**38.4**	38.4	37.8	40.4*
Selling, general and administrative expenses	**23.1**	22.6	25.6	24.2*
Research and development expenses	**6.7**	7.2	9.0	8.2*
Transfer of substitutional portion of employees' pension fund	**—**	—	—	(1.9)*
Interest expenses (income), net	**(0.1)**	(0.1)	(0.1)	
Income from continuing operations before income taxes, minority interests, and equity in loss of affiliates	**8.4**	8.9	10.3	
Income taxes	**3.2**	3.6	4.3	
Income from continuing operations	**5.2**	5.1	5.9	
Income from discontinued operations	**0.4**	0.2	0.1	
Cumulative effect of accounting change	**—**	—	(0.2)	
Net income	**5.6**	5.3	5.8	

Segment Information

Note: Segment operating income is prepared using the single-step method (that does not show individual income levels) based on U.S. GAAP. For easier comparison to other segment companies, operating income represents gross profit minus selling, general and administrative expenses and research and development expenses.

Note: In segment information, sales represents sales to external customers and excludes inter-segment transactions. Conversely, operating income includes income from inter-segment income transactions before deductions of headquarters expenses and other non-apportionable amounts.

Please refer to pages 30-40 for detailed segment business results, fiscal 2008 outlook, and strategy.

1. Conditions by Business Segment

IAB net sales rose 7.6% year on year to ¥328.8 billion and operating income increased 7.1% to ¥51.9 billion boosted by sales growth in the application sensor and safety component businesses, which focused on the themes of quality, safety, and the environment.

ECB net sales grew 11.5% to ¥154.2 billion supported by a full-year contribution from OPT in the small-size backlight business and the launch of made-to-order semiconductor production at Omron Semiconductors in April 2007. However, ECB operating income declined 3.4% to ¥12.6 billion on sluggish sales in the high-margin amusement equipment business.

AEC net sales increased 15.2% to ¥107.5 billion as the themes of safety and the environment in the automobile industry led to increasingly use of AEC automotive components in new car models. Productivity improvements

and product price adjustments helped raise AEC operating income to ¥1.4 billion from a ¥1.2 billion loss in the previous year, marking the first profitable result in four years.

SSB net sales fell 19.6% to ¥85.2 billion and operating income declined 12.7% to ¥7.0 billion, primarily due to the drop in large-scale orders for IC card equipment in the railway equipment sector.

HCB net sales increased 8.9% to ¥71.6 billion and operating income rose 8.2% to ¥9.4 billion supported by the growing awareness worldwide of preventive measures for lifestyle-related diseases.

Other Business net sales increased 4.5% to ¥15.6 billion, largely on steady growth in the electricity usage monitoring business. Intensified competition in the RFID equipment market and other factors reduced Other Business operating profit by 79.8% to ¥87 million.

Growth in Net Sales by Business Segment

	FY2007	FY2006	FY2005
IAB	**7.6%**	12.1%	8.9%
ECB	**11.5**	41.6	(3.4)
AEC	**15.2**	20.3	20.2
SSB	**(19.6)**	15.4	(20.3)
HCB	**8.9**	7.6	20.8
Other	**4.5**	(1.3)	(10.4)

Composition of Net Sales by Business Segment

	FY2007	FY2006	FY2005
IAB	**43.1%**	42.2%	44.3%
ECB	**20.2**	19.1	15.8
AEC	**14.1**	12.9	12.6
SSB	**11.2**	14.6	14.9
HCB	**9.4**	9.1	9.9
Other	**2.0**	2.1	2.5

2. Review of Sales by Region

Japan

Domestic sales increased at IAB, ECB, AEC, and HCB, but the steep drop in sales at SSB owing to the sharp fall in large-scale orders for IC card equipment for railway infrastructure systems led to a 2.7% year on year decline in net sales to ¥388.6 billion and a 16.7% drop in operating income to ¥50.2 billion in Japan.

North America

Rising energy prices and the subprime loan crisis caused a rapid deterioration in housing investment and private consumption in the United States. However, boosted by a substantial ¥4.5 billion increase in AEC sales from growing usage of its automotive components in new car models, net sales rose 4.0% to ¥101.9 billion and operating income increased 551.1% to ¥2.1 billion in North America.

Europe

Sluggish private consumption led to a gradual slowing of the economic growth in Europe in the second half of the fiscal year. However, IAB's fortified sales network supported an ¥11.0 billion growth in sales and HCB's blood pressure monitors attracted growing demand in Russia and Eastern Europe. Net sales in Europe increased 15.5% to ¥134.4 billion and operating income grew 41.6% to ¥14.6 billion.

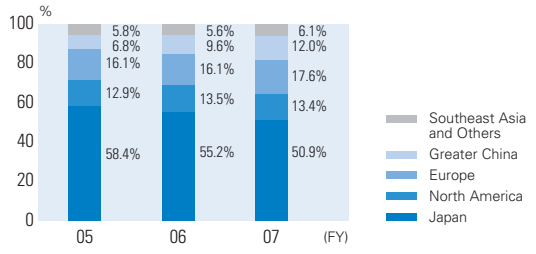
Greater China

In the China region, encompassing China, Hong Kong and Taiwan, IAB expanded sales by focusing on strengthening its operations and launching new products, ECB benefited from the previous year's addition of OPT's small-size backlight business, and AEC raised its plant capacity utilization rate to meet the local procurement needs of customers in China. China region net sales increased 31.7% to ¥91.5 billion and operating income grew 443.6% to ¥8.1 billion.

Southeast Asia and Others

IAB, ECB, and AEC each posted sales growth buoyed by the rapid economic expansion in Southeast Asia. Net sales in the region rose 14.5% to ¥46.7 billion and operating income increased 12.0% to ¥4.5 billion.

Sales Composition, by Region



Financial Condition

Assets

Total assets decreased ¥13.0 billion, or 2.1% from the end of the previous fiscal year to ¥617.4 billion. Notes and accounts receivable-trade declined ¥8.8 billion from the previous fiscal year, largely due to the backlash effect after the sharp rise in demand for the railway infrastructure system business in the fourth quarter of fiscal 2006. The general decline in stock prices reduced the value of investment securities by ¥7.6 billion.

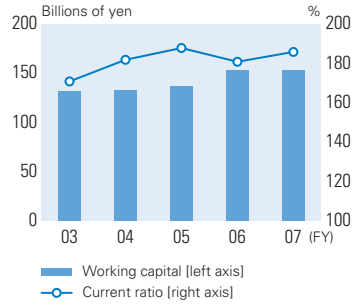
Liabilities and Shareholders' Equity

Current liabilities, long-term liabilities and minority interests increased ¥1.4 billion, or 0.5%, from the previous fiscal year to ¥248.9 billion. Interest-bearing liabilities decreased by ¥2.0 billion to ¥19.8 billion, while termination and retirement benefits increased by ¥10.8 billion, or 21.4%, to ¥63.5 billion.

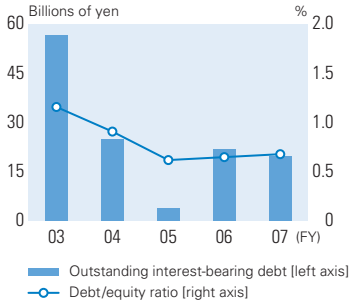
Shareholders' equity declined by ¥14.3 billion, or 3.7%, from the previous fiscal year to ¥368.5 billion. Capital surplus increased with the ¥42.4 billion in net income for the year, while foreign currency translation adjustments led to a ¥12.3 billion decline and the decline in overall stock prices lowered the unrealized gains on available-for-sale securities by ¥6.2 billion.

As a result, the shareholders' equity ratio decreased 1.0 percentage point to 59.7 %, from 60.7% in the previous fiscal year, and the debt/equity ratio increased from 0.647 to 0.675 over the same period. In addition, net assets per share based on the number of shares outstanding at the end of the fiscal year was ¥1,660.68, compared to ¥1,662.32 at the end of the previous fiscal year.

Working Capital & Current Ratio



Outstanding Interest-Bearing Debt & Debt/Equity Ratio



Cash Flow

Cash and cash equivalents at the end of the fiscal year amounted to ¥40.6 billion, a ¥2.4 billion decrease from the end of the previous year.

Cash Flow from Operating Activities

Cash flow from operating activities increased by ¥28.5 billion from the previous year to ¥69.0 billion primarily due to the ¥42.4 billion in net income and the increase in the non-cash items of depreciation and amortization.

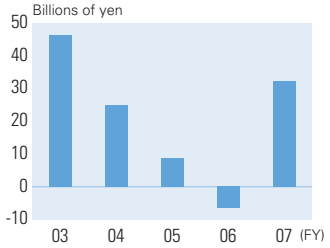
Cash Flow from Investing Activities

Cash flow from investing activities saw a net outflow of ¥36.7 billion despite cash inflow from the sale of a business, representing a ¥10.4 billion decrease in outflow from the previous fiscal year. The Group continued to invest aggressively for its future growth and utilized investment funds for business acquisitions.

Cash Flow from Financing Activities

Cash flow from financing activities saw a net outflow of ¥34.5 billion, up from the ¥29.8 billion outflow in the previous year, owing mainly to the acquisition of treasury stock and dividend payments.

Free Cash Flow



Business and Other Risks

The following risks may influence the Omron Group's management results and financial condition (including share price), and Omron believes that these items may substantially affect investor decisions. Note that items referring to the future reflect the Omron Group's forecasts and assumptions as of June 25, 2008.

(1) Economic Conditions

The primary business of the Omron Group is consumer and commercial electronic components used in the manufacture of electrical and electronic equipment, as well as control system equipment used by manufacturing sectors and in capital investment related areas. Accordingly, demand for Omron Group products is affected by economic conditions in these markets. Also, the Omron Group procures raw materials and semi-finished products in a wide variety of forms, and rapid increases in demand could result in supply shortages and/or sudden increases in prices that could halt production and/or cause sudden increases in costs.

Both in Japan and overseas, therefore, market forces affecting suppliers to, and purchasers from, the Omron Group can result in the contraction of demand for our products, thereby possibly having a negative impact on the Group's operating results and financial condition.

(2) Risks Accompanying Overseas Business Activities

The Omron Group actively conducts business activities such as production and sales in overseas markets. The Group may be subject to operating difficulties in overseas countries related to possible social unrest due to factors including differences in culture or religion, political turmoil and uncertainty in economic trends, differences in business customs in areas such as the structure of relationships with local businesses and collection of receivables, specific legal systems and investment regulations, changes in tax systems, labor shortages and problems in the labor-management relationship, epidemics, and terrorism, wars, and other political circumstances.

These risks associated with overseas operations may have a negative impact on the Omron Group's operating results and financial condition.

(3) Exchange Rate Fluctuation

The Omron Group has 119 overseas affiliated companies and continues to reinforce its business operations in overseas markets, such as China for which major market growth is anticipated in the future. The percentage of consolidated net sales accounted for by overseas sales during fiscal 2007 was 52.0 percent, and Omron expects further increases in the overseas operations ratio due to factors such as production shifts. The Omron Group seeks to hedge against exchange rate risk in such ways as balancing imports and exports denominated in foreign currencies. Exchange rate fluctuations, however, could have a negative impact on the Omron Group's operating results and financial condition.

(4) Product Defects

Based on its core corporate value of "working for the benefit of society," the Omron Group has declared maximum customer satisfaction to be one of its management philosophies and implements it by providing the best quality products and services based on the Group's motto of quality first. In particular, the Group has established strict quality control standards and built a quality control system, and develops and manufactures its products accordingly. A Group-wide quality check system is in place for the ongoing improvement of the quality of the Group's entire line of products and services.

Nevertheless, there is no assurance that all of the Group's products are without defects, and that recalls will not occur in the future. Large-scale recalls and/or product defects resulting in liability-related damages could impose huge costs, severely influence evaluations of the Omron Group, and result in reduced sales. Such events could exert a negative impact on the Group's operating results and financial condition.

In addition, to respond to an EU directive banning the use of lead, cadmium and certain other chemical substances in electric and electronic products in the European Union from July 2006, the Omron Group, in cooperation with its suppliers, is in the process of investigating the status of regulated chemical substances in all of the components and materials the Group uses, and is accelerating efforts to switch to substitute components and materials that do not contain regulated chemical substances with a view to completely eliminating regulated substances from all the Group's products throughout the world in order to make them environmentally friendly products. However, delays in the switchover beyond customer deadlines due to a late response by suppliers in providing substitute components and other factors could result in liability-related damages or a violation of the EU directive, which could have a negative impact on the Omron Group's operating results and financial condition.

(5) Research and Development Activities

Based on a policy of securing a balance between growth and income, the Omron Group invests aggressively in R&D as part of its technology-centered business operations. As a result, the R&D expenses ratio remains at approximately 7 percent.

The Omron Group strives to increase the new product contribution ratio by reflecting such considerations as market needs in its R&D themes and goals. However, factors such as delays in R&D or insufficient technological capabilities that result in a decrease in the R&D new prod-

uct contribution ratio could have a negative impact on the Omron Group's operating results and financial condition.

(6) Information Leakage

The Omron Group acquires personal information and classified information of customers through its business processes and acquires important information in the course of business. The Omron Group is taking steps to reinforce control over the information the Group handles and to further improve employees' information literacy, with the goal of preventing external entry into its internal information systems and misappropriation by third parties resulting from theft or loss of that information.

Unanticipated leakage of internal information, however, due for example to invasion of internal information systems using technology exceeding implemented security levels, could exert a negative impact on the Omron Group's operating results and financial condition.

(7) Risks Associated with Patent Rights and Other Intellectual Property Rights

The Omron Group has accumulated technology and expertise allowing it to differentiate its products from those of its competitors. However, it is impossible to completely protect all of the Group's intellectual property consisting of proprietary technology and expertise, due to legal restrictions in specific regions, including China, and conditions that allow only limited protection. At present, the Omron Group is working on intellectual property protection against imitation products, through such measures as the placement of full-time personnel (including local staff) in Shanghai. However, it is possible that the Group will not be able to completely prevent third parties from using its intellectual property in the manufacture of imitation products.

In China, skills in the methods needed to manufacture and sell imitations of the Omron Group's products improve each year, and organizations that manufacture and market counterfeit products have become extremely troublesome. The circulation of low-quality counterfeits that fraudulently use the Omron Group brand in Asia, including China, could damage trust in the Omron Group's products and the Group's brand image, and could exert a negative impact on the Omron Group's operating activities.

Omron has always focused on managing its brands. Recently, however, it has discovered that several overseas businesses and organizations are using domain names similar to Omron's. Omron has identified some of these and is responding with measures including issuing warning notices.

However, although Omron is monitoring the registration of illegal domain names on a global level and on a daily basis, it is difficult to identify and deal with all businesses and organizations registering and using similar domain names, and there is a danger that such entities will resort to unethical business practices such as the use of identical or similar domain names which could damage the Group's reputation. This is not limited to the problem of imitation products and domain names; when exercising our intellectual property rights, including the granting or assigning of licenses for the intellectual property of the Omron Group, disputes could arise with third parties, such as oppositional tactics from the party which is subject to the exercise of rights.

For its R&D and design, the Omron Group uses a dedicated system to conduct surveys of technologies in the public domain and those of other companies. However, because Group products cover a diverse range of fields in which there are many patents and other intellectual property rights, and in which the number of new patents and intellectual property rights is constantly growing, the possibility exists that a third party could make a claim against the Group with respect to a specific product or part. The Omron Group is working to improve employee morale through measures such as revising its employee invention compensation policy in line with revisions to Japan's Patent Law and introducing a new award system. However, disputes could arise with respect to the value of an invention with inventors who have retired from the Group, and this could exert a negative impact on the Omron Group's operating results and financial condition.

(8) Natural Disasters

Because of the possibility of reduction of production capability, temporary disruption of distribution and sales routes, or other consequences of a natural disaster, fire or other calamity, including a large-scale earthquake in areas such as Tokai and Tonankai or directly below the Tokyo area, the Omron Group has identified risks and implemented the necessary safety measures and measures for continuation and early recovery of its businesses.

However, the Omron Group's operating bases are located in Japan and around the world, and it is impossible to avoid all risks due to a natural disaster, fire or other calamity. As a result, a natural disaster, fire or other calamity could exert a negative impact on the Omron Group's operating results and financial condition.

Consolidated Balance Sheets

OMRON Corporation and Subsidiaries
Years ended March 31, 2008, 2007

	Millions of yen		Thousands of U.S. dollars (Note 2)
ASSETS	**2008**	2007	**2008**
Current assets:			
Cash and cash equivalents	**¥ 40,624**	¥ 42,995	**$ 406,240**
Notes and accounts receivable - trade	**166,878**	175,700	**1,668,780**
Allowance for doubtful receivables	**(2,211)**	(2,297)	**(22,110)**
Inventories (Note 3)	**95,125**	94,109	**951,250**
Deferred income taxes (Note 12)	**19,690**	19,985	**196,900**
Other current assets	**9,948**	11,567	**99,480**
Total current assets	**330,054**	342,059	**3,300,540**
Property, plant and equipment:			
Land	**27,126**	28,271	**271,260**
Buildings	**128,183**	125,227	**1,281,830**
Machinery and equipment	**167,036**	175,398	**1,670,360**
Construction in progress	**6,277**	6,389	**62,770**
Total	**328,622**	335,285	**3,286,220**
Accumulated depreciation	**(175,946)**	(175,970)	**(1,759,460)**
Net property, plant and equipment	**152,676**	159,315	**1,526,760**
Investments and other assets:			
Investments in and advances to affiliates	**16,645**	16,677	**166,450**
Investment securities (Note 4)	**39,139**	46,770	**391,390**
Leasehold deposits	**8,087**	8,650	**80,870**
Deferred income taxes (Note 12)	**28,151**	17,293	**281,510**
Other (Note 6)	**42,615**	39,573	**426,150**
Total investments and other assets	**134,637**	128,963	**1,346,370**
Total	**¥ 617,367**	¥ 630,337	**$ 6,173,670**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2008	2007	Thousands of U.S. dollars (Note 2) 2008
Current liabilities:			
Short-term debt (Note 7)	**¥ 17,795**	¥ 19,868	**$ 177,950**
Notes and accounts payable - trade	**94,654**	91,543	**946,540**
Accrued expenses	**30,622**	32,548	**306,220**
Income taxes payable	**8,959**	11,467	**89,590**
Other current liabilities (Note 12)	**24,517**	33,170	**245,170**
Current portion of long-term debt (Note 7)	**522**	264	**5,220**
Total current liabilities	**177,069**	188,860	**1,770,690**
Long-term debt (Note 7)	**1,492**	1,681	**14,920**
Deferred income taxes (Note 12)	**3,887**	2,006	**38,870**
Termination and retirement benefits (Note 9)	**63,536**	52,700	**635,360**
Other long-term liabilities	**863**	830	**8,630**
Minority interests in subsidiaries	**2,018**	1,438	**20,180**
Shareholders' equity (Note 10)**:**			
Common stock, no par value:			
Authorized: 487,000,000 shares in 2008 and 2007, respectively			
Issued: 239,121,372 shares and 249,121,372 shares in 2008 and 2007, respectively	**64,100**	64,100	**641,000**
Capital surplus	**98,961**	98,828	**989,610**
Legal reserve	**8,673**	8,256	**86,730**
Retained earnings	**266,451**	258,057	**2,664,510**
Accumulated other comprehensive loss (Note 17)	**(28,217)**	(3,013)	**(282,170)**
Treasury stock, at cost — 17,441,564 shares in 2008 and 18,599,842 shares in 2007	**(41,466)**	(43,406)	**(414,660)**
Total shareholders' equity	**368,502**	382,822	**3,685,020**
Total	**¥ 617,367**	¥ 630,337	**$ 6,173,670**

See notes to consolidated financial statements.

Consolidated Statements of Income

OMRON Corporation and Subsidiaries
Years ended March 31, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2008	2007	2006	**2008**
Net sales	**¥ 762,985**	¥ 723,866	¥ 616,002	**$ 7,629,850**
Costs and expenses:				
Cost of sales	**469,643**	445,625	383,335	**4,696,430**
Selling, general and administrative expenses	**176,569**	164,167	157,909	**1,765,690**
Research and development expenses	**51,520**	52,028	55,315	**515,200**
Subsidy from the government (Note 9)	**—**	—	(41,339)	**—**
Other expenses (income), net (Note 11)	**1,087**	(2,233)	(2,724)	**10,870**
Total	**698,819**	659,587	552,496	**6,988,190**
Income from continuing operations before income taxes, minority interests, and equity in loss of affiliates	**64,166**	64,279	63,506	**641,660**
Income taxes (Note 12)	**24,272**	25,595	26,701	**242,720**
Income from continuing operations before minority interests and equity in loss of affiliates	**39,894**	38,684	36,805	**398,940**
Minority interests	**217**	238	150	**2,170**
Equity in loss of affiliates	**348**	1,352	493	**3,480**
Income from continuing operations	**39,329**	37,094	36,162	**393,290**
Income from discontinued operations, net of tax (Note 14)	**3,054**	1,186	802	**30,540**
Cumulative effect of accounting change, net of tax (Note 9)	**—**	—	(1,201)	**—**
Net income	**¥ 42,383**	¥ 38,280	¥ 35,763	**$ 423,830**

	Yen			U.S. dollars (Note 2)
	2008	2007	2006	**2008**
Per share data (Note 15)**:**				
Income from continuing operations				
Basic	**¥ 172.5**	¥ 159.8	¥ 152.8	**$ 1.73**
Diluted	**172.4**	159.7	152.7	**1.72**
Income from discontinued operations				
Basic	**13.4**	5.2	3.4	**0.13**
Diluted	**13.4**	5.2	3.4	**0.13**
Cumulative effect of accounting change				
Basic	**—**	—	(5.1)	**—**
Diluted	**—**	—	(5.0)	**—**
Net income				
Basic	**185.9**	165.0	151.1	**1.86**
Diluted	**185.8**	164.9	151.1	**1.86**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

OMRON Corporation and Subsidiaries
Years ended March 31, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2008	2007	2006	**2008**
Net income	**¥ 42,383**	¥ 38,280	¥ 35,763	**$ 423,830**
Other comprehensive income (loss), net of tax (Note 17)**:**				
Foreign currency translation adjustments:				
Foreign currency translation adjustments arising during the year	**(12,342)**	7,907	9,201	**(123,420)**
Reclassification adjustment for the portion realized in net income	**—**	6	—	**—**
Net change in foreign currency translation adjustments during the year	**(12,342)**	7,913	9,201	**(123,420)**
Minimum pension liability adjustments	**—**	1,658	19,940	**—**
Pension liability adjustments	**(7,076)**	—	—	**(70,760)**
Unrealized gains (losses) on available-for-sale securities:				
Unrealized holding gains (losses) arising during the year	**(6,647)**	(560)	10,905	**(66,470)**
Reclassification adjustment for losses on impairment realized in net income	**1,315**	85	287	**13,150**
Reclassification adjustment for net gains on sales realized in net income	**(905)**	(475)	(2,430)	**(9,050)**
Reclassification adjustment for net gains on contribution of securities to retirement benefit trust realized in net income	**—**	(5,983)	—	**—**
Net unrealized gains (losses)	**(6,237)**	(6,933)	8,762	**(62,370)**
Net gains (losses) on derivative instruments:				
Net gains (losses) on derivative instruments designated as cash flow hedges during the year	**1,178**	(1,208)	(1,282)	**11,780**
Reclassification adjustment for net gains (losses) realized in net income	**(727)**	1,172	1,417	**(7,270)**
Net gains (losses)	**451**	(36)	135	**4,510**
Other comprehensive income (loss)	**(25,204)**	2,602	38,038	**(252,040)**
Comprehensive income	**¥ 17,179**	¥ 40,882	¥ 73,801	**$ 171,790**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

OMRON Corporation and Subsidiaries
Years ended March 31, 2008, 2007 and 2006

	Millions of yen						
	Number of common shares issued	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock
Balance, April 1, 2005	249,121,372	¥ 64,100	¥ 98,726	¥ 7,649	¥ 199,551	¥ (41,009)	¥ (23,207)
Net income					35,763		
Cash dividends, ¥30 per share					(7,078)		
Transfer to legal reserve				433	(433)		
Other comprehensive income						38,038	
Acquisition of treasury stock							(10,075)
Sale of treasury stock			1				2
Exercise of stock options			(3)		(12)		491
Balance, March 31, 2006	249,121,372	64,100	98,724	8,082	227,791	(2,971)	(32,789)
Net income					38,280		
Cash dividends, ¥34 per share					(7,839)		
Transfer to legal reserve				174	(174)		
Other comprehensive income						2,602	
Adjustment to initially apply SFAS No.158 (Note 9)						(2,644)	
Acquisition of treasury stock							(11,204)
Sale of treasury stock			1				2
Exercise of stock options			10		(1)		585
Grant of stock options			93				
Balance, March 31, 2007	249,121,372	64,100	98,828	8,256	258,057	(3,013)	(43,406)
Amendment to adoption of FIN No.48					**(266)**		
Net income					**42,383**		
Cash dividends, ¥42 per share					**(9,415)**		
Transfer to legal reserve				**417**	**(417)**		
Other comprehensive loss						**(25,204)**	
Acquisition of treasury stock							**(22,348)**
Sale of treasury stock			**1**				**7**
Retirement of treasury stock	**(10,000,000)**				**(23,858)**		**23,858**
Exercise of stock options			**(4)**		**(33)**		**423**
Grant of stock options			**136**				
Balance, March 31, 2008	**239,121,372**	**¥ 64,100**	**¥ 98,961**	**¥ 8,673**	**¥ 266,451**	**¥ (28,217)**	**¥ (41,466)**

	Thousands of U.S. dollars (Note 2)					
	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock
Balance, March 31, 2007	$ 641,000	$ 988,280	$ 82,560	$ 2,580,570	$ (30,130)	$ (434,060)
Amendment to adoption of FIN No.48				**(2,660)**		
Net income				**423,830**		
Cash dividends, $0.42 per share				**(94,150)**		
Transfer to legal reserve			**4,170**	**(4,170)**		
Other comprehensive loss					**(252,040)**	
Acquisition of treasury stock						**(223,480)**
Sale of treasury stock		**10**				**70**
Retirement of treasury stock				**(238,580)**		**238,580**
Exercise of stock options		**(40)**		**(330)**		**4,230**
Grant of stock options		**1,360**				
Balance, March 31, 2008	**$ 641,000**	**$ 989,610**	**$ 86,730**	**$ 2,664,510**	**$ (282,170)**	**$ (414,660)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

OMRON Corporation and Subsidiaries
Years ended March 31, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2008	2007	2006	**2008**
Operating activities:				
Net income	**¥ 42,383**	¥ 38,280	¥ 35,763	**$ 423,830**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**36,343**	33,923	30,825	**363,430**
Net loss on sales and disposals of property, plant and equipment	**963**	6,445	42	**9,630**
Loss on impairment of property, plant and equipment	**168**	1,441	—	**1,680**
Net gain on sales of investment securities	**(1,571)**	(954)	(4,302)	**(15,710)**
Loss on impairment of investment securities and other assets	**2,297**	682	757	**22,970**
Subsidy from the government	**—**	—	(41,339)	**—**
Gain on contribution of securities to retirement benefit trust	**—**	(10,141)	—	**—**
Termination and retirement benefits	**(1,722)**	(1,403)	29,254	**(17,220)**
Deferred income taxes	**(131)**	3,887	3,962	**(1,310)**
Minority interests	**217**	238	150	**2,170**
Equity in loss of affiliates	**348**	1,352	493	**3,480**
Cumulative effect of accounting change	**—**	—	1,201	**—**
Net gain on sales of business entities	**(5,177)**	—	(194)	**(51,770)**
Changes in assets and liabilities:				
Notes and accounts receivable – trade, net	**4,977**	(19,773)	(9,629)	**49,770**
Inventories	**(3,002)**	(13,955)	(2,098)	**(30,020)**
Other assets	**644**	2,248	(560)	**6,440**
Notes and accounts payable – trade	**5,305**	(5,674)	7,079	**53,050**
Income taxes payable	**(2,663)**	(2,244)	(685)	**(26,630)**
Accrued expenses and other current liabilities	**(10,846)**	6,480	1,411	**(108,460)**
Other, net	**463**	(293)	(431)	**4,630**
Total adjustments	**26,613**	2,259	15,936	**266,130**
Net cash provided by operating activities	**68,996**	40,539	51,699	**689,960**
Investing activities:				
Proceeds from sales or maturities of investment securities	**3,955**	1,643	6,830	**39,550**
Purchase of investment securities	**(7,456)**	(2,108)	(1,294)	**(74,560)**
Capital expenditures	**(37,848)**	(44,689)	(40,560)	**(378,480)**
Decrease (increase) in leasehold deposits	**417**	(9)	161	**4,170**
Proceeds from sales of property, plant and equipment	**5,038**	17,930	1,981	**50,380**
Acquisition of minority interests	**—**	(15)	(200)	**—**
Decrease (increase) in investment in and loans to affiliates	**(850)**	(1,189)	251	**(8,500)**
Proceeds from sale of business entities, net	**8,089**	—	(544)	**80,890**
Payment for acquisition of business entities, net	**(8,026)**	(18,638)	(9,645)	**(80,260)**
Net cash used in investing activities	**(36,681)**	(47,075)	(43,020)	**(366,810)**
Financing activities:				
Net borrowings (repayments) of short-term debt	**(3,523)**	13,812	(11,813)	**(35,230)**
Proceeds from issuance of long-term debt	**28**	242	318	**280**
Repayments of long-term debt	**(772)**	(455)	(11,012)	**(7,720)**
Dividends paid by the Company	**(8,252)**	(7,680)	(6,190)	**(82,520)**
Dividends paid to minority interests	**(7)**	(9)	(28)	**(70)**
Acquisition of treasury stock	**(22,348)**	(11,204)	(10,075)	**(223,480)**
Sale of treasury stock	**7**	3	3	**70**
Exercise of stock options	**386**	594	477	**3,860**
Net cash used in financing activities	**(34,481)**	(4,697)	(38,320)	**(344,810)**
Effect of exchange rate changes on cash and cash equivalents	**(205)**	1,943	1,307	**(2,050)**
Net decrease in cash and cash equivalents	**(2,371)**	(9,290)	(28,334)	**(23,710)**
Cash and cash equivalents at beginning of the year	**42,995**	52,285	80,619	**429,950**
Cash and cash equivalents at end of the year	**¥ 40,624**	¥ 42,995	¥ 52,285	**$ 406,240**

See notes to consolidated financial statements.

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

OMRON Corporation (the "Company") is a multinational manufacturer of automation components, equipment and systems with advanced computer, communications and control technologies. The Company conducts business in over 30 countries around the world and strategically manages its worldwide operations through 5 regional management centers in Japan, North America, Europe, Asia-Pacific and China. Products, classified by type and market, are organized into five business segments and one business development group, as described below.

Industrial Automation Business manufactures and sells control components and systems including programmable logic controllers, sensors and switches used in automatic systems in industry. In the global market, the Company offers many services, such as those involving labor-saving automation, environmental protection, safety improvement, and inspection-automization solutions for highly developed production systems.

Electronic Components Business manufactures and sells electric and electronic components found in such consumer goods as home appliances as well as such business equipment as telephone systems, vending machines and office equipment.

Automotive Electronic Components Business develops and produces automotive electronic components and other components for automobiles and automotive electronic components manufacturers throughout the world.

Social Systems Solutions Business encompasses the sale of card authorization terminals mainly for the domestic markets. Passing gates, automated ticket machines, electronic panels and terminal displays for traffic information and monitoring purposes are also supplied for the domestic market.

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

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

Basis of Financial Statements

The accompanying consolidated financial statements, stated in Japanese yen, include certain adjustments, not recorded on the books of account, to present these statements in accordance with accounting principles generally accepted in the United States of America, except for the omission of segment information required by Statement of Financial Accounting Standards ("SFAS") No.131, "Disclosures about Segments of an Enterprise and Related Information." Certain reclassifications have been made to amounts previously reported in order to conform to 2008 classifications.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries (together the "Companies"). All significant intercompany accounts and transactions have been eliminated.

Investments in which the Companies have a 20% to 50% interest (affiliates) are accounted for using the equity method.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less, including time deposits, commercial paper, and securities purchased with resale agreements and money market instruments.

Allowance for Doubtful Receivables

An allowance for doubtful receivables is established in amounts considered to be appropriate based primarily upon the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

Marketable Securities and Investments

The Companies classify all of their marketable debt and equity securities as available-for-sale. Available-for-sale securities are carried at market value with the corresponding recognition of net unrealized holding gains and losses as a separate component of accumulated other comprehensive income (loss), net of related taxes, until recognized. If necessary, individual securities classified as available-for-sale are reduced to fair value by a charge to income in the period in which the decline is deemed to be other than temporary. The Companies principally consider that an other-than-temporary impairment has occurred when the decline in fair value below the carrying value continues for over nine consecutive months. The Companies may also consider other factors, including their ability and intent to hold the applicable investment securities until maturity, and the severity of the decline in fair value.

Other investments are stated at the lower of cost or estimated net realizable value. The cost of securities sold is determined on the average cost basis.

Inventories
Domestic inventories are mainly stated at the lower of cost, determined by the first-in, first-out method, or market. Also overseas inventories are mainly stated at the lower of cost, determined by the moving-average method, or market.

Property, Plant and Equipment
Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment has been computed principally on a declining balance method based upon the estimated useful lives of the assets. The estimated useful lives primarily range from 3 to 50 years for buildings and from 2 to 15 years for machinery and equipment.

Goodwill and Other Intangible Assets
The Companies account for its goodwill and other intangible assets in accordance with SFAS No.142, "Goodwill and Other Intangible Assets," which requires that goodwill no longer be amortized, but instead tested for impairment at least annually. SFAS No.142 also requires recognized intangible assets be amortized over their respective estimated useful lives and reviewed for impairment. Any recognized intangible asset determined to have an indefinite useful life is not to be amortized, but instead tested for impairment until its life is determined to no longer be indefinite.

Long-Lived Assets
Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value. Assets to be disposed of other than by sale are considered held and used until disposed of. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell.

Advertising Costs
Advertising costs are charged to earnings as incurred. Advertising expense was ¥8,648 million ($86,480 thousand), ¥9,600 million and ¥9,734 million for the years ended March 31, 2008, 2007 and 2006, respectively.

Shipping and Handling Charges
Shipping and handling charges were ¥8,121 million ($81,210 thousand), ¥8,571 million and ¥7,310 million for the years ended March 31, 2008, 2007 and 2006, respectively, and are included in selling, general and administrative expenses in the consolidated statements of income.

Termination and Retirement Benefits
Termination and retirement benefits are accounted for in accordance with SFAS No.87, "Employers' Accounting for Pensions" and SFAS No.158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" based on the fiscal year-end fair value of plan assets and the projected benefit obligations of employees, and are disclosed in accordance with SFAS No.132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits" and SFAS No.158. The provision for termination and retirement benefits includes amounts for directors and corporate auditors of the Company.

Income Taxes
Deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts, operating loss carryforwards and tax credit carryforwards. Future tax benefits, such as net operating loss carryforwards and tax credit carryforwards, are recognized to the extent that such benefits are more likely than not to be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Companies adopted FASB Interpretation ("FIN") No.48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No.109," for the year beginning after April 1, 2007. FIN No.48 clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. The Companies decreased ¥266 million ($2,660 thousand) of the beginning retained earnings by the effect from adoption of FIN No.48, but had no material impact on Net Income for the year ended March 31, 2008.

The Company and certain domestic subsidiaries compute current income taxes based on the consolidated taxable income as permitted by Japanese tax regulations for the year beginning after April 1, 2006.

Product Warranties
A liability for the estimated warranty related cost is established at the time revenue is recognized and is included in other current liabilities. The liability is established using historical information including the nature, frequency, and average cost of warranty claims.

Derivatives
Derivative instruments and hedging activities are accounted for in accordance with SFAS No.133, "Accounting for Derivative Instruments and Hedging Activities," SFAS No.138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No.133," and SFAS No.149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." These standards establish accounting and reporting standards for derivative instruments and for

hedging activities, and require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

For foreign exchange forward contracts and foreign currency swaps, on the date the derivative contract is entered into, the Companies designate the derivative as a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow" hedge or "foreign currency" hedge). The Companies formally document all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as cash flow or foreign currency hedges to specific assets and liabilities on the consolidated balance sheet or to specific firm commitments or forecasted transactions. Based on the Companies' policy, all foreign exchange forward contracts and foreign currency swaps entered into must be highly effective in offsetting changes in cash flows of hedged items.

Changes in fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow or foreign currency hedge are recorded in other comprehensive income (loss), until earnings are affected by the variability in cash flows of the designated hedged item.

Cash Dividends
Cash dividends are reflected in the consolidated financial statements at proposed amounts in the year to which they are applicable, even though payment is not approved by shareholders until the annual general meeting of shareholders held early in the following fiscal year. Resulting dividends payable are included in Other current liabilities in the consolidated balance sheets.

Revenue Recognition
The Companies recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred and title and risk of loss has transferred, the sales price is fixed or determinable, and collectibility is probable. These criteria are met when products are received by customers or services are performed.

Stock-Based Compensation
The Companies applied revised SFAS No.123, "Share Based Payment," and recognized a stock-based compensation cost measured by the fair value method. For the year ended March 31, 2006, the Companies applied Accounting Principles Board Opinion No.25, "Accounting for Stock Issued to Employees," and recognized a stock-based compensation cost measured by the intrinsic value method. The following table illustrates the effect on net income and net income per share if the Companies had applied the fair value method to stock-based compensation cost.

	Millions of yen (except per share data)
	2006
Net income as reported	¥ 35,763
Deduct:	
Total stock-based employee compensation expense determined under fair value based method for all awards	73
Pro forma net income	¥ 35,690
Net income per share (yen)	
Basic - as reported	¥ 151.1
Basic - pro forma	150.8
Diluted - as reported	151.1
Diluted - pro forma	150.7

New Accounting Standards
In September 2006, the FASB issued SFAS No.157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS 157 will not have a material impact on the Companies' consolidated financial statements.

In February 2007, the FASB issued SFAS No.159, "The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No.115" ("SFAS 159"). SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The adoption of

SFAS 159 will not have a material impact on the Companies' consolidated financial statements.

In June 2007, the FASB ratified the EITF Issued No.07-3, "Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities" ("EITF 07-3"). EITF 07-3 requires that nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities be deferred and capitalized and recognized as an expense as the goods are delivered or the related services are performed. EITF 07-3 is effective, on a prospective basis, for fiscal years beginning after December 15, 2007. The adoption of EITF 07-3 will not have a material impact on the Companies' consolidated financial statements.

In December 2007, the FASB issued SFAS No.141 (revised 2007), "Business Combinations"("SFAS 141R"). SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS 141R is effective for fiscal years beginning on or after December 15, 2008. The adoption of SFAS 141R will not have a material impact on the Companies' consolidated financial statements.

In December 2007, the FASB issued SFAS No.160, "Noncontrolling Interests in Consolidated Financial Statement, an amendment of ARB No.51" ("SFAS 160"). SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of retained noncontrolling equity investments then a subsidiary is deconsolidated. SFAS 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008. The adoption of SFAS 160 will not have a material impact on the Companies' consolidated financial statements.

2. Translation into United States Dollars

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for convenience of the readers outside of Japan and has been made at the rate of ¥100 to $1, the approximate rate of exchange at March 31, 2008. Such translation should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

3. Inventories

Inventories at March 31 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Finished products	**¥ 53,128**	¥ 53,331	**$ 531,280**
Work-in-process	**16,656**	14,043	**166,560**
Materials and supplies	**25,341**	26,735	**253,410**
Total	**¥ 95,125**	¥ 94,109	**$ 951,250**

4. Marketable Securities and Investments

Available-for-sale securities are recorded at fair value, with unrealized gains and losses excluded from income and reported in other comprehensive income (loss), net of tax. Cost, gross unrealized holding gains and losses and fair value of securities, excluding equity securities with no readily determinable public market value, by major security type at March 31 were as follows:

	Millions of yen							
	2008				2007			
	Cost (*)	Gross unrealized gains	Gross unrealized losses	Fair value	Cost (*)	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale securities								
Debt securities	¥ 1,541	¥ —	¥ —	¥ 1,541	¥ 2,559	¥ 510	¥ —	¥ 3,069
Equity securities	20,802	12,932	(662)	33,072	16,063	22,351	(12)	38,402
Total available-for-sale securities	¥ 22,343	¥ 12,932	¥ (662)	¥ 34,613	¥ 18,622	¥ 22,861	¥ (12)	¥ 41,471

	Thousands of U.S. dollars			
	2008			
	Cost (*)	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale securities				
Debt securities	$ 15,410	$ —	$ —	$ 15,410
Equity securities	208,020	129,320	(6,620)	330,720
Total available-for-sale securities	$ 223,430	$ 129,320	$ (6,620)	$ 346,130

(*) Cost represents amortized cost for debt securities and acquisition cost for equity securities.

Maturities of debt securities classified as available-for-sale at March 31 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2008		2007		2008	
	Cost	Fair value	Cost	Fair value	Cost	Fair value
Due after one year through five years	¥ 41	¥ 41	¥ 1,059	¥ 1,569	$ 410	$ 410
Due over five years	¥ 1,500	¥ 1,500	¥ 1,500	¥ 1,500	$ 15,000	$ 15,000

Gross unrealized holding losses and fair value of certain available-for-sale, equity securities, aggregated by length of time that such securities have been in a continuous unrealized loss position at March 31 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2008		2007		2008	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
Less than 12 months						
Equity securities	¥ 6,270	¥ (662)	¥ 312	¥ (12)	$ 62,700	$ (6,620)

Aggregate cost of non-marketable equity securities accounted for under the cost method totaled ¥4,526 million ($45,260 thousand) and ¥5,299 million at March 31, 2008 and 2007, respectively. Investments with an aggregate cost of ¥4,495 million ($44,950 thousand) were not evaluated for impairment because (a) the Companies did not estimate the fair value of those investments as it was not practicable to do so and (b) the Companies did not identify any events or changes in circumstances that might have had a significant adverse effect on the fair value of those investments.

Losses on impairment of available-for-sale securities recognized to reflect declines in market value considered to be other than temporary were ¥2,228 million ($22,280 thousand), ¥144 million and ¥487 million for the years ended March 31, 2008, 2007 and 2006, respectively.

Proceeds from sales of available-for-sale securities were ¥3,403 million ($34,030 thousand), ¥976 million and ¥6,511 million for the years ended March 31, 2008, 2007 and 2006, respectively.

Gross realized gains on sales were ¥1,534 million ($15,340 thousand), ¥805 million and ¥4,119 million for the years ended March 31, 2008, 2007 and 2006, respectively.

There were no gross realized losses on sales for the years ended March 31, 2008, 2007 and 2006.

The fair value of available-for-sale securities contributed to a retirement benefit trust was ¥16,019 million and the gain on contribution was ¥10,141 million for the year ended March 31, 2007.

5. Acquisition

In August 2006, the Company acquired 100% of the issued common stock of Pioneer Precision Machinery Corporation (now OMRON Precision Technology Co., Ltd., "OPT") for cash in the aggregate amount of ¥7,721 million. This acquisition was to expand and strengthen LCD backlights business from small-size to large-size.

The consolidated financial statements for the year ended March 31, 2007 include the operating results of OPT from the date of acquisition. The estimated fair values of the assets acquired and liabilities assumed at the date of acquisition were as follows:

	Millions of yen
Current assets	**¥ 18,299**
Property, plant and equipment	**3,788**
Investments and other assets (*)	**3,855**
Current liabilities	**(16,284)**
Long term liabilities	**(1,937)**
Net assets acquired	**¥ 7,721**

(*) Investments and other assets include acquired goodwill of ¥2,179 million.

In September 2006, OMRON Management Center of America, Inc., a subsidiary of the Company, acquired 100% of the issued common stock of Scientific Technologies Incorporated (now OMRON Scientific Technologies Incorporated, "OSTI") for cash in the aggregate amount of ¥11,667 million. This acquisition was to fulfill line-up of safety equipment, expand safety business and create cutting-edge equipment.

The consolidated financial statements for the year ended March 31, 2007 include the operating results of OSTI from the date of acquisition. The estimated fair values of the assets acquired and liabilities assumed at the date of acquisition were as follows:

	Millions of yen
Current assets	**¥ 2,463**
Property, plant and equipment	**458**
Investments and other assets (*)	**11,360**
Current liabilities	**(795)**
Long term liabilities	**(1,819)**
Net assets acquired	**¥ 11,667**

(*) Investments and other assets include acquired goodwill of ¥7,044 million.

In June 2007, the Company acquired 95% of the issued common stock of Laserfront Technologies Co., Ltd. (now OMRON Laserfront Inc., "OLFT") for cash in the aggregate amount of ¥8,099 million ($80,990 thousand). This acquisition was to expand laser business by enhancing line-up of products focusing on laser processing technology.

The consolidated financial statements for the year ended March 31, 2008 include the operating results of OLFT from July 2007. The estimated fair values of the assets acquired and liabilities assumed at the date of acquisition were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥ 6,186**	**$ 61,860**
Property, plant and equipment	**619**	**6,190**
Investments and other assets (*)	**7,354**	**73,540**
Current liabilities	**(3,863)**	**(38,630)**
Long term liabilities	**(1,940)**	**(19,400)**
Minority interest	**(257)**	**(2,570)**
Net assets acquired	**¥ 8,099**	**$ 80,990**

(*) Investments and other assets include acquired goodwill of ¥3,668 million ($36,680 thousand).

6. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill at March 31, 2008 and 2007 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2008		2007		**2008**	
	Gross amount	**Accumulated amortization**	Gross amount	Accumulated amortization	**Gross amount**	**Accumulated amortization**
Intangible assets subject to amortization:						
Software	**¥ 38,875**	**¥ 25,210**	¥ 37,141	¥ 21,426	**$ 388,750**	**$ 252,100**
Other	**4,416**	**2,845**	4,895	2,897	**44,160**	**28,450**
Total	**¥ 43,291**	**¥ 28,055**	¥ 42,036	¥ 24,323	**$ 432,910**	**$ 280,550**

Aggregate amortization expense related to intangible assets was ¥6,769 million ($67,690 thousand), ¥5,762 million and ¥5,133 million for the years ended March 31, 2008, 2007 and 2006, respectively.

Estimated amortization expense for the next five years ending March 31 is as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31		
2009	**¥ 6,341**	**$ 63,410**
2010	**4,341**	**43,410**
2011	**2,714**	**27,140**
2012	**1,420**	**14,200**
2013	**365**	**3,650**

Intangible assets not subject to amortization at March 31, 2008 and 2007 were immaterial.

The carrying amount of goodwill at March 31, 2008 and 2007 and changes in its carrying amount for the years ended March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Balance at beginning of year	**¥ 19,021**	¥ 8,895	**$ 190,210**
Acquisition	**4,131**	10,080	**41,310**
Foreign currency translation adjustments and other	**(916)**	46	**(9,160)**
Balance at end of year	**¥ 22,236**	¥ 19,021	**$ 222,360**

7. Short-Term Debt and Long-Term Debt

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Commercial Paper			
The weighted average annual interest rates	**¥ 16,000**	¥ 16,000	**$ 160,000**
2007 0.8%			
2008 0.8%			
Unsecured debt:			
The weighted average annual interest rates	**1,795**	3,868	**17,950**
2007 5.0%			
2008 5.1%			
Total	**¥ 17,795**	¥ 19,868	**$ 177,950**

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Unsecured debt:			
The weighted average annual interest rates	**¥ 384**	¥ 120	**$ 3,840**
2007 5.4%			
2008 2.9%			
Other	**1,630**	1,825	**16,300**
Total	**2,014**	1,945	**20,140**
Less portion due within one year	**522**	264	**5,220**
Long-term debt, less current portion	**¥ 1,492**	¥ 1,681	**$ 14,920**

The annual maturities of long-term debt outstanding at March 31, 2008 were as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31		
2009	**¥ 522**	**$ 5,220**
2010	**72**	**720**
2011	**61**	**610**
2012	**61**	**610**
2013	**63**	**630**
Thereafter	**1,235**	**12,350**
Total	**¥ 2,014**	**$ 20,140**

As is customary in Japan, additional security must be given if requested by a lending bank, and banks have the right to offset cash deposited with them against any debt or obligation that becomes due and, in case of default and certain other specified events, against all debt payable to the banks. The Companies have never received any such requests.

As is also customary in Japan, the Company and domestic subsidiaries maintain deposit balances with banks with which they have short- or long-term debt. Such deposit balances are not legally or contractually restricted as to withdrawal.

Total interest cost incurred and charged to expense for the years ended March 31, 2008, 2007 and 2006 amounted to ¥1,537 million ($15,370 thousand), ¥1,116 million and ¥898 million, respectively.

8. Leases

The Companies do not have any material capital lease agreements.

The Companies have operating lease agreements primarily involving offices and equipment for varying periods. Leases that expire generally are expected to be renewed or replaced by other leases. At March 31, 2008, future minimum rental payments applicable to non-cancelable leases having initial or remaining non-cancelable lease terms in excess of one year were as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31		
2009	**¥ 2,625**	**$ 26,250**
2010	**2,040**	**20,400**
2011	**1,800**	**18,000**
2012	**1,631**	**16,310**
2013	**1,491**	**14,910**
Thereafter	**9,393**	**93,930**
Total	**¥ 18,980**	**$ 189,800**

Rental expense amounted to ¥13,292 million ($132,920 thousand), ¥12,598 million and ¥11,675 million for the years ended March 31, 2008, 2007 and 2006, respectively.

9. Termination and Retirement Benefits

The Company and its domestic subsidiaries sponsor termination and retirement benefit plans which cover substantially all domestic employees. Benefits were based on the employee's years of service, with some plans considering compensation and certain other factors. The Company, effective from April 2004, and its domestic subsidiaries, effective from April 2005, introduced an amended plan to establish a new formula for determining pension benefits including a "point-based benefits system," under which benefits are calculated based on accumulated points allocated to employees each year according to their job classification and performance. If the termination is involuntary, the employee is usually entitled to greater payments than in the case of voluntary termination.

The Company and its domestic subsidiaries fund a portion of the obligations under these plans. The general funding policy is to contribute amounts computed in accordance with actuarial methods acceptable under Japanese tax law. The Company and substantially all domestic subsidiaries had a contributory termination and retirement plan which was interrelated with the Japanese government social welfare program and consisted of a substitutional potion requiring employee and employer contributions plus an additional portion established by the employers.

Periodic pension benefits required under the substitutional portion were prescribed by the Japanese Ministry of Health, Labour and Welfare, commence at age 65 and continue until the death of the surviving spouse. Benefits under the additional portion were usually paid in a lump sum at the earlier of termination or retirement although periodic payments were available under certain conditions.

In January 2003, EITF reached a final consensus on Issue 03-2, "Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities." EITF Issue 03-2 addresses accounting for a transfer to the Japanese government of a substitutional portion of an Employees' Pension Fund plan.

The process of separating the substitutional portion from the corporate portion occurs in four phases. EITF Issue 03-2 requires that the separation process should be accounted for upon completion of the transfer to the government of the substitutional portion of the benefit obligation and related plan assets as the culmination of a series of steps in a single settlement transaction. Under the consensus reached, at the time the assets are transferred to the government in an amount sufficient to complete the separation process, the transaction is considered to be complete and the elimination of the entire substitutional portion of the benefit obligation would be accounted for as a settlement at that time. The difference between the obligation settled and the assets transferred to the government should be accounted for as a subsidy from the government.

The Company received the Japanese government's approval of exemption from the obligation for benefit related to future employee service on April 26, 2004 and past employee service on May 1, 2005 with respect to the substitutional portion of its termination and retirement benefit plans. The substitutional portion of the benefit obligation and related plan assets were transferred to the government on September 29, 2005. The transfer resulted in the Company recording a subsidy from the government of ¥41,339 million representing the difference between the accumulated benefit obligation of the substitutional portion and the related plan assets. Additionally, the Company recorded a reduction in net periodic benefit cost related to the derecognition of previously accrued salary progression of ¥8,870 million and a settlement loss of ¥38,294 million. The net amount of derecognition of previously accrued salary progression and settlement loss is allocated to cost of sales of ¥15,975 million, selling, general and administrative expenses of ¥8,635 million and research and development expenses of ¥4,814 million.

On March 31, 2007, the Companies adopted the recognition and disclosure provisions of SFAS No.158. SFAS No.158 required the Companies to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of their pension plans in the consolidated balance sheet, with a corresponding adjustment to accumulated other comprehensive income (loss) as pension liability adjustments. Before adoption of SFAS No.158, an additional minimum pension liability was recognized based on a plan's accumulated benefit obligation (projected benefit obligation, less future compensation increase), pursuant to SFAS No.87.

Obligations and Funded Status

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Change in benefit obligation:			
Benefit obligation at beginning of year	**¥ 154,529**	¥ 154,531	**$ 1,545,290**
Service cost, less employees' contributions	**3,992**	3,954	**39,920**
Interest cost	**3,091**	3,091	**30,910**
Actuarial loss (gain)	**2,772**	(2,521)	**27,720**
Benefits paid	**(4,306)**	(3,477)	**(43,060)**
Settlement paid	**(1,053)**	(1,049)	**(10,530)**
Benefit obligation at end of year	**¥ 159,025**	¥ 154,529	**$ 1,590,250**
Change in plan assets:			
Fair value of plan assets at beginning of year	**¥ 93,462**	¥ 89,287	**$ 934,620**
Actual return on plan assets	**(4,516)**	2,894	**(45,160)**
Employers' contributions	**5,120**	5,110	**51,200**
Benefits paid	**(3,284)**	(2,780)	**(32,840)**
Settlement paid	**(1,053)**	(1,049)	**(10,530)**
Fair value of plan assets at end of year	**¥ 89,729**	¥ 93,462	**$ 897,290**
Fair value of assets in retirement benefit trust at beginning of year	**¥ 13,750**	¥ —	**$ 137,500**
Actual return on assets in retirement benefit trust	**(2,922)**	(2,269)	**(29,220)**
Employers' contributions	**—**	16,019	**—**
Fair value of assets in retirement benefit trust at end of year	**¥ 10,828**	¥ 13,750	**$ 108,280**
Funded status at end of year	**¥ (58,468)**	¥ (47,317)	**$ (584,680)**

Amounts recognized in the consolidated balance sheet at March 31, consist of:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Termination and retirement benefit	**¥ (58,468)**	¥ (47,317)	**$ (584,680)**

Amounts recognized in accumulated other comprehensive income (loss) at March 31, consist of:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Net actuarial loss	**¥ 70,637**	¥ 59,950	**$ 706,370**
Prior service cost	**(19,708)**	(21,561)	**(197,080)**
	¥ 50,929	¥ 38,389	**$ 509,290**

The accumulated benefit obligation at March 31 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Accumulated benefit obligation	**¥ 154,412**	¥ 150,045	**$ 1,544,120**

Components of net Periodic Benefit Cost

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

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Service cost, less employees' contributions	**¥ 3,992**	¥ 3,954	¥ 3,979	**$ 39,920**
Interest cost on projected benefit obligation	**3,091**	3,091	3,926	**30,910**
Expected return on plan assets	**(2,955)**	(3,411)	(3,620)	**(29,550)**
Amortization	**625**	612	2,336	**6,250**
Settlement loss	**—**	—	38,294	**—**
Derecognition of previously accrued salary progression	**—**	—	(8,870)	**—**
Net periodic benefit cost	**¥ 4,753**	¥ 4,246	¥ 36,045	**$ 47,530**

The unrecognized net actuarial loss and the prior service benefit are being amortized over 15 years.

The estimated net actuarial loss and prior service benefit that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost for the year ending March 31, 2009 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Net actuarial loss	**¥ 2,679**	**$ 26,790**
Prior service cost	**(1,853)**	**(18,530)**

Measurement Date

The Company and certain of its domestic subsidiaries use March 31 as the measurement date for projected benefit obligation and plan assets of the termination and retirement benefits. During the year ended March 31, 2006, the companies changed the measurement date from December 31 to March 31. The purpose of this change was to enable more timely reflection of factors, such as the effect of plan amendments and fluctuation of number of employees in accounting for the termination and retirement benefits, in the projected benefit obligation and retirement benefit expense.

A cumulative effect (net of tax) of this change was recognized in the consolidated statement of income for the year ended March 31, 2006, which reduced net income for the period by ¥1,201 million.

Assumptions

Weighted-average assumptions used to determine benefit obligations at March 31, 2008 and 2007 are as follows:

	2008	2007
Discount rate	**2.0%**	2.0%
Compensation increase rate	**2.0%**	2.0%

Weighted-average assumptions used to termination and retirement benefit cost for the years ended March 31, 2008, 2007 and 2006 are as follows:

	2008	2007	2006
Discount rate	**2.0%**	2.0%	2.0%
Compensation increase rate	**2.0%**	2.0%	2.0%
Expected long-term rate of return on plan assets	**3.0%**	3.0%	3.0%

The expected return on plan assets is determined by estimating the future rate of return on each category of plan assets considering actual historical returns and current economic trends and conditions.

Plan assets

The Company's pension plan weighted-average asset allocation (except for assets in retirement benefit trust) by asset category is as follows:

	2008	2007
Asset category		
Cash	**1.7%**	0.0%
Equity securities	**16.3%**	21.1%
Debt securities	**48.4%**	48.8%
Life insurance company general accounts	**14.6%**	13.8%
Other	**19.0%**	16.3%
Total	**100.0%**	100.0%

The assets in the retirement benefit trust at March 31, 2008 and 2007 consisted of 98.1%, 99.7% equity securities, respectively, and consisted of 1.9%, 0.3% other, respectively.

The Company investment policies are designed to ensure that adequate plan assets are available to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, the Company formulates a model portfolio comprised of the optimal combination of equity and debt securities in order to produce a total return that will match the expected return on a mid-term to long-term basis.

Target allocation of plan assets is 20% equity securities, 66% debt securities and life insurance company general account and 14% other for both 2008 and 2007.

The Company evaluates the gap between expected return and actual return of invested plan assets on an annual basis to determine if such differences necessitate a revision in the model portfolio. The Company revises the model portfolio to the extent considered necessary to achieve the expected long-term rate of return on plan assets.

Equity securities include a common stock of the Company in the amounts of ¥4 million ($40 thousand) (0.00% of total domestic plan assets), and ¥1 million (0.00% of total domestic plan assets) at March 31, 2008, and 2007, respectively.

Cash Flows

Contributions

The Companies expect to contribute ¥5,120 million ($51,200 thousand) to their domestic termination and retirement benefit plans in the year ending March 31, 2009.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31		
2009	**¥ 5,322**	**$ 53,220**
2010	**6,605**	**66,050**
2011	**6,888**	**68,880**
2012	**6,592**	**65,920**
2013	**6,774**	**67,740**
2014-2015	**34,144**	**341,440**

Certain employees of European subsidiaries are covered by a defined benefit pension plan. The projected benefit obligation for the plan and related fair value of plan assets were ¥2,891 million ($28,910 thousand) and ¥2,691 million ($26,910 thousand), respectively, at March 31, 2008 and ¥2,687 million and ¥2,555 million, respectively, at March 31, 2007.

The Companies also have unfunded noncontributory termination plans administered by the Companies. These plans provide lump-sum termination benefits are paid at the earlier of the employee's termination or mandatory retirement age, except for payments to directors and corporate auditors which require approval by the shareholders before payment. The Companies record provisions for termination benefits sufficient to state the liability equal to the plans' vested benefits, which exceed the plans' accumulated benefit obligations.

The aggregate liability for the termination plans excluding the funded contributory termination and retirement plan in Japan, as of March 31, 2008 and 2007 was ¥5,068 million ($50,680 thousand) and ¥5,383 million, respectively. The aggregate net periodic benefit cost for such plans for the years ended March 31, 2008, 2007 and 2006 was ¥258 million ($2,580 thousand), ¥1,167 million and ¥618 million, respectively.

10. Shareholders' Equity

Japanese companies are subjected to the Corporate Law.

The Corporate Law requires that all shares of common stock be issued with no par value and at least 50% of amount paid of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds are required to be presented as additional paid-in capital, which is included in capital surplus. The Corporate Law permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration by way of a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Corporate Law also requires that an amount equal to 10% of dividends must be appropriated as a legal reserve or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of shareholders' equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of shareholders' equity or deducted directly from stock acquisition rights.

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the arti-

cles of incorporation of the company so stipulate. Under the Corporate Law, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million. Such amount available for the dividends under the Corporate Law was ¥65,027 million ($650,270 thousand) at March 31, 2008, based on the amount recorded in the parent company's general books of account.

Stock Options

The Companies has authorized the grant of options to purchase common stock of the Company to certain directors and executive officers of the Company under a fixed stock option plan.

Under the above plan, the exercise price of each option exceeded the market price of the Company's common stock on the date of grant and the options expire 5 years after the date of the grant. Generally, options become fully vested and exercisable after 2 years. A summary of the Company's fixed stock option plan activity and related information is as follows:

		Yen	
Fixed options	Shares	Weighted-average exercise price	Weighted-average fair value of options granted during the year
Options outstanding at April 1, 2005	1,246,000	¥ 2,421	
Granted	213,000	2,550	¥ 415
Exercised	(226,000)	2,111	
Expired	(260,000)	2,936	
Options outstanding at March 31, 2006	973,000	¥ 2,384	
Granted	217,000	3,031	¥ 539
Exercised	(260,000)	2,284	
Expired	(25,000)	2,306	
Options outstanding at March 31, 2007	905,000	¥ 2,570	
Granted	**237,000**	**3,432**	**¥ 744**
Exercised	**(181,000)**	**2,131**	
Expired	**(3,000)**	**1,913**	
Options outstanding at March 31, 2008	**958,000**	**¥ 2,868**	
Options exercisable at March 31, 2008	**504,000**	**¥ 2,533**	

		U.S. dollars	
Fixed options	Shares	Weighted-average exercise price	Weighted-average fair value of options granted during the year
Options outstanding at March 31, 2007	905,000	$ 25.70	
Granted	**237,000**	**34.32**	**$ 7.44**
Exercised	**(181,000)**	**21.31**	
Expired	**(3,000)**	**19.13**	
Options outstanding at March 31, 2008	**958,000**	**$ 28.68**	
Options exercisable at March 31, 2008	**504,000**	**$ 25.33**	

The following summarizes information about fixed stock options at March 31, 2008:

	Shares	Weighted-average remaining contractual life	Range of exercise prices		Weighted-average exercise price	
			Yen	U.S. dollars	Yen	U.S. dollars
Options outstanding	**958,000**	**2.53 years**	**¥ 2,435 to ¥ 3,432**	**$ 24.35 to $ 34.32**	**¥ 2,868**	**$ 28.68**
Options exercisable	**504,000**	**1.42 years**	**¥ 2,435 to ¥ 2,580**	**$ 24.35 to $ 25.80**	**¥ 2,533**	**$ 25.33**

The fair value of each option grant was estimated as of the grant date using the Black-Scholes option-pricing model with the following assumptions:

	2008	2007	2006
Risk-free interest rate	**1.343%**	1.540%	1.540%
Volatility	**27.8%**	28.0%	23.0%
Dividend yield	**1.166%**	1.068%	0.982%
Expected life	**3.5 years**	3.5 years	3.5 years

The Black-Scholes option valuation model used by the Company was developed for use in estimating the fair value of fully tradable options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. It is management's opinion that the Company's stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

Stock-based compensation cost recognized for the year ended March 31, 2008 was ¥136 million ($1,360 thousand). As of March 31, 2008, total compensation cost related to nonvested options and not yet recognized was ¥125 million ($1,250 thousand), and the weighted-average period over which it is expected to be recognized is 1.13 years. Cash received from options exercised under the plan for the year ended March 31, 2008 was ¥386 million ($3,860 thousand). When options are exercised, the Company will grant the Company's treasury stock.

11. Other Expenses (Income), net

Other expenses (income), net for the years ended March 31, 2008, 2007 and 2006 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	2008
Net loss on sales and disposals of property, plant and equipment	**¥ 963**	¥ 6,427	¥ 22	**$ 9,630**
Loss on impairment of property, plant and equipment	**168**	1,441	—	**1,680**
Business restructuring expenses	**264**	713	749	**2,640**
Loss on impairment of investment securities and other assets	**2,297**	682	757	**22,970**
Net gain on sales of investment securities	**(1,571)**	(954)	(4,302)	**(15,710)**
Gain on contribution of securities to retirement benefit trust	**—**	(10,141)	—	**—**
Net gain on sales of business entities	**—**	—	(194)	**—**
Interest income, net	**(828)**	(710)	(598)	**(8,280)**
Foreign exchange loss, net	**1,251**	1,086	1,306	**12,510**
Dividend income	**(525)**	(654)	(511)	**(5,250)**
Other, net	**(932)**	(123)	47	**(9,320)**
Total	**¥ 1,087**	¥ (2,233)	¥ (2,724)	**$ 10,870**

Certain manufacturing assets of Automotive Electronic Components Business were deemed to be impaired and written down to fair value for the year ended March 31, 2007.

The fair value was measured by discounted cash flows expected to be generated by the assets.

12. Income Taxes

The provision for income taxes for the years ended March 31, 2008, 2007 and 2006 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Current income tax expense	**¥ 24,403**	¥ 21,688	¥ 22,662	**$ 244,030**
Deferred income tax expenses, exclusive of the following	**(367)**	3,541	4,024	**(3,670)**
Change in the valuation allowance	**236**	366	15	**2,360**
Total	**¥ 24,272**	¥ 25,595	¥ 26,701	**$ 242,720**

The Company and its domestic subsidiaries are subject to a number of taxes based on income, which in the aggregate resulted in a normal tax rate of approximately 41.0% in 2008, 2007 and 2006.

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

	2008	2007	2006
Normal Japanese statutory rates	**41.0%**	41.0%	41.0%
Increase (decrease) in taxes resulting from:			
Permanently non-deductible items	**0.9**	0.5	0.9
Tax credit for research and development expenses	**(4.6)**	(4.0)	(3.5)
Losses of subsidiaries for which no tax benefit was provided	**1.0**	3.7	0.4
Difference in subsidiaries' tax rates	**(1.7)**	(2.0)	3.2
Change in the valuation allowance	**0.4**	0.6	0.0
Other, net	**0.8**	0.0	0.0
Effective tax rates	**37.8**	39.8	42.0

The approximate effect of temporary differences and tax credit and loss carry forwards that gave rise to deferred tax balances at March 31, 2008 and 2007 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2008		2007		**2008**	
	Deferred tax assets	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities	**Deferred tax assets**	**Deferred tax liabilities**
Inventory valuation	**¥ 7,788**	**¥ —**	¥ 7,746	¥ —	**$ 77,880**	**$ —**
Accrued bonuses and vacations	**5,913**	**—**	5,779	—	**59,130**	**—**
Termination and retirement benefits	**7,023**	**—**	6,279	—	**70,230**	**—**
Enterprise taxes	**1,001**	**—**	756	—	**10,010**	**—**
Marketable securities	**—**	**3,673**	—	9,214	**—**	**36,730**
Property, plant and equipment	**849**	**—**	958	—	**8,490**	**—**
Allowance for doubtful receivables	**1,195**	**—**	1,088	—	**11,950**	**—**
Pension liability adjustment	**20,881**	**—**	15,739	—	**208,810**	**—**
Other temporary differences	**8,632**	**5,704**	9,363	3,056	**86,320**	**57,040**
Tax credit carryforwards	**5,025**	**—**	4,997	—	**50,250**	**—**
Operating loss carryforwards	**3,483**	**—**	3,469	—	**34,830**	**—**
Subtotal	**¥ 61,790**	**¥ 9,377**	¥ 56,174	¥ 12,270	**$ 617,900**	**$ 93,770**
Valuation allowance	**(8,591)**	**—**	(8,826)	—	**(85,910)**	**—**
Total	**¥ 53,199**	**¥ 9,377**	¥ 47,348	¥ 12,270	**$ 531,990**	**$ 93,770**

The total valuation allowance decreased by ¥235 million ($2,350 thousand) in 2008 and increased by ¥1,623 million in 2007.

As of March 31, 2008, certain subsidiaries had operating loss carryforwards approximating ¥10,060 million ($100,600 thousand) available for reduction of future taxable income, the majority of which expire by 2014.

The Company has not provided for Japanese income taxes on unremitted earnings of certain foreign subsidiaries to the extent that they are believed to be indefinitely reinvested. The accumulated unremitted earnings of the foreign subsidiaries which are considered to be indefinitely reinvested and for which Japanese income taxes have not been provided were ¥63,180 million ($631,800 thousand) and ¥55,211 million at March 31, 2008 and 2007, respectively. Dividends received from domestic subsidiaries are expected to be substantially free of tax.

The Companies adopted FIN No.48 for the year beginning April 1, 2007. As a result of this adoption, the Companies decreased ¥266 million ($2,660 thousand) of the beginning retained earnings. The Companies believe that the total amount of unrecognized tax benefits as of March 31, 2008 is not material to its result of operations, financial condition or cash flows.

The Companies recognize interest and penalties accrued related to unrecognized tax benefits in income taxes in the consolidated statements of income.

The companies file income tax returns in Japanese and foreign jurisdictions. With few exceptions, tax examinations in Japan for the year on and before ended March 31, 2005 have been finished. With few exceptions, tax examinations in foreign countries for the year on and before ended March 31, 2003 have been finished.

13. Foreign Operations

Net sales and total assets of foreign subsidiaries for the years ended March 31, 2008, 2007 and 2006 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Net sales	**¥ 374,399**	¥ 324,509	¥ 256,116	**$ 3,743,990**
Total assets	**¥ 257,151**	¥ 263,900	¥ 209,038	**$ 2,571,510**

14. Discontinued Operations

On April 1, 2007, the Company sold the entire business of Omron Entertainment Co., Ltd, which had been a consolidated subsidiary, to a third party. In accordance with SFAS No.144, the Companies presented the gains (net of tax) of its disposal business and the results of discontinued operations (including operations of subsidiaries that either have been disposed of or classified as held for sale) as separate line item in the consolidated statements of income under "Income from discontinued operations, net of tax." Prior years' consolidated statements of income including segment information and other related matters were restated to compare with the consolidated statements of income for the year ended March 31, 2008. On the other hand, the cash flows attributable to the operating, investing and financing activities of the discontinued operations were not presented separately from the cash flows attributable to activities of the continuing operations.

The Companies have no continuing involvement with the business of Omron Entertainment Co., Ltd.

The following table summarizes selected financial information for the years ended March 31, 2006, 2007 and 2008 for the discontinued operations.

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Net sales	**¥ —**	¥ 12,785	¥ 10,780	**$ —**
Cost of sales and expenses	**—**	10,776	9,441	**—**
Income from discontinued operations before income taxes	**—**	2,009	1,339	**—**
Net gain on sales of business entities	**5,177**	—	—	**51,770**
Income taxes	**2,123**	823	537	**21,230**
Income from discontinued operations, net of tax	**¥ 3,054**	¥ 1,186	¥ 802	**$ 30,540**

15. Per Share Data

The Company accounts for its net income per share in accordance with SFAS No.128, "Earnings per Share." Basic net income per share has been computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during each year. Diluted net income per share reflects the potential dilution of convertible bonds and stock options, and has been computed by the if-converted method for convertible bonds and by the treasury stock method for stock options.

A reconciliation of the numerators and denominators of the basic and diluted net income per share computations is as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Income from continuing operations	**¥ 39,329**	¥ 37,094	¥ 34,961	**$ 393,290**
Diluted income from continuing operations	**¥ 39,329**	¥ 37,094	¥ 34,961	**$ 393,290**

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Income from discontinued operations	**¥ 3,054**	¥ 1,186	¥ 802	**$ 30,540**
Diluted income from discontinued operations	**¥ 3,054**	¥ 1,186	¥ 802	**$ 30,540**

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Cumulative effect of accounting change	**¥ —**	¥ —	¥ (1,201)	**$ —**
Diluted cumulative effect of accounting change	**¥ —**	¥ —	¥ (1,201)	**$ —**

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Net income	**¥ 42,383**	¥ 38,280	¥ 35,763	**$ 423,830**
Diluted income	**¥ 42,383**	¥ 38,280	¥ 35,763	**$ 423,830**

	2008	2007	2006
Weighted average common shares outstanding	**228,005,106**	232,059,070	236,625,818
Dilutive effect of:			
Stock options	**61,624**	153,918	131,711
Diluted common shares outstanding	**228,066,730**	232,212,988	236,757,529

16. Supplemental Information for Cash Flows

Supplemental cash flow information for the years ended March 31, 2008, 2007 and 2006 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Interest paid	**¥ 1,536**	¥ 1,130	¥ 898	**$ 15,360**
Income taxes paid	**27,216**	24,591	23,843	**272,160**
Non-cash investing and financing activities:				
Liabilities assumed in connection with capital expenditures	**2,202**	2,977	3,220	**22,020**
Fair value of securities contributed to retirement benefit trust	**—**	16,019	—	**—**
Decrease in retained earnings as a result of extinguishment of treasury stock	**23,858**	—	—	**238,580**

17. Other Comprehensive Income (Loss)

The change in each component of accumulated other comprehensive income (loss) for the years ended March 31, 2008, 2007 and 2006 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	**2008**
Foreign currency translation adjustments:				
Beginning balance	**¥ 6,560**	¥ (1,353)	¥ (10,554)	**$ 65,600**
Change for the year	**(12,342)**	7,913	9,201	**(123,420)**
Ending balance	**(5,782)**	6,560	(1,353)	**(57,820)**
Minimum pension liability adjustments:				
Beginning balance	**—**	(21,183)	(41,123)	**—**
Change for the year	**—**	1,658	19,940	**—**
Adjustment to initially apply SFAS No.158	**—**	19,525	—	**—**
Ending balance	**—**	—	(21,183)	**—**
Pension liability adjustments:				
Beginning balance	**(22,169)**	—	—	**(221,690)**
Change for the year	**(7,076)**	—	—	**(70,760)**
Adjustment to initially apply SFAS No.158	**—**	(22,169)	—	**—**
Ending balance	**(29,245)**	(22,169)	—	**(292,450)**
Unrealized gains (losses) on available-for-sale securities:				
Beginning balance	**12,738**	19,671	10,909	**127,380**
Change for the year	**(6,237)**	(6,933)	8,762	**(62,370)**
Ending balance	**6,501**	12,738	19,671	**65,010**
Net gains (losses) on derivative instruments:				
Beginning balance	**(142)**	(106)	(241)	**(1,420)**
Change for the year	**451**	(36)	135	**4,510**
Ending balance	**309**	(142)	(106)	**3,090**
Total accumulated other comprehensive loss:				
Beginning balance	**(3,013)**	(2,971)	(41,009)	**(30,130)**
Change for the year	**(25,204)**	2,602	38,038	**(252,040)**
Adjustment to initially apply SFAS No.158	**—**	(2,644)	—	**—**
Ending balance	**¥ (28,217)**	¥ (3,013)	¥ (2,971)	**$ (282,170)**

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments for the years ended March 31, 2008, 2007 and 2006 were as follows:

	Millions of yen								
	2008			2007			2006		
	Before-tax amount	Tax (expense) benefit	Net-of-tax amount	Before-tax amount	Tax (expense) benefit	Net-of-tax amount	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
Foreign currency translation adjustments:									
Foreign currency translation adjustments arising during the year	**¥ (12,384)**	**¥ 42**	**¥ (12,342)**	¥ 8,248	¥ (341)	¥ 7,907	¥ 9,458	¥ (257)	¥ 9,201
Reclassification adjustment for the portion realized in net income	**—**	**—**	**—**	6	—	6	—	—	—
Net change in foreign currency translation adjustments during the year	**(12,384)**	**42**	**(12,342)**	8,254	(341)	7,913	9,458	(257)	9,201
Minimum pension liability adjustments	**—**	**—**	**—**	2,811	(1,153)	1,658	33,797	(13,857)	19,940
Pension liability adjustments	**(11,994)**	**4,918**	**(7,076)**	—	—	—	—	—	—
Unrealized gains (losses) on available-for-sale securities:									
Unrealized holding gains (losses) arising during the year	**(11,266)**	**4,619**	**(6,647)**	(949)	389	(560)	18,469	(7,564)	10,905
Reclassification adjustment for losses on impairment realized in net income	**2,229**	**(914)**	**1,315**	144	(59)	85	487	(200)	287
Reclassification adjustment for net gains on sales realized in net income	**(1,534)**	**629**	**(905)**	(805)	330	(475)	(4,119)	1,689	(2,430)
Reclassification adjustment for net gains on contribution of securities to retirement benefit trust realized in net income	**—**	**—**	**—**	(10,141)	4,158	(5,983)	—	—	—
Net unrealized gains (losses)	**(10,571)**	**4,334**	**(6,237)**	(11,751)	4,818	(6,933)	14,837	(6,075)	8,762
Net gains (losses) on derivative instruments:									
Net gains (losses) on derivative instruments designated as cash flow hedges during the year	**1,997**	**(819)**	**1,178**	(2,047)	839	(1,208)	(2,173)	891	(1,282)
Reclassification adjustment for net gains (losses) realized in net income	**(1,232)**	**505**	**(727)**	1,986	(814)	1,172	2,400	(983)	1,417
Net gains (losses)	**765**	**(314)**	**451**	(61)	25	(36)	227	(92)	135
Other comprehensive income (losses)	**¥ (34,184)**	**¥8,980**	**¥ (25,204)**	¥ (747)	¥ 3,349	¥ 2,602	¥ 58,319	¥ (20,281)	¥ 38,038

	Thousands of U.S. dollars		
	2008		
	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during the year	$ (123,840)	$ 420	$ (123,420)
Reclassification adjustment for the portion realized in net income	—	—	—
Net change in foreign currency translation adjustments during the year	(123,840)	420	(123,420)
Minimum pension liability adjustments	—	—	—
Pension liability adjustments	(119,940)	49,180	(70,760)
Unrealized gains (losses) on available-for-sale securities:			
Unrealized holding gains (losses) arising during the year	(112,660)	46,190	(66,470)
Reclassification adjustment for losses on impairment realized in net income	22,290	(9,140)	13,150
Reclassification adjustment for net gains on sales realized in net income	(15,340)	6,290	(9,050)
Reclassification adjustment for net gains on contribution of securities to retirement benefit trust realized in net income	—	—	—
Net unrealized gains (losses)	(105,710)	43,340	(62,370)
Net gains (losses) on derivative instruments:			
Net gains (losses) on derivative instruments designated as cash flow hedges during the year	19,970	(8,190)	11,780
Reclassification adjustment for net gains (losses) realized in net income	(12,320)	5,050	(7,270)
Net gains (losses)	7,650	(3,140)	4,510
Other comprehensive income (losses)	$ (341,840)	$ 89,800	$(252,040)

18. Financial Instruments and Risk Management

Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values as of March 31, 2008 and 2007, of the Companies' financial instruments.

	Millions of yen				Thousands of U.S. dollars	
	2008		2007		2008	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Nonderivatives:						
Long-term debt, including current portion	¥ (2,014)	¥ (2,014)	¥ (1,945)	¥ (1,945)	$ (20,140)	$ (20,140)
Derivatives:						
Included in other current assets (liabilities):						
Forward exchange contracts	1,221	1,221	(286)	(286)	12,210	12,210
Foreign currency swaps	12	12	47	47	120	120

The following methods and assumptions were used to estimate the fair values of each class of financial instruments for which it is practicable to estimate that value:

Nonderivatives

(1) Cash and cash equivalents, notes and accounts receivable, short-term debt and notes and accounts payable:
The carrying amounts approximate fair values.

(2) Investment securities (see Note 4):
The fair values are estimated based on quoted market prices or dealer quotes for marketable securities or similar instruments. Certain equity securities included in investments have no readily determinable public market value, and it is not practicable to estimate their fair values.

(3) Long-term debt:
The fair values are estimated using present value of discounted future cash flow analysis, based on the Companies' current incremental issuing rates for similar types of arrangements.

Derivatives

The fair value of derivatives generally reflects the estimated amounts that the Companies would receive or pay to terminate the contracts at the reporting date, thereby taking into account the current unrealized gains or losses of open contracts. Dealer quotes are available for most of the Companies' derivatives; otherwise, pricing or valuation models are applied to current market information to estimate fair value. The Companies do not use derivatives for trading purposes.

Derivatives and Hedging Activities

Changes in the fair value of foreign exchange forward contracts and foreign currency swaps designated and qualifying as cash flow hedges are reported in accumulated other comprehensive income (loss). These amounts are subsequently reclassified into other expenses (income), net in the same period as the hedged items affect earnings. Substantially all of the accumulated other comprehensive income (loss) in relation to foreign exchange forward contracts at March 31, 2008 is expected to be reclassified into earnings within twelve months.

The effective portions of changes in the fair value of foreign exchange forward contracts and foreign currency swaps designated as cash flow hedges and reported in accumulated other comprehensive income (loss), net of the related tax effect, are gains of ¥1,178 million ($11,780 thousand) and losses of ¥1,208 million for the years ended March 31, 2008 and 2007, respectively. The amounts, which were reclassified out of accumulated other comprehensive income (loss) into other expenses (income), net depending on their nature, net of the related tax effect, are net losses of ¥727 million ($7,270 thousand) and net gains of ¥1,172 million for the years ended March 31, 2008 and 2007, respectively. The amount of the hedging ineffectiveness is not material for the years ended March 31, 2008 and 2007.

Foreign exchange forward contracts and foreign currency swaps:

The Companies enter into foreign exchange forward contracts and combined purchased and written foreign currency swap contracts to hedge foreign currency transactions (primarily the U.S. dollar and the EURO) on a continuing basis for periods consistent with their committed exposure. The terms of the currency derivatives are typically less than ten months. The credit exposure of foreign exchange contracts are represented by the fair value of the contracts at the reporting date. Management considers the exposure to credit risk to be minimal since the counterparties are major financial institutions.

The notional amounts of contracts to exchange foreign currency outstanding at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Forward exchange contracts	**¥ 64,916**	¥ 59,596	**$ 649,160**
Foreign currency swaps	**¥ 620**	¥ 2,100	**$ 6,200**

The Companies hedge certain exposures to fluctuations in foreign currency exchange rates that occur prior to conversion of foreign currency denominated monetary assets and liabilities into the functional currency. Prior to conversion to the functional currency, these assets and liabilities are translated at currency exchange rates in effect on the balance sheet date. The effects of changes in currency exchange rates are reported in earnings and included in other expenses (income), net in the consolidated statements of income. Currency forward contracts and swaps designated as hedges of the monetary assets and liabilities are also marked to market rates with the resulting gains and losses reported in the consolidated statements of income.

19. Commitments and Contingent Liabilities

The Company has commitments at March 31, 2008 of approximately ¥23,377 million ($233,770 thousand) related to contracts for outsourcing computer services through 2013. The contracts require an annual service fee of ¥5,419 million ($54,190 thousand) for the year ending March 31, 2008. The annual service fee will gradually decrease each year during the contract term to ¥4,629 million ($46,290 thousand) for the year ending March 31, 2013. The contract is cancelable at any time subject to a penalty of 15% of aggregate service fees payable for the remaining term of the contract.

The Company and certain of its subsidiaries are defendants in several pending lawsuits. However, based upon the information currently available to both the Company and its legal counsel, management of the Company believes that damages from such lawsuits, if any, would not have a material effect on the consolidated financial statements.

Concentration of Credit Risk

Financial instruments that potentially subject the Companies to concentrations of credit risk consist principally of short-term cash investments and trade receivables. The Companies place their short-term cash investments with high-credit-quality financial institutions. Concentrations of credit risk with respect to trade receivables, as approximately 51% of total sales are concentrated in Japan, are limited due to the large number of well-established customers and their dispersion across many industries. The Company normally requires customers to deposit funds to serve as security for ongoing credit sales.

Guarantees

The Company provides guarantees for bank loans of other companies. The guarantees for the other companies are made to ensure that those companies operate with less finance costs. The maximum payments in the event of default is ¥869 million ($8,690 thousand) at March 31, 2008. The carrying amounts of the liabilities recognized under those guarantees at March 31, 2008 were immaterial.

Bank loans of ¥469 million ($4,690 thousand) of an unaffiliated company were jointly and severally guaranteed by the Company and six other unaffiliated companies. According to an agreement between the seven companies, any loss on these guarantees are to be borne equally among the companies.

Product Warranties

The Companies issue contractual product warranties under which they generally guarantee the performance of products delivered and services rendered for a certain period or term. Changes in accrued product warranty cost for the years ended March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Balance at beginning of year	**¥ 2,190**	¥ 1,678	**$ 21,900**
Addition	**1,507**	2,082	**15,070**
Utilization	**(2,078)**	(1,570)	**(20,780)**
Balance at end of year	**¥ 1,619**	¥ 2,190	**$ 16,190**

20. Subsequent Events

On May 15, 2008, the Company's board of directors approved a resolution, which is subject to approval at the general meeting of shareholders, outlining a plan to purchase the Company's shares. The execution of the plan is at the Company's discretion with a maximum aggregate purchase of ¥10,000 million ($100,000 thousand), or 3,000,000 shares, for the period up to the date of the June 2009 general meeting of shareholders.

Deloitte.

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Independent Auditors' Report

To the Board of Directors and Stockholders of OMRON Corporation

We have audited the accompanying consolidated balance sheets of OMRON Corporation and subsidiaries (the "Company") as of March 31, 2008 and 2007, and the related consolidated statements of income, comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2008, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Certain information required by Statement of Financial Accounting Standards No.131, "Disclosures about Segments of an Enterprise and Related Information," has not been presented in the accompanying consolidated financial statements. In our opinion, presentation concerning operating segments and other information is required for a complete presentation of the Company's consolidated financial statements.

In our opinion, except for the omission of segment information as discussed in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of OMRON Corporation and subsidiaries as of March 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2008, in conformity with accounting principles generally accepted in the United States of America.
Our audits also comprehended the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2 to the consolidated financial statements. Such United States dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

Osaka, Japan
June 10, 2008

Member of
Deloitte Touche Tohmatsu

Corporate and Stock Information

As of March 31, 2008

Date of Establishment
May 10, 1933

Number of Employees (Consolidated)
35,426

Paid-in Capital
¥64,100 million

Common Stock
Authorized
487,000,000 shares
Issued
239,121,372 shares
Number of shareholders
33,166

Stock Listings
Osaka Securities Exchange
Tokyo Stock Exchange
Nagoya Stock Exchange
Frankfurt Stock Exchange

Ticker Symbol Number
6645

Custodian of Register of Shareholders
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4 New York Plaza, New York, NY 10004, U. S. A.

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Fax 65-6835-2711

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(Shanghai)
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Fax 86-21-5888-7633 /7933

Major Domestic Manufacturing, Marketing, and Research & Development Locations

Manufacturing
Mishima Systems Factory
Tel 81-55-977-9000
Fax 81-55-977-9080

Kusatsu Plant
Tel 81-77-563-2181
Fax 81-77-565-5588

Ayabe Office
Tel 81-773-42-6611
Fax 81-773-43-0661

Minakuchi Factory
Tel 81-748-62-6851
Fax 81-748-62-6854

Marketing
Osaki Office
Tel 81-3-5435-2000
Fax 81-3-5435-2030

Nagoya Office
Tel 81-52-571-6461
Fax 81-52-565-1910

Osaka Office
Tel 81-6-6347-5800
Fax 81-6-6347-5900

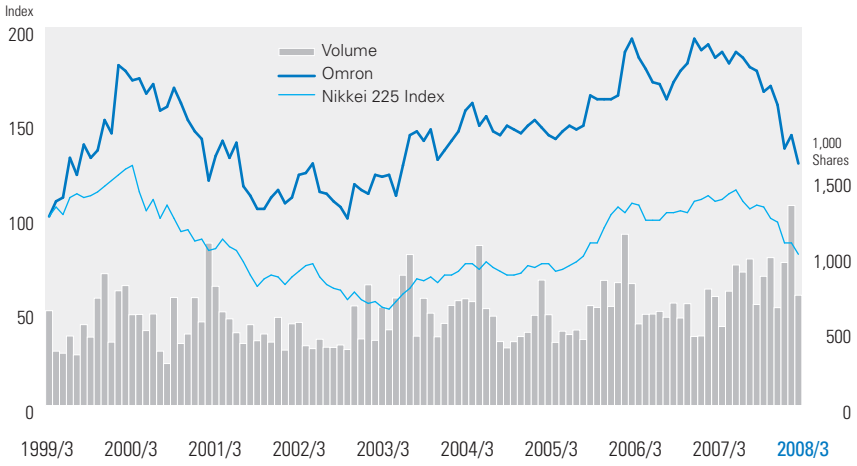
Fukuoka Office
Tel 81-92-414-3200
Fax 81-92-414-3201

Research & Development
Keihanna Technology Innovation Center
Tel 81-774-74-2000
Fax 81-774-74-2001

Komaki Automotive Electronics Office
Tel 81-568-78-6160
Fax 81-568-78-6188

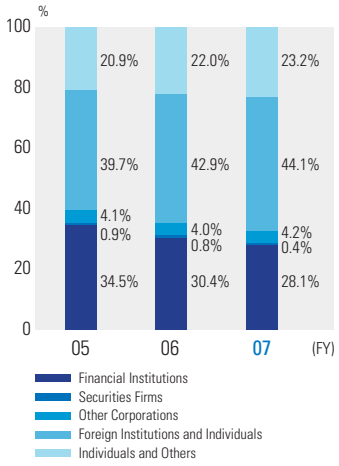
Okayama Office
Tel 81-86-277-6111
Fax 81-86-276-6013

Yearly High and Low Prices Osaka Securities Exchange



Note1. Share Index (1999/3E=100) Note2. The volume is average of 1 month

Ownership and Distribution of shares



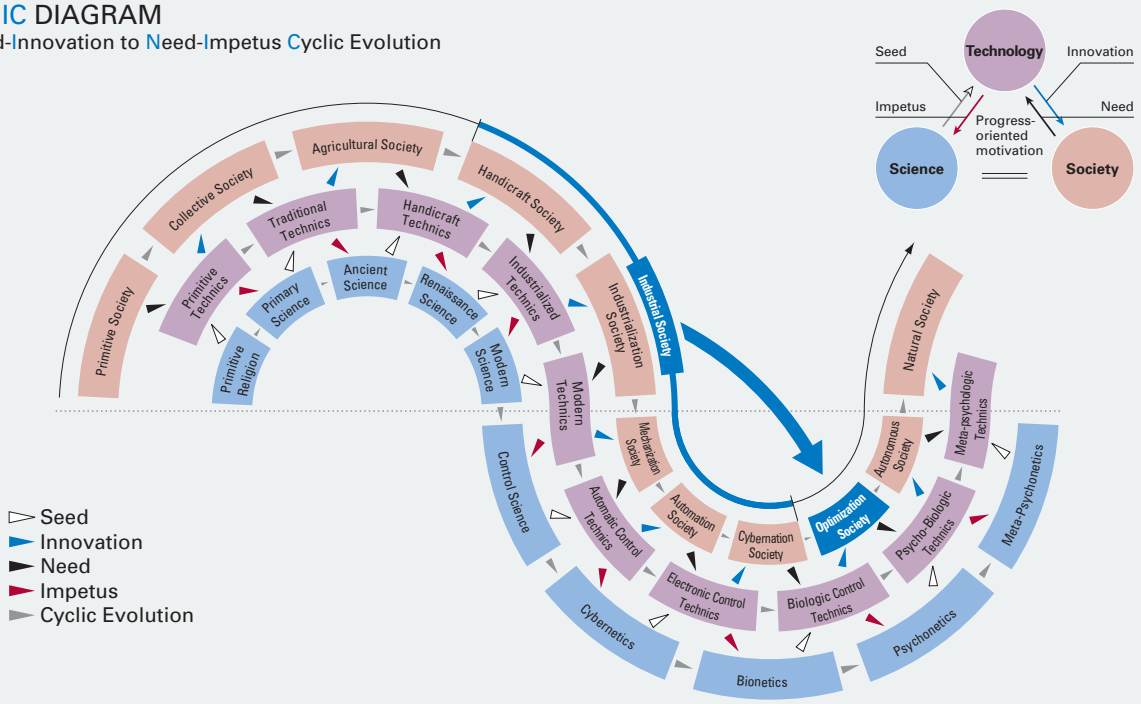
Yearly High and Low Prices *

FY	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
High (¥)	2,220	3,360	3,180	2,515	2,080	2,740	2,880	3,520	3,570	3,500
Low (¥)	1,070	1,501	1,745	1,395	1,341	1,658	2,220	2,230	2,625	1,991

* Closing price of Osaka Securities Exchange

Omron's Management Compass—SINIC Theory

SINIC DIAGRAM
Seed-Innovation to Need-Impetus Cyclic Evolution



What is SINIC Theory?
The SINIC theory grew from the idea that, in order to manage a business by anticipating social needs, it is necessary to predict future society. Based on this theory, OMRON has been able to continually make social proposals marked by foresight.

The SINIC theory is a future prediction method that OMRON founder Kazuma Tateisi developed and presented at the International Future Research Conference in 1970. Announced in the midst of Japan's rapid-paced economic growth, before PCs and the Internet even existed, this theory drew a highly accurate picture of society up to the middle of the 21st century, including the appearance of the Information Society.

SINIC stands for Seed-Innovation to Need-Impetus Cyclic Evolution. According to the SINIC theory, science, technology and society share a cyclical relationship, mutually impacting and influencing each other in two distinct ways. In one direction, scientific breakthroughs yield new technologies that help society to advance. In the other direction, social needs spur on technological development and expectations for new scientific advancement. Thus, both of these factors affect each other in a cyclical manner, propelling further social evolution.

The Future Envisioned by OMRON's Founder
According to the SINIC theory, the world established an Industrialized Society upon the foundation of a conventional Agricultural Society in the 14th century. The SINIC theory divides this Industrialized Society into five phases: first, there was a shift from a Handicraft Society to an Industrialization Society; then, 1870 saw the advent of a Mechanization Society; an Automation Society developed in the 20th century; and from the end of the 20th century until the dawn of the 21st century was an Information Society. According to the SINIC theory, the Optimization Society will follow the Information Society, the final phase of the Industrialized Society, in 2005, which will subsequently shift to the Autonomous Society in 2025. Presently, Japan is about to enter that Optimization Society.

While the Industrialized Society generated material wealth, it also left behind many negative factors. These included increasing energy and resource depletion, growing industrial waste, food shortages, as well as problems related to human rights and ethics among many others. In the Optimization Society it is predicted that these negative effects will be redressed and people will shift from the values of the Industrialized Society, as typified by the pursuit of efficiency and productivity, to values in which psychological abundance is sought and the quality and true joy of life become increasingly important. With its unique technologies, OMRON is well positioned to help the Optimization Society create a complete balance and harmonious relationship between individuals and society, between humans and the environment, and between people and machines.

OMRON in the Optimization Society
In the Information Society, knowledge information could only be exchanged as numerical data in the form of ONs and OFFs or 1s and 0s. The Optimization Society will see further progress in technologies that support and extract knowledge and sensitivity, with the result that aspects such as natural language and human knowledge and sensitivity will be directly exchanged, expressed, and acted on. In other words, technologies that automate parts of our human intellect and sensations will form the foundation for future development.

In the Optimization Society, people and machines will find an ideal level of harmony. Instead of pursuing productivity and efficiency, people will then place more emphasis on finding new ways to live their lives and searching for self-fulfillment. When this happens, it is predicted that people will begin to place their priority on more fundamental desires, such as the desire to be healthy and live a long life, the desire for a comfortable life, the quest of lifelong learning, and the wish to enjoy leisure time.

In order to further advance the fields of safety/security, healthcare and environmental preservation, OMRON is also placing its priority on activities that bring technologies ever closer to people and fulfill these fundamental desires, while maintaining an optimal balance between individuals and society, between humans and the environment, and between people and machines.

Omron: Advancing Sensing and Control Technology

Core technology: Sensing & Control

Omron has a long history of developing and advancing a variety of unique sensing and control technology products. The company continues to apply the SINIC Theory as a compass to anticipate social needs in various fields and develop leading-edge product ideas.

Founding 1933

Microswitches

10th Year 1943

Electromagnetic Relays

20th Year 1953

Proximity Switches

Contactless Switches

Coin-operated Timers

Pressure Switches

30th Year 1963

Automatic Ticket Gates

Miniature Power Relays

Automatic Food Ticket Vending Machines

Automated Teller Machines (ATMs)

Photoelectric Switches

Calculators

40th Year 1973

Sequence Controllers

Electronic Blood Pressure Monitors

Electronic Temperature Controllers

Servomotors

Electronic Registers

Solid-state Relays

50th Year 1983

PCB Solder Inspection Equipment

Digital Thermometers

Radio Frequency Smart Entry Systems

Electric Power Steering Controllers

Travel Time Measurement Systems

60th Year 1993

Switch Mode Power Supplies

Smart Sensors

Ultra-small Pressure Sensors for Wrist Blood Pressure Monitors

LED Backlights

Body Composition Monitors

70th Year 2003

Current Business Divisions

IAB Industrial Automation Business

ECB Electronic Components Business

AEC Automotive Electronic Components Business

SSB Social Systems Business

HCB Healthcare Business

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