

Annual Report 2011

Year ended March 31, 2011



Sensing tomorrow™



Segments



Industrial
Automation
Business



Electronic and
Mechanical
Components
Business



Automotive
Electronic
Components
Business



Social Systems,
Solutions and
Service Business



Healthcare Business



Environmental
Solutions, Electronic
Systems &
Equipments,
Backlight,
Micro Devices
Businesses

Our Founder's Story

First Encounter with Automation

“The risks were high, but
the dream made it worthwhile.”

One day in 1952, Omron founder Kazuma Tateisi heard the following words from Dr. Yoichi Ueno, a pioneer in the area of productivity improvement. “In America, they have automated factories. Despite the absence of people, materials are fed in and amazing products come out. These are incredibly progressive factories.”

In those days, the term “automation” was still practically unknown in

Japan. However, Kazuma felt an unusual attraction to it. He gathered as much information as he could, which he mulled over for a long time. Also, a solid foundation had already been formed. Kazuma noted that devices necessary for automated factories, such as control relays, were already being produced in-house, and he believed that existing design technologies and production equipment could be utilized without major changes. He also made sure that a sufficient investment in researchers had been made.

In that same year, Kazuma first heard about “cybernetics” from Dr. Katsuzo Nishi, the founder of the Nishi Health System. (Cybernetics is a field of learning that brings together communication engineering and system control engineering technologies with the aim of reaching a uniform understanding of biological, human, mechanical, and social mechanisms.)

Perhaps it was fate that brought Kazuma into contact with two major bodies of information that would determine the destiny of his company. While many people would have heard the stories of Dr. Ueno and Dr. Nish, only Kazuma Tateishi saw the light and actually acted on the information.

In the following year, 1953, Kazuma gave orders to all employees to enter the field of automation and began tapping new markets. With no other companies yet involved, the risks were high, but the dream made it worthwhile. Conversely, embracing risk was part of the journey—the journey of a true venture business. The subsequent development of technologies in the two areas of automation and cybernetics, which together represented a field called “cybernation,” provided the motive force that propelled Omron Tateisi Electronics Co. (now Omron) to dramatic advances in the following years.



An Early Protective Relay



“Cybernetics” by Dr. Katsuzo Nishi, the founder of the Nishi Health System, and “Automation” by Dr. Yoichi Ueno, a pioneer in the area of productivity improvement

Based on the publication “Omron Founder Kazuma Tateisi: Don't Say 'I Can't,' but rather, 'How Can I?,'” by Shoyo Yutani.

A BETTER WORLD FOR ALL THROUGH SENSING & CONTROL



Value Generation 2020

Taking on the Challenge of Generating Value for the "Optimization Society"

Advancing to the Next Stage

Omron aims to become a global value-creating group. Underlying this goal is our strong determination to bring about a brighter tomorrow by generating new value that can only be conceived by assuming a "Planet Earth" perspective, in addition to more conventional human and social perspectives. To make these objectives a reality, we have drawn up a new long-term management strategy, entitled "Value Generation 2020," so that we can implement the Omron Principles to a greater degree than ever before.

Omron will continue to take on the challenge of growing into a global group that its customers and society at large can rely on and depend on.

Contents

Profile

4	Core Technologies and Business Domains
6	Business Segments and Key Products
10	10-Year Financial Highlights <small>Omron Corporation and Subsidiaries</small>
12	Omron Through the Year

To Our Stakeholders

14	Message from the Chairman
16	Message from the President

18 [Special Feature 1] Interview with the President

President Yoshihito Yamada Talks about Omron's New Long-term Strategy, "Value Generation 2020"

GLOBE STAGE: Establishment of Profit & Growth Structures on a Global Basis

EARTH STAGE: New Value Generation for Growth



25 [Special Feature 2] Interview with the Heads of Business Segments

Heads of Business Segments Discuss their Strategies for VG2020

Reinforcement of Industrial Automation (IA) Business

Sales Expansion in Emerging Markets

Focus on the Environmental Solutions Business



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 Greater 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.

Segment Information

34	Omron at a Glance	Performance and Forecast by Segment
	Segment Information	
36	IAB	Industrial Automation Business
38	EMC	Electronic and Mechanical Components Business
40	AEC	Automotive Electronic Components Business
42	SSB	Social Systems, Solutions and Service Business
44	HCB	Healthcare Business
46	Other	Environmental Solutions, Electronic Systems & Equipments, Backlight, Micro Devices Businesses
48	Intellectual Property Strategy	

Corporate Governance, CSR, and Disaster Response

49	[Special Feature 3]	Dialogue: Corporate Governance	
		Omron Chairman Hisao Sakuta and External Director Kazuhiko Toyama Reveal the Story Behind the Appointment of a New President	
54	Corporate Governance, Compliance, and Risk Management		
58	Corporate Social Responsibility (CSR)		
59	[Special Feature 4]	Disaster Response Report	
		1. Disaster Response on the Medical Front [Omron Colin Co., Ltd.]	
		2. Protection of Customers' Property and Maintenance of Infrastructure [Omron Field Engineering Co., Ltd.]	
62	Directors, Corporate Auditors, and Executive Officers		

Financial Information

63	Financial Section (U.S. GAAP)
107	Internal Control Section

Corporate Information, History and Others

109	Corporate and Stock Information
110	Omron's Management Compass—SINIC Theory
111	Omron: Advancing Sensing and Control Technology

Definition of Terms

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

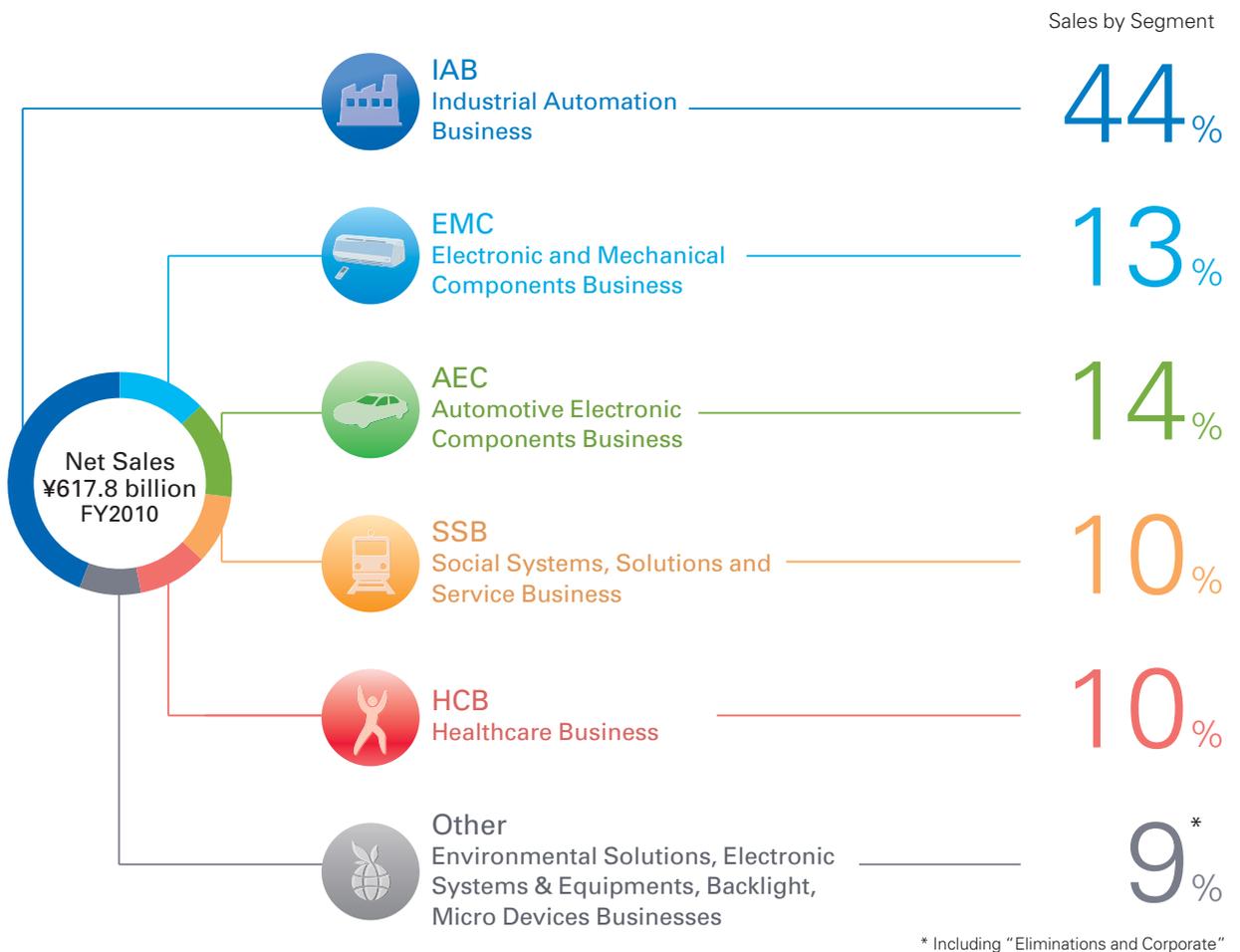
Profile

Omron is developing a global business of value that supports “safety and security, health, and the environment” in the business domains of industry, society, and lifestyles.

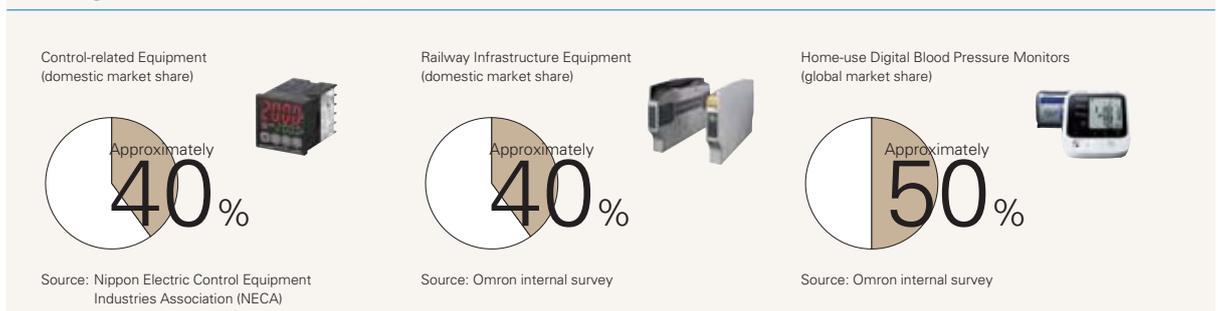
Sensing and Control

Sensing and Control: Our Core Technologies

The value that Omron provides is the realization of “the best matching of machines to people,” where the ideal balance between humans and machines produces the optimal performance, leveraging its core sensing and control technologies, which provide functions approaching the five senses of humans (sight, hearing, smell, taste, and touch).

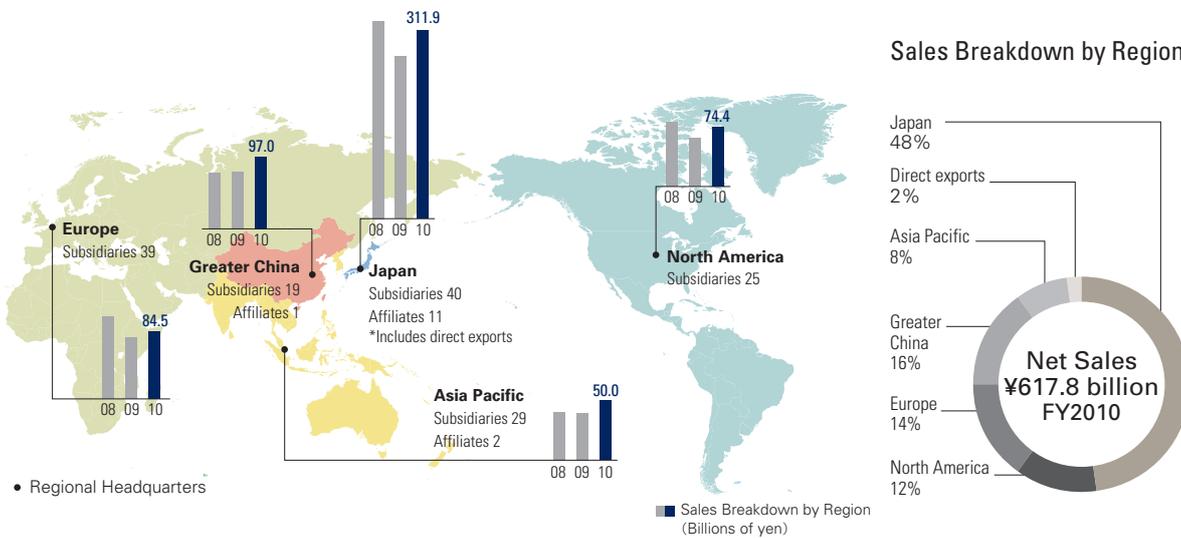


Leading Market Share *As of August 2011



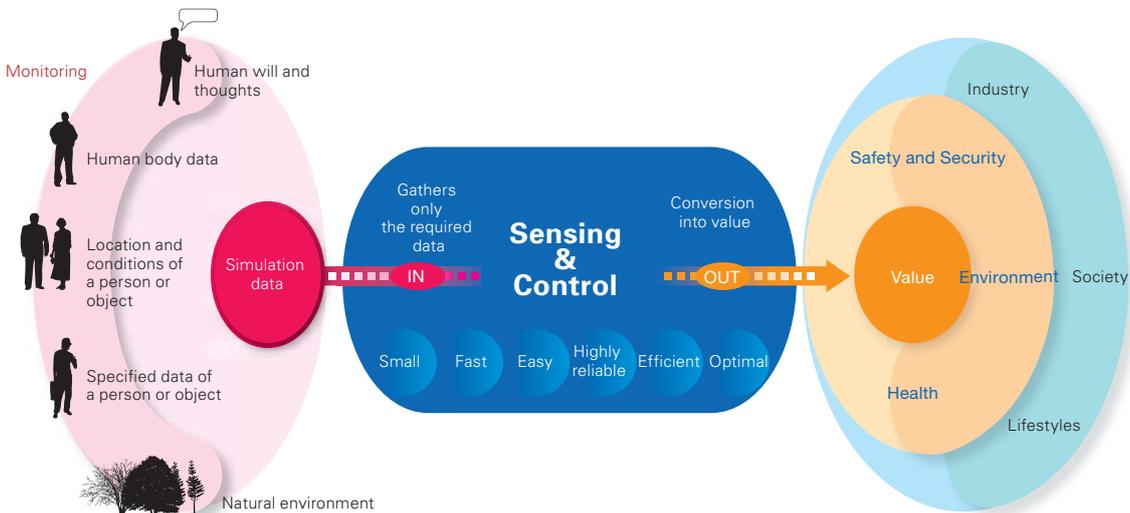
Global Network

To provide customers what they want when they want it, Omron has established a global network and a highly localized service system covering its operating bases in Japan, North America, Europe, Greater China, and the Asia-Pacific region. Omron provides optimal local support to its business partners worldwide, through its comprehensive support system, from development to production, distribution, and maintenance.



Core Technologies: What is Sensing & Control Technology?

It is technology used to identify and gather the special data that is needed by people or a system, and then rapidly and skillfully process the data to provide valuable information. Omron seeks to create machines with capabilities approaching the level of the five senses, knowledge, and power of judgment of humans with the objective of realizing machines that can provide optimal service and data to each individual customer.





IAB
Industrial
Automation
Business

Segment Information
Go to page
→ **36**

The top provider of control equipment for the manufacturing industry in Japan*1, supporting manufacturing innovation worldwide



EMC
Electronic and
Mechanical
Components
Business

Segment Information
Go to page
→ **38**

Provider of ever-improving digital components to a wide range of industries, leveraging *monozukuri* technology

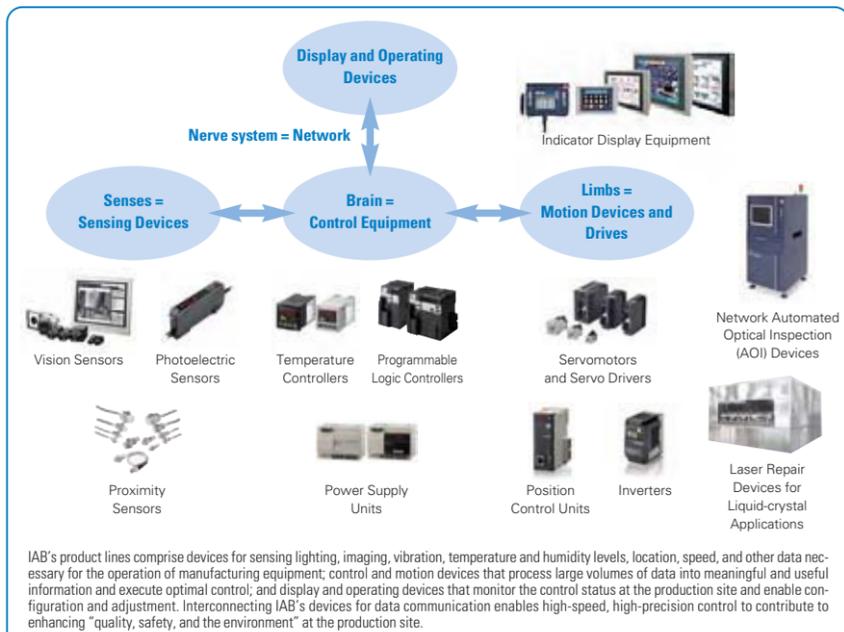


AEC
Automotive
Electronic
Components
Business

Segment Information
Go to page
→ **40**

Contributing to the creation of safe and comfortable automobiles worldwide

IAB provides a wide spectrum of devices necessary for the optimal operation of manufacturing equipment, products ranging from sensors, control devices, and all types of inspection and processing equipment to equipment meeting the growing demand for products to enhance worker safety and environmental products that contribute to improving energy efficiency. IAB's wide-ranging product lineup, which is number one in the industry*1, supports manufacturing product innovation for customers around the world.
(*1 As of August 2011, Omron internal survey)



IAB's product lines comprise devices for sensing lighting, imaging, vibration, temperature and humidity levels, location, speed, and other data necessary for the operation of manufacturing equipment; control and motion devices that process large volumes of data into meaningful and useful information and execute optimal control; and display and operating devices that monitor the control status at the production site and enable configuration and adjustment. Interconnecting IAB's devices for data communication enables high-speed, high-precision control to contribute to enhancing "quality, safety, and the environment" at the production site.

Safety Equipment



Safety Controllers

IAB's safety equipment meets international safety standards and contributes to the creation of a safe workplace environment by automatically sounding an alarm or safely shutting down machinery when a worker enters a defined danger zone in the factory.



Safety Door Switches

Safety Sensors

Environmental Equipment



Air Cleaning Units

IAB's environmental equipment provides constant monitoring of manufacturing environment data, such as the presence of foreign particles and temperature and humidity levels, and provides analysis of electric power consumption data, thereby contributing to maintaining product quality standards while also providing data to help reduce excess power consumption and improve energy efficiency.



Air Thermal Sensors

Air Particle Sensors

Ionizers



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 used in virtually all electric and electronic devices, including refrigerators, microwave ovens, and air conditioners.

Surface-mounting High-frequency Relays

Surface Mount Switches

Connectors

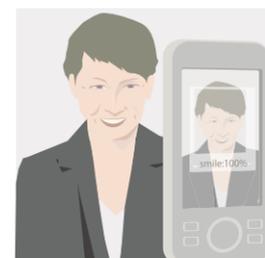
Connectors are used as an interface between electronic devices and are widely used in mobile devices, industrial equipment, and other electronics.

FPC Connectors



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

OKAO Vision
Facial Image Sensing



Sensors and Modules

Sensors and modules enable miniaturization and enhanced functionality for mobile phones, digital cameras, and other electronic devices.

Flexible Optical Distribution Modules



Combination Jogs



Automotive Switches/Controllers

AEC supplies multi-function control units that undertake integrated control of diverse automobile body features, including switches to automatically open and close power windows, lock and unlock doors, and turn on and off windshield wipers, using multiple communication technologies.

Power Window Switches



Transmitter Key & Engine Start Systems



Transmitter Key

Entry systems enable car doors to be locked and unlocked by touching the door handle or pressing a switch for the door without taking out the transmitter key.



Electric Power Steering Controllers

Engine start systems enable car engines to be started or shut down by pressing a switch from the driver's seat of the car without taking the transmitter key out of one's bag.





SSB
Social Systems,
Solutions and
Service
Business

Segment Information
Go to page
→ **42**

Japan's No.1*2
supplier of railway
infrastructure
systems and creator
of a wide variety of
social systems



HCB
Healthcare
Business

Segment Information
Go to page
→ **44**

Global No.1*3 market
share for digital home
blood pressure moni-
tors and a wide range
of products and servic-
es for treating lifestyle-
related diseases



Other
Environmental Solutions
Business,
Electronic Systems &
Equipments Business,
Backlight Business, and
Micro Devices Business

Segment Information
Go to page
→ **46**

**Discovering and
fostering new
business opportunities
for achieving Group
growth strategies**

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 systems, building on its position as the top domestic supplier of automated ticket gates and ticket vending 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 technologies.
(*2 As of August 2011, Omron internal survey)

HCB provides equipment and services worldwide for personal and professional use to support the disease prevention, treatment, and health improvement fields. The company's home blood pressure monitors command top market shares, with approximately 65%*3 of the domestic market and 51%*3 of the global market. HCB's bio-information sensing technology has made it a leader in the home healthcare market, and it is taking on the new challenge of supporting daily personal health management all over the world.
(*3 As of August 2011, Omron internal survey)

The Other segment explores and develops new businesses outside the realm of the main five segments. The segment's Environmental Solutions Business, Electronic Systems & Equipments Business, and other operations play an important part in advancing the Omron Group's growth strategy. The Other segment advances business in future growth areas, including the environment field and the smartphone market, which are expected to expand.

Automated Ticket Gates
Ticket Vending Machines

Train Station Solutions
SSB provides systems solutions, including the newest models for automated ticket gates and ticket vending machines using universal designs, to increase the comfort and efficiency of train stations.

Social Sensing
Sensors located in public settings gather data on the movement and conditions of people, automobiles, and other objects, and provide optimal information to people and control equipment.

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

Traffic Control Systems

Healthcare & Medical Devices for Home Use

Digital Blood Pressure Monitors
Pedometers and Activity Monitors
Body Composition Monitors
Thermometers
Body Glucose Meters
Nebulizers
Portable Electrocardiogram (ECG) Monitors

HCB supports the health of individuals by connecting daily personal health management at home and disease management at medical institutions.

Medical Equipment for Hospital Use

Central Monitors
Non-invasive Vascular Screening Devices

LCD Backlights
Microlens array technology with several million micron-sized micro lenses to maximize light utilization efficiency contributes to brighter and slimmer mobile phones with lower power consumption.

LCD Backlights

Micro Devices
Omron provides new applications centering on micro electrical mechanical systems (MEMS)

MEMS Acoustic Sensors
MEMS Non-contact Temperature Sensors

Energy-saving Solutions
We do not merely provide existing devices related to energy saving, such as electricity monitoring devices and electricity sensors, but rather we offer a solution-based business that combines all of these factors for the reduction of CO₂.

Remote Energy Monitoring Systems

Energy-creating Solutions
Power Conditioners for Solar Power Generation Systems

Electronic Systems & Equipment
Business activities related to computers, devices, uninterruptible power supplies (UPS), and other electronic systems and equipment.

Frantio® Platform Solution



10-Year Financial Highlights Omron Corporation and Subsidiaries

	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
Operating Results (for the year):						
Net sales	¥ 533,964	¥ 522,535	¥ 575,157	¥ 598,727	¥ 616,002	¥ 723,866
Gross profit	180,535	201,816	235,460	245,298	232,667	278,241
Selling, general and administrative expenses (excluding research and development expenses)	134,907	133,406	139,569	141,185	157,909	164,167
Research and development expenses	41,407	40,235	46,494	49,441	55,315	52,028
Operating income	4,221	28,175	49,397	54,672	60,782	62,046
EBITDA (Note 2)	37,790	57,851	77,059	83,314	91,607	95,968
Net income (loss) attributable to shareholders	(15,773)	511	26,811	30,176	35,763	38,280
Cash Flows (for the year):						
Net cash provided by operating activities	33,687	41,854	80,687	61,076	51,699	40,539
Net cash used in investing activities	(40,121)	(30,633)	(34,484)	(36,050)	(43,020)	(47,075)
Free cash flow (Note 3)	(6,434)	11,221	46,203	25,026	8,679	(6,536)
Net cash provided by (used in) financing activities	(12,056)	(1,996)	(28,119)	(40,684)	(38,320)	(4,697)
Financial Position (at year end):						
Total assets	549,366	567,399	592,273	585,429	589,061	630,337
Total interest-bearing liabilities	58,711	71,260	56,687	24,759	3,813	21,813
Total shareholders' equity	298,234	251,610	274,710	305,810	362,937	382,822
Per Share Data:						
Net income (loss) attributable to shareholders (basic)	(63.5)	2.1	110.7	126.5	151.1	165.0
Shareholders' equity	1,201.2	1,036.0	1,148.3	1,284.8	1,548.1	1,660.7
Cash dividends (Note 4)	13.0	10.0	20.0	24.0	30.0	34.0
Ratios:						
Gross profit margin	33.8%	38.6%	40.9%	41.0%	37.8%	38.4%
Operating income margin	0.8%	5.4%	8.6%	9.1%	9.9%	8.6%
EBITDA margin	7.1%	11.1%	13.4%	13.9%	14.9%	13.3%
Return on shareholders' equity (ROE)	(5.1%)	0.2%	10.2%	10.4%	10.7%	10.3%
Ratio of shareholders' equity to total assets	54.3%	44.3%	46.4%	52.2%	61.6%	60.7%

Long-term corporate vision

Grand Design 2010 (GD2010)

FY2001–FY2003

1st Stage

**Establishing a Profit Structure
Concentrating on cost structure reform and
restructuring the Company as a
profit-generating business.**

Achievements

- ROE 10%
- Withdrew from unprofitable business, spun off of the Healthcare Business.
- Raised the level of corporate governance to the global standard.

FY2004–FY2007

2nd Stage

**Balancing Growth & Earnings
Reinforcing business foundations
through aggressive investment in
growth areas, such as M&A, and
cost cutting.**

Achievements

- Increased EPS (earnings per share) from ¥110.7 (FY2003) to ¥185.9 (FY2007).

- Notes: 1. U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate on March 31, 2011, of ¥83 = \$1.
2. EBITDA = Operating income + depreciation and amortization.
3. Free cash flow = Net cash provided by operating activities + net cash used in investing activities.
4. Cash dividends per share represent the amounts applicable to the respective year, including dividends to be paid after the end of the year.

Operating Income

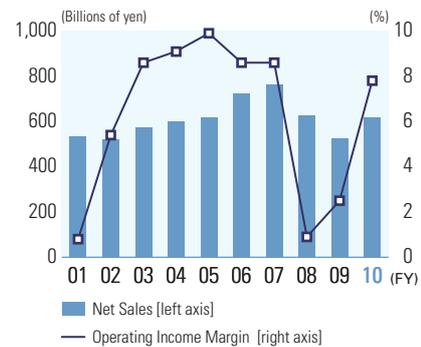
Omron applies the "single step" presentation of income under U.S. GAAP (i.e., the various levels of income are not presented) in its consolidated statements of income. For easier comparison to other companies, operating income is presented as gross profit less selling, general and administrative expenses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

Discontinued Operations

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

	Millions of yen			Thousands of U.S. dollars (Note 1)	
	FY2007	FY2008	FY2009	FY2010	FY2010
	¥ 762,985	¥ 627,190	¥ 524,694	¥ 617,825	\$ 7,443,675
	293,342	218,522	184,342	231,702	2,791,590
	176,569	164,284	133,426	142,365	1,715,241
	51,520	48,899	37,842	41,300	497,590
	65,253	5,339	13,074	48,037	578,759
	101,596	38,835	40,088	71,021	855,675
	42,383	(29,172)	3,518	26,782	322,676
	68,996	31,408	42,759	41,956	505,495
	(36,681)	(40,628)	(18,584)	(20,210)	(243,495)
	32,315	(9,220)	24,175	21,746	262,000
	(34,481)	21,867	(20,358)	3,333	40,157
	617,367	538,280	532,254	562,790	6,780,602
	19,809	54,859	38,217	46,599	561,434
	368,502	298,411	306,327	312,753	3,768,108
				Millions of yen	U.S. dollars (Note 1)
	185.9	(132.2)	16.0	121.7	1.47
	1,662.3	1,355.4	1,391.4	1,421.0	17.12
	42.0	25.0	17.0	30.0	0.36
	38.4%	34.8%	35.1%	37.5%	
	8.6%	0.9%	2.5%	7.8%	
	13.3%	6.2%	7.6%	11.5%	
	11.3%	(8.7%)	1.2%	8.7%	
	59.7%	55.4%	57.5%	55.6%	

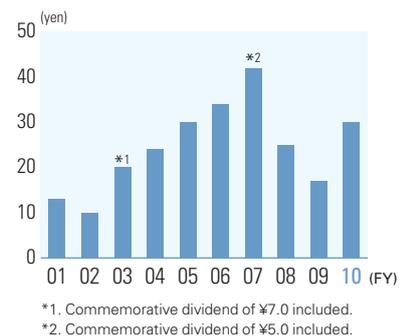
Net Sales and Operating Income Margin



Net Income (Loss) Attributable to Shareholders and ROE



Cash Dividends



Value Generation 2020 (VG2020)

FY2008–FY2010

3rd Stage Achieving a Growth Structure Fortification of growth business (high profitability)

Revision of 3rd stage due to an abrupt change in the business environment

Revival Stage (from February 2009 to March 2011)

- Emergency Measures
(Cost reduction target of approx. ¥63.0 billion achieved in fiscal 2009)
14 months (February 2009–March 2010)
- Structural Reform
(Strengthening of profit base over the medium term) 26 months
- May 2010 Spun off the Automotive Electronic Components Business
- April 2011 Spun off the Social Systems, Solutions and Service Business

FY2011–FY2020

GLOBE STAGE

(FY2011–FY2013)
Establishment of profit & growth structures on a global basis

Goals

- Sales: ¥750 billion
- Operating Income: ¥100 billion
- Operating Income Margin: 13.3%
- ROA: 15% or higher

EARTH STAGE

(FY2014–FY2020)
New value generation for growth

Goals

- Sales: ¥1 trillion
- Operating Income: ¥150 billion or higher
- Operating Income Margin: 15% or higher

Omron Through the Year

Management Topics

April 1 (Thu) Omron Switch & Devices Corporation is established and Omron's production base in Takeo is integrated into Omron Relay & Devices Corporation

April 26 (Mon) Omron donates to the relief effort for the earthquake victims in Qinghai Province, China (Press release)

May 6 (Thu) Automotive Electronic Components Business is spun off and Omron Automotive Electronics Co., Ltd., is established and commences operations

June 9 (Wed) Establishment of a new LCD backlight production base in China, increasing production capacity (Press release)

August 3 (Tue) NTT West, NTT East, and Omron collaborate to begin offering environmental solutions to corporate customers (Press release)

2010

Q1 Consolidated net sales ¥147.0 billion (+37.4% YoY change)
 Consolidated operating income ¥11.1 billion —

Q2 Consolidated net sales ¥150.9 billion (+20.3% YoY change)
 Consolidated operating income ¥13.3 billion +428.2%

April | May | June | July | August | September

Product-related Topics ■ IAB ■ EMC ■ AEC ■ SSB ■ HCB ■ Other

May 17 (Mon) Launch of the world's thinnest, most compact, and most energy-efficient Safety Laser Scanner versatile enough to be placed on an automated guided vehicle (AGV) or on machinery

May 17 (Mon) Launch of the FZM1 Series, the world's first vision sensors for positioning that are compatible with the EtherCAT ultra-high-speed motion network 

July 1 (Thu) Launch of the palm-sized FQ Vision Sensor with top-quality image sensing capability

July 5 (Mon) Launch of the EtherCAT-compatible Position Control Unit and remote I/O terminals, which perform at one of the highest speeds in the industry 

July 30 (Fri) Launch of the XF3E backlock multipole FPC connector with 0.3 mm pitch, 1.1 mm height, and the industry's largest pin count 

August 6 (Fri) Launch of Japan's first Communication Option Unit exclusively for the EtherCAT-compatible MX2 Series Multi-function Compact Inverters, which realizes the industry's top-class high-speed performance 

August 10 (Tue) Begin installing Segment Sensors in vending machines owned by JR East Water Business Co., Ltd. 

August 20 (Fri) Launch of the Body Composition Monitor HBF-203, which accurately determines the percentage of body fat and skeletal muscle and analyzes the level of visceral fat 

September 16 (Thu) Launch of a small sealed switch for machine tools, which feature one of the highest levels of durability in the industry when a coolant is used 

October 1 (Fri) Launch of compact, non-contact safety door switches that meet the world's highest-level Safety Category 4/PLe 

October 8 (Fri) Launch of the HXC-1100 Series of Central Monitors, which are compact, all-in-one monitors offering enhanced operability and visibility 

August 27 (Fri) Omron Kyoto Taiyo Co., Ltd., receives the Minister of Health, Labour and Welfare 2010 commendations for exemplary workplaces for the employment of people with disabilities. Omron was recognized for "realizing a comfortable work environment for employees with disabilities by incorporating their original ideas and ingenuity" (Press release)

March 2 (Wed) Omron donates to the relief effort for the earthquake victims in New Zealand (Press release)

March 14 (Mon) Omron donates funds to victims and areas affected by the Great East Japan Earthquake (Press release)

March 16 (Wed) Omron Healthcare donates medical equipment to areas affected by the Great East Japan Earthquake (Press release)

FY2011
April 1 (Fri) Social Systems, Solutions and Service Business is spun off and Omron Social Solutions Co., Ltd., is established and commences operations

Q3 Consolidated net sales ¥153.4 billion +11.1% (YoY change)
Consolidated operating income ¥12.7 billion +46.5%

2011
Q4 Consolidated net sales ¥166.5 billion +8.0% (YoY change)
Consolidated operating income ¥10.9 billion -10.0%

October

November

December

January

February

March

November 1 (Mon) Launch of "WellnessLink," the new health management service using IT to support personal health management. Simultaneous launch of a WellnessLink-compatible blood pressure monitor, body composition monitor and pedometer with built-in communication functionality

November 1 (Mon) Launch of the Activity Monitor Calorie Scan HJA-306, which provides accurate calculation of daily calorie consumption by measuring the calorie consumption of various activities in daily life



November 19 (Fri) Launch of the HBP-T105S-N automatic blood pressure monitor for medical institutions, which offers enhanced operability and comfort



November 25 (Thu) Launch of the Frantio® AX development platform for embedded systems requiring built-in multi-screen displays (Press release)



December 10 (Fri) Launch of the audio, digital thermometer MC-174V with verbal result readback and a voice navigation function for the usage procedures



December 15 (Wed) Launch of the Miniature Power Switch with a 4.5 mm long-stroke and superb tactile performance



January 14 (Fri) Enhancement of the product lineup of MEMS Flow Sensors for fuel cell systems (Press release)



End of January Launch of the "Dr. ECO Energy Conservation Analysis Support Software," which supports critical "discovery of wasted energy" to promote energy conservation in factories

February 1 (Tue) Omron receives the Japan Machinery Federation award for "superior energy-saving machines" for the KM50-E smart electricity volume monitor, the industry's first power meter capable of identifying separate power flows (Press release)



February 28 (Mon) Launch of a new style of safety light curtains with a design that can perfectly meet the safety measure requirements of any production site.



March 1 (Tue) Two products, a blood pressure monitor and a thermometer, receive the iF product design award and Universal Design award



To Our Stakeholders

Message from the Chairman

To coincide with the launch of its new long-term strategy, called Value Generation 2020 (VG2020), the Omron Group has shifted to a new management team. Over the next 10 years, we will build a powerful “Team Omron,” which we are confident will accelerate our growth as a truly global enterprise.

Corporate Governance Embedded in Social Values

In June, 2011, I retired from the post of president after having served for eight years, and became chairman of Omron Corporation. This marks my departure from the executive officer team to take on the role of Chairman of the Board of Directors, representing stakeholders. Here, my responsibility is to supervise the execution of business, with an emphasis on ensuring sustained increases in corporate value.

Since its establishment, Omron has placed top priority on the corporate philosophy of its founder, which states that a company should work for the benefit of society. Specifically, this means “There is value to a company’s existence only if it can provide a beneficial service to society, and only then can it make a profit and continue to exist.” We also regard “corporate value” to equal “economic value” multiplied by “social worth.”

It goes without saying that directors and executive officers are entrusted with the task of providing leadership that raises corporate value for all stakeholders over the long term. However, directors and executive officers work from different perspectives. The main role of executive officers is to increase economic value. Taken to the extreme, they play a commanding role to raise profitability and productivity and bolster revenues. By contrast, directors should devote their energies to increasing social value, which means earning society’s recognition as

a company whose existence is valuable. To this end, directors must increase their own awareness. My important mission going forward is to steer Omron’s development as an organization brimming with dreams, pride, and confidence.

V-Shaped Recovery Provides a Big Confidence Boost

Next, I will share my feelings as I look back on my eight years as president.

I became president in June 2003, immediately after the launch of Grand Design 2010 (GD2010), our previous long-term management vision. At that time, Omron had returned to a growth trajectory after a period of pain and restructuring following the bursting of the IT bubble. Blessed with favorable external conditions, we subsequently continued to enjoy year-on-year growth in revenue and earnings, reaching record-high figures for net sales and net income in fiscal 2007. After a period of “cruising in overdrive,” however, there is always a large pothole in the road ahead. Although we endeavored to watch out for duplication and waste of managerial resources, our business expansion brought with it a surge of excess. Then came the collapse of Lehman Brothers, which sparked a global recession and brought Omron close to a state of operating losses. Frankly speaking, it was a rude awakening.



Nevertheless, our shared sense of crisis at that time gave us the opportunity to unite as a company and make serious efforts to enhance our earnings structure, and we managed to build a robust earnings structure in a short period of time. As a result, we achieved a V-shaped recovery in operating income in fiscal 2010. I feel that this recovery has given a great confidence boost to all Omron Group employees.

Under GD2010, we worked hard to increase our responsiveness to changing business conditions while promoting business autonomy and reducing interdependence among businesses. As a side effect of that effort, however, I realized that we had been unable to demonstrate our strengths as a Group. Accordingly, we have embraced a more rigorous approach to “commonalization, standardization, and platformization” —key initiatives that we have pursued for some time—in order to raise Group-wide efficiency. Now, we can feel the true power of “Team Omron.”

Growth Expectations under “Team Omron”

Finally, I would like to state that my greatest expectation of Yoshihito Yamada, the new president of Omron, is to target growth through team management. The Omron Group comprises more than 150 business entities in Japan and overseas. Moreover, overseas sales constitute more than half of net sales, and around 40% of production is handled outside of Japan. At this stage

of our evolution—when business is expanding globally as our business model becomes more diversified—we need a leader who can leverage the power of teamwork while respecting individual motivation derived from autonomous management.

In July 2011, we announced our new long-term strategy, called Value Generation 2020 (VG2020). I am confident that President Yamada will harness the power of “Team Omron” and thus overcome the obstacles to growth that have deterred us repeatedly in the past.

I look forward to your ongoing support as we embrace a future of growth for the Omron Group.

August 2011

Hisao Sakuta
Chairman of the Board of Directors

To Our Stakeholders

Message from the President

In fiscal 2010, the Omron Group achieved a year-on-year increase in revenue and a sharp recovery in earnings, enjoying a turnaround in capital investment demand both in Japan and overseas, as well as rapid growth in emerging markets. Fiscal 2011 got off to a troubled start due to the Great East Japan Earthquake of March 11. Nevertheless, in July 2011 we embarked on a new long-term strategy, and are aiming at transforming ourselves into a new Omron under a new management team.

Inaugural Greeting from the New President

It is with great honor that I address my first letter to you. I was appointed president and CEO on June 21, 2011.

Since joining the Company (then Omron Tateisi Electronics) in 1984, I have been working in the healthcare business. I initially spent 11 years in domestic sales, followed by six years in product planning. For five years, from 2001, I managed healthcare operations in North America and Europe, where I learned about the importance of quick decision making and respecting diversity. I subsequently served as president of Omron Healthcare Co., Ltd., from 2008. I was head of the Group Strategy Headquarters from April 2010. In this role, I worked on formulating our new long-term strategy, called Value Generation 2020 (VG2020), while planning and devising Group-wide business strategies. And now, I have the privilege of leading the entire Omron Group as president and CEO.

Through VG2020, I am committed to spearheading reforms and achieving further advancement of the Omron Group. In this regard, I look forward to the ongoing support of all stakeholders.

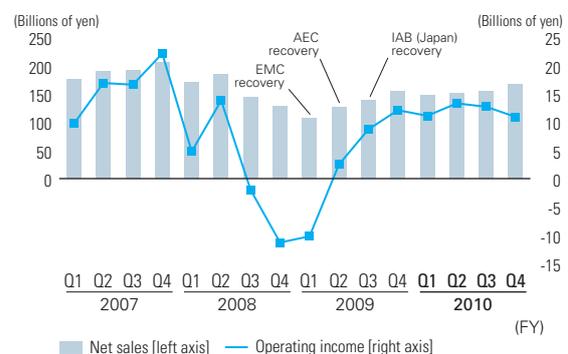
Fiscal 2010 Performance Report

The beginning of fiscal 2010 saw firm capital investment demand in the manufacturing sector on the back of economic growth in emerging markets. Under such circumstances, we actively advanced into such markets and successfully introduced new products. Consolidated net sales for the year amounted to ¥617.8 billion, up 17.7% from the previous fiscal year. This result was buoyed by healthy year-long performances of three business segments that have been recover-

ing steadily since the preceding year: the Industrial Automation Business (IAB), the Electronic and Mechanical Components Business (EMC), and the Automotive Electronic Components Business (AEC). Thanks also to structural reforms and cost-cutting efforts, operating income surged 267.4% to ¥48.0 billion. Net income jumped from ¥3.5 billion in fiscal 2009 to ¥26.8 billion in fiscal 2010—underscoring a V-shaped earnings recovery.

The Great East Japan Earthquake of March 11 had minimal direct impact on our business, as the majority of our main production bases are located in western Japan.

Quarterly Results



Shareholder Return

With respect to shareholder return, we declared cash dividends according to our basic dividend policy (see page 23). For the period under review, we paid annual cash dividends of ¥30.00 per share, up from ¥17.00 in the previous fiscal year. The dividend payout ratio



was 24.7%, and the dividend on equity ratio (DOE) was 2.1%.

Fiscal 2011 Outlook

In the first half of fiscal 2011, the Great East Japan Earthquake hit our supply chain. At the beginning of the period, in particular, Omron was impacted by limited procurement of raw materials and components, and suspended production of some products and limited operation by suppliers. However, with positive factors including steady capital investment demand overseas, as well as restoration-related demand in Japan, for fiscal 2011, we forecast a 6.0% year-on-year increase in consolidated net sales, to ¥655.0 billion; a 14.5% rise in operating income, to ¥55.0 billion; and a 27.0% jump in net income, to ¥34.0 billion.

	(Billions of yen)		
	FY2011 (Forecast)	FY2010	FY2009
Net sales	655.0	617.8	524.7
Gross profit	253.5	231.7	184.3
SG&A expenses	152.5	142.4	133.4
R&D expenses	46.0	41.3	37.8
Operating income	55.0	48.0	13.1
Other expenses, net	1.5	6.3	2.9
Income (loss) before income taxes	53.5	41.7	10.2
Net income (loss) attributable to shareholders	34.0	26.8	3.5
USD (yen)	80.5	85.8	92.9
EUR (yen)	114.6	113.5	130.3

Commitment to Reforms

I am deeply aware of the importance of growth. Growth provides opportunities for employees to embrace challenges, and also vitalizes our organization. Going forward, I will do my utmost to achieve reforms, so that stakeholders will regard us as “an innovative company,” “a youthful, vibrant company brimming with the intrepid spirit,” and above all, “a company that delivers robust growth on a global scale.” At the same time, my stance of emphasizing our corporate philosophy—“Working for the benefit of society”—will not change. This philosophy embodies the unchanging spirit that has been consistently upheld since Omron’s founding, and we are determined to strengthen this spirit as Omron’s DNA. In fulfilling my management responsibilities, I will adhere to my belief: “Change what should be changed; don’t change what should not be changed.”

We look forward to continuing our transformation with you.

August 2011

Yoshihito Yamada
President and CEO

[Special Feature 1] Interview with the President

President Yoshihito Yamada Talks about Omron's New Long-term Strategy, "Value Generation 2020"



President and CEO
Yoshihito Yamada

Targeting "Transformation" with New Management Team × New Strategy

The goal I most want to achieve under Omron's new long-term strategy, Value Generation 2020 (VG2020), is for the Group to become a truly global enterprise underpinned by robust growth. We believe that for Omron, with the corporate motto "At work for a better life, a better world for all," global growth will lead to greater appreciation of the Group and recognition of its value by customers worldwide. This global growth will also enable Omron to make a larger contribution to international society through its business activities.

In formulating this new long-term strategy, young members selected from each division played a key role in addition to myself. And I would like to draw your attention to the fact that these new strategies of VG2020 will be executed by a fresh and new management team, which is comprised of myself as president of Omron with an unprecedented background in the Healthcare Business and 25 executive officers, 40% (10) of whom are under 50 years of age.

**New
Management
Team**

×

**New
Strategy**

Q1 President Yamada, you played a central role in the formulation of the new long-term strategy VG2020. Could you give me your assessment of the previous long-term strategy and explain what makes VG2020 different from the previous strategy?

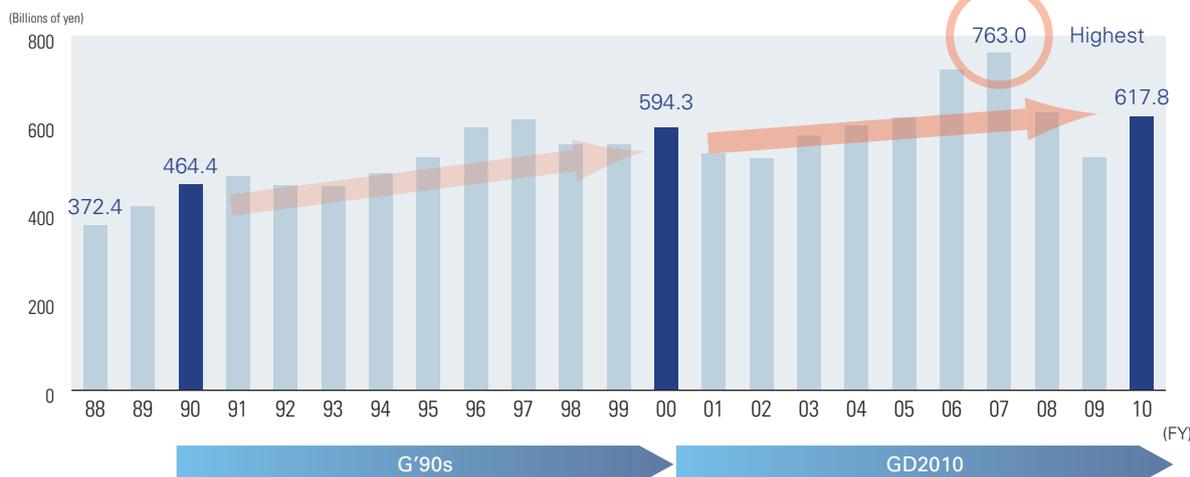
A Substantially Improved Profit Structure Thanks to Structural Reforms Implemented after the 2008 Global Financial Crisis

During the decade of Grand Design 2010 (GD2010), launched in fiscal 2001, we implemented various reforms based on a long-term strategy that emphasized strengthening corporate governance and introducing an internal company system. As a result, we made considerable progress in stakeholder-oriented management. On the performance side, in fiscal 2007 we generated year-on-year increases in both revenue and earnings for the sixth consecutive period, resulting in record-high net sales and operating income. However, this was followed by a deterioration in the business climate, an upsurge in the yen and the “once in a century” global financial crisis. Consequently, the average annual net sales growth rate for the 10 years of GD2010 was only 4%.

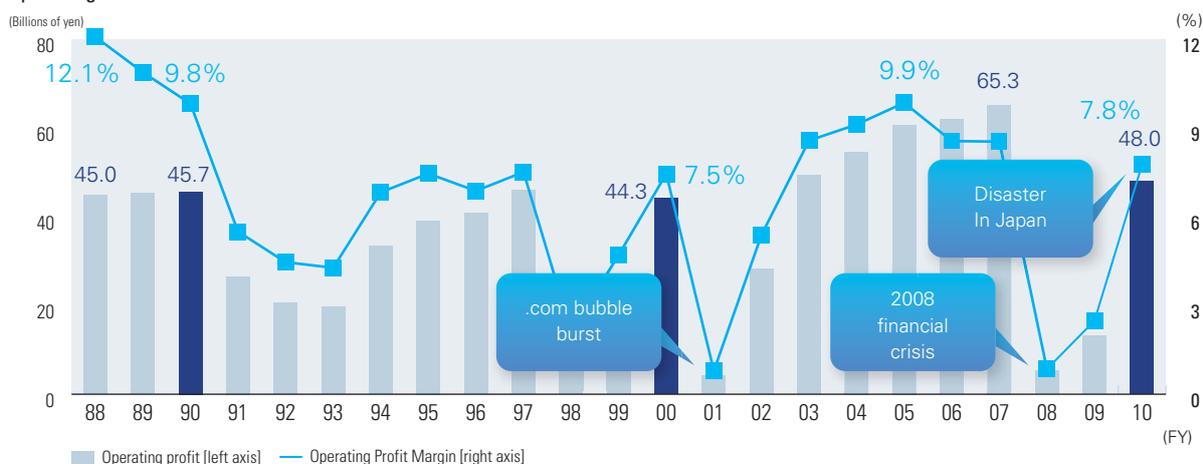
Meanwhile, Omron wasted no time in introducing structural reforms at the time of the unprecedented financial crisis. During the Revival Stage (from February 2009 to March 2011), which began after the 2008 global financial crisis, we achieved significant cuts in fixed and variable costs and implemented large-scale structural reforms. Thanks to these measures, operating income for fiscal 2010 nearly recovered to the pre-crisis level.

Under VG2020, we will accelerate the momentum of reforms initiated on the back of this unparalleled crisis. We intend to achieve an operating income margin of over 10%—not attained since the margin of 12.1% recorded 22 years ago in 1988—and raise this margin even higher in the future.

Net Sales: FY1988–2010



Operating Profit: FY1988–2010



The Differences between Grand Design 2010 and Value Generation 2020

GD2010 and VG2020 vary considerably on three points.

The first concerns business domains. Taking into account the maturation of manufacturing industries pri-

marily in advanced countries, under GD2010 we invested aggressively through M&As and other activities in businesses aside from our core Industrial Automation Business (IAB), in the quest for new earnings pillars that could follow its lead. Under VG2020, however, we will

reinforce our mainstay Industrial Automation (IA) business (IAB & EMC). We changed our strategy focus because our perception of the global market has changed accompanying the growth of emerging countries.

The second difference relates to management reforms. Under GD2010, we introduced the internal company system to promote autonomous management and remove the inefficient inter-business structure, and implemented a management style that emphasized meeting the Company's commitments. Although this certainly expedited business execution, there was a tendency to set goals that were too conservative. Since funds needed for strategic investments were allocated from each company's profits, initiatives targeting new product development and growth tended to be lackluster when short-term commitments could not be achieved. Under VG2020, we will set ambitious goals

while promoting autonomous company operation in a more balanced manner. We will do this by emphasizing Group-wide optimization, achieved through a shared understanding of the operating environment among head office divisions and business companies.

The third point of difference involves management style. Former President Hisao Sakuta was very well versed not only in management but also in the technological side of the Group's operations, having come from a core business. I, on the other hand, worked in the Healthcare Business and therefore lack experience in our core businesses. I am making a concerted effort to make up for this by listening to top management and the people in charge of each business. I intend to steer the Group based on a team management approach that draws on my strength in team-building skills.

Q2 What is your outlook for the business environment for the next 10 years?

Growing Demand for Manufacturing from Emerging Markets

The growth of emerging markets in the world economy will bring about a significant change in manufacturing markets. Even in China, which is referred to as the "world's factory," the introduction of factory automation (FA)—one of Omron's core businesses—is still far from advanced. I believe that we will see huge growth in the FA market, not only in China, but also in India and other emerging economies, in response to increased consumption accompanying market growth over the coming decade.

Emergence of New Competition

Meanwhile, I expect to see the emergence of new competitors from among local companies in emerging economies that have their eye on their home markets. Competition in these markets will intensify, and market changes will accelerate. Accordingly, quick decision making will be the key to success in the global competition. Unless we give the local staff the authority to

autonomously undertake the process of planning, implementation and evaluation and improvement, we will be unable to keep up with changes in the local operating environment. In other words, we will create a management structure that will allow for quick decision making on a global scale to promote the localization of management.



India (Mumbai)

Q3 Please tell us about the main initiatives of VG2020.

Reinforcement of Our Core IA Business

First and foremost, we will strengthen Omron's core Industrial Automation business. Expansion in consumption accompanying the development of emerging economies, primarily in Asia, is increasing demand for the industrial automation business, on a global basis. Consequently, we will reinforce the IA business, our original and core business field.

Setting Ambitious Goals

Perhaps there are some people who wonder if there is any sense in setting long-term goals covering a 10-year period at a time of tumultuous change. However, setting both quantitative and qualitative goals from the long-term perspective of 10 years makes it possible to formulate clear policies on personnel training and the globalization of management, enabling all employees to move in the same direction. The process of devis-

ing plans is meaningful in itself, as mid-level employees become keenly aware that they are the ones who are in charge in the process. At the implementation stage, it is vital that they dare to set ambitious targets and think very hard about how to achieve them. They need to adopt an approach that is not bound by previous methods and by necessity they must come up with innovative ideas. The aim of announcing our net sales target of ¥1 trillion and our operating income margin goal of 15% is to revive Omron's spirit of challenge.

Promoting Global Vertical – Horizontal Matrix Management

In addition to these goals, we will strengthen linkages within the Omron Group. We use the words “*TSUNAGI*” (linkage) and “Team Omron” to represent this aim.

Over the next decade, rival companies will emerge that focus on emerging countries as their home markets. While competing with these companies, we must act more quickly and more efficiently than previously envisioned. In order to tackle this challenge, it is important that we respond by forming linkages between the divisions (vertical and horizontal) and turning such linkages into a core Group strength. Vertical and horizontal matrix management comes in three forms. One is the seamless linkage between production, sales, R&D, and planning sections within a business line that forms a value chain originating with our customers (vertical).

Let me explain by giving the example of inventory reduction. Generally, it is the production division that is faced with this issue. In fact, however, inventory will continue to pile up unless the R&D division develops

marketable products. If the sales division doesn't obtain a firm grasp of customers' needs and place appropriate orders with the production division, there will be shortages of necessary products, and inventories of unwanted products will increase instead. In other words, production, sales, and R&D should find more efficient methods if they strengthen their link.

The second form is the linkage between business lines (vertical) and corporate headquarters divisions (horizontal) to generate new value. One example of the benefits is the promotion of cost reductions through standardization in technology and procurement.

The third is a linkage between different business lines. For example, collaboration between the Environmental Solutions Business HQ and IAB or SSB can create a new environmental business targeting factories and public facilities.

Under VG2020, there are many elements that will be difficult to achieve unless we work hard at leveraging linkages between the vertical and the horizontal axes, as well as between different businesses on the vertical axis. For this reason, I am keen for the entire Group to work even harder to get everyone to think in terms of Group-wide optimization. Since more than half of the Group's net sales already come from overseas, we will continue forging links between manufacturing, sales, and development, including overseas sites. We use the term “Team Omron” to symbolize the promotion of this kind of vertically and horizontally integrated global matrix management, together with a new internal Company logo aimed at strengthening internal linkages.

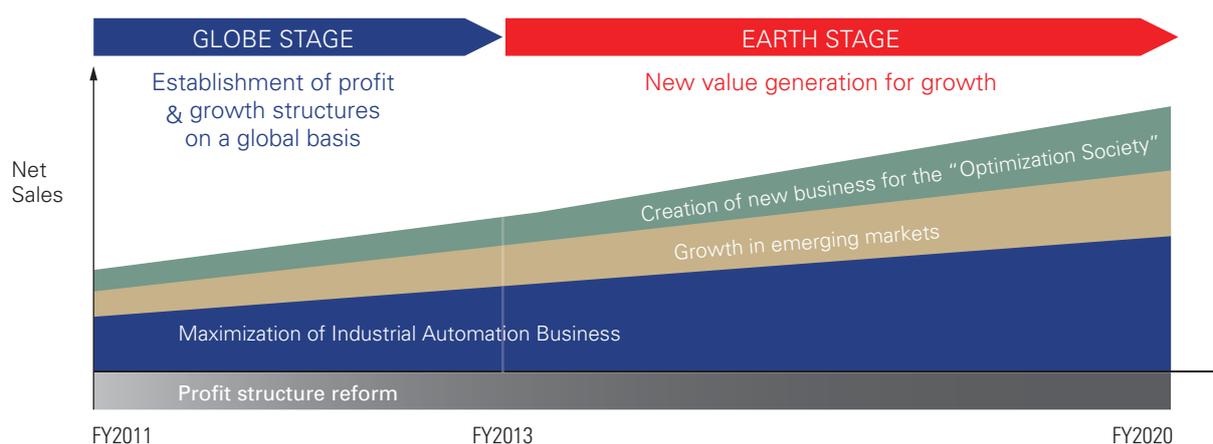
Q4 Please outline the VG2020 goals and how to achieve them.

Aiming to Become a “Global Value-Creating Group that is Qualitatively and Quantitatively Superior” in Two Stages

Omron's vision for VG2020 is “Sense, Think, and Control. For a Brighter Future for People and the Earth.” And our qualitative goal is to become a global value-creating group that is qualitatively and quantitatively

superior. The next 10 years will see a shift to a new generation of stakeholders that appreciate companies that are able to generate entirely new types of value and not merely expand upon existing ones. In order to continue to work for the benefit of such stakeholders, Omron is aiming to provide new value to its customers that takes into consideration the needs of not only people,

VG2020 Scenario





but also natural resources, and by extension, our planet. We will not merely pursue numerical goals, but will emphasize growth in both quality and quantity.

We have divided the 10-year period into two stages and set quantitative goals for each stage: the “GLOBE STAGE,” during which we will seize global growth opportunities for existing businesses, and the “EARTH STAGE,” during which growth will be driven by new social needs from an earth-oriented perspective, including the environment and natural resources.

GLOBE STAGE: Targeting Profit and Growth Structures on a Global Basis

During the GLOBE STAGE, from fiscal 2011 through fiscal 2013, we will globally create profit and growth structures. We expect to see an acceleration in economic development, driven by population growth and increased purchasing power among middle-income groups, primarily in emerging countries. We predict that the accompanying increase in consumption in emerging countries will stimulate demand for manufacturing around the world, and that the automation market will continue expanding. Accordingly, we have set five tasks. The first and second tasks are to actively invest in reinforcing our IA business (IAB & EMC) and expanding sales in emerging markets. The third task will focus on the environmental business. This encompasses “energy saving,” “energy creation,” and “integrated energy solutions,” undertaken by the Environmental Solutions Business HQ, as well as Group-wide collaboration

across business divisions to expand this business.

The fourth task of “reforming the profit structure” calls for achieving a gross profit ratio of 42% in fiscal 2013. To this end, we will improve the product mix through a stronger IA business, develop material-saving technologies, increase automation in China and other parts of Asia. The fifth task is to strengthen global human resources. Recruiting and developing global human resources is a pressing task, and we will focus on the development of future leaders. We will also establish the “Team Omron” corporate culture of working together globally toward growth.

The management goals of the GLOBE STAGE are to achieve net sales of ¥750 billion, operating income of ¥100 billion—the highest ever—as well as an operating income margin of 13.3% and ROE of 15%. For me, these are not merely wishes, but goals that come with specific action plans. Nonetheless, since external factors can have a huge impact on business results, we have to be prepared to flexibly make some revisions. Rather, I believe that it is crucial to share ambitious targets among all Group employees, including myself, and work on accomplishing the five tasks listed above with the resolve to transform Omron. Only then can the dynamism of Omron’s management be further strengthened.

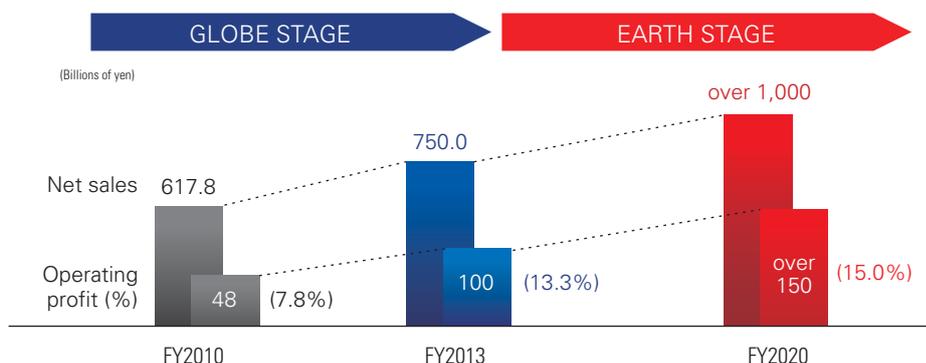
EARTH STAGE: Targeting Net Sales of ¥1 Trillion

During the EARTH STAGE, from fiscal 2014 through fiscal 2020, we will seek growth through the creation of new value. During this period, the whole world will face a variety of issues unlike any we have seen before—issues related to environmental problems and the depletion of resources. We envisage global growth in demand for environmentally conscious businesses to address energy-related problems and other issues.

Omron has been working in anticipation of such demand since fiscal 2008 by establishing the Environmental Solutions Business HQ. I think that this stage will present the business with the perfect growth opportunity.

The management goals for the EARTH STAGE are to achieve net sales of over ¥1 trillion, operating income of more than ¥150 billion, and an operating income mar-

VG2020 Growth Targets



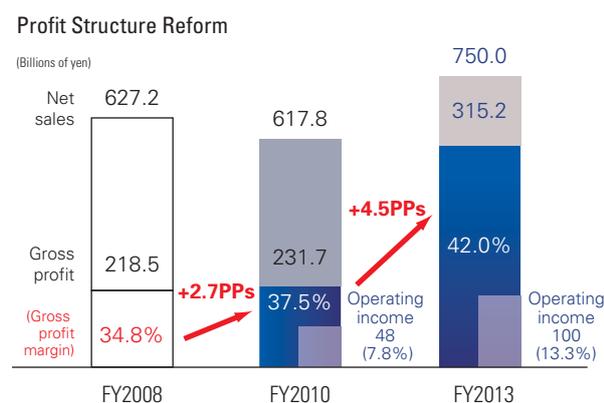
gin of 15%. It is quite possible that following the three years of the GLOBE STAGE, we may find everything to be entirely different from what we had expected. I am ready to revise measures swiftly and flexibly.

However, I am determined to achieve net sales of ¥1 trillion and an operating income margin of 15% by fiscal 2020 at the latest.

Q5 How will you reform Omron's earnings base?

Increase the Gross Profit Margin by 4.5 Percentage Points by Raising the IA Business Contribution and Productivity Improvement

The structural reforms implemented during the Revival Stage from February 2009 to March 2011, were successful in improving the gross profit margin by 2.7 percentage points. We aim to raise the margin by a fur-



ther 4.5 percentage points during the GLOBE STAGE, and are targeting a gross profit margin of 42% in fiscal 2013. To achieve this goal, we have set four tasks.

One is to improve the product mix by further reinforcing the IA business. We will raise the sales ratio of the IA business, which has high gross profit margin, and thereby improve profitability by expanding the sales volume.

The second task is to establish standardization and platformization. As part of this, we will expand material-saving technologies and focus on building a framework for the global procurement of materials and components.

The third task is to phase in the automation of production lines in our factories in China and elsewhere in Asia in order to raise production efficiency.

The fourth and final task is to achieve further cost reductions by making maximum use of the distinctive manufacturing know-how that Omron possesses.

Q6 What do you mean by "the strengthening of the Group's global human resources?"

Establish True Globalization by Appointing Local Management Teams

With overseas sales accounting for over 50% and overseas production 40%, we can say that progress is being made in the globalization of our businesses. However, the recruitment of global human resources hasn't necessarily kept pace with the rate of expansion of overseas businesses.

We will need to precisely identify the values and

needs of diversifying emerging markets, and we will have to accelerate decision making in management. Becoming a company with this sort of operational structure is the final phase of "true globalization" in VG2020. To become such a company, we will promote the localization of management to accelerate local strategy decisions, and recruit and retain local human resources to support this structure.

Q7 Could you explain the policies regarding capital investment and shareholder return in the GLOBE STAGE?

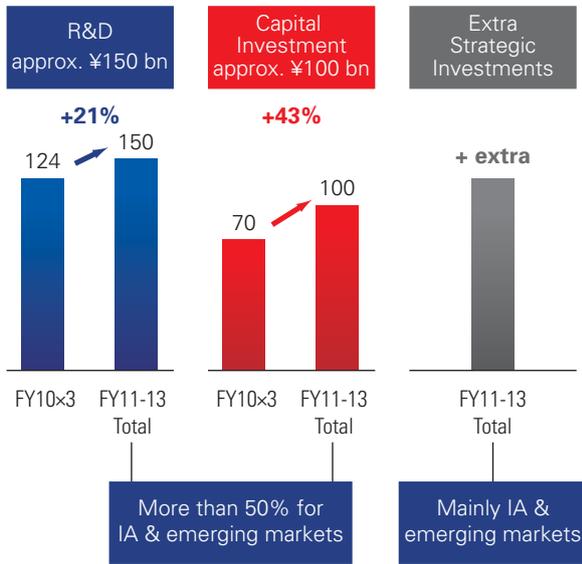
Over 50% of R&D and Capital Investment in the IA Business and Sales Expansion in Emerging Markets

We plan to invest a total of approximately ¥150 billion in R&D over a three-year period. This figure is 21% more than three times the amount spent for R&D in fiscal 2010. Over the same period, we plan to spend around ¥100 billion on capital investment, equivalent

to 43% more than three times the amount spent in fiscal 2010. In addition to these amounts, we will retain between several tens of billions and one hundred billion yen for aggressive strategic investments aimed at achieving growth during the GLOBE STAGE. These funds will be allocated for M&A activities, alliances, and additional capital investment to further enhance corporate value.

During the GLOBE STAGE, we will concentrate on increasing sales in the IA business and in emerging markets. We plan to allocate more than 50% of our R&D and capital investment budgets to achieve this increase. Specifically, these funds will be used for the development of new products, investment in infrastructure in emerging countries, and expansion of production facilities.

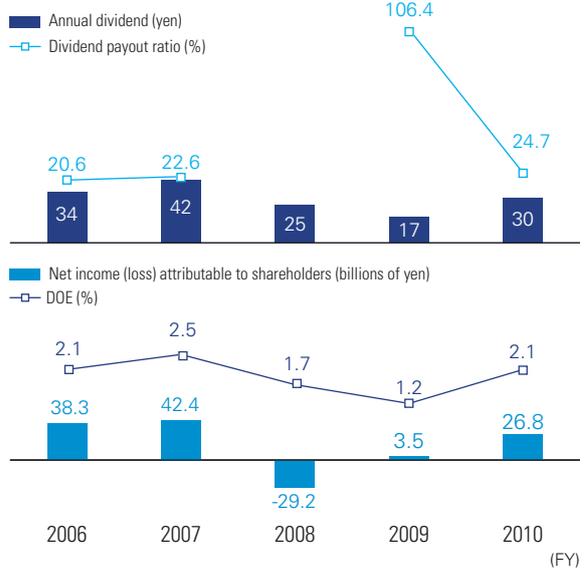
GLOBE STAGE: Investments (Billions of yen)



Dividend Payout Ratio of at least 20% and DOE of about 2%

In addition to securing internal capital resources for future growth through R&D and capital investments, M&As and alliances, we will continue our basic policy on shareholder return, which provides for a dividend payout ratio at a minimum of 20%. For the time being, we will also target a dividend on equity ratio (DOE) of about 2% as a reference index. Omron has maintained a dividend payout ratio of more than 20% since fiscal 2006. After taking into consideration retained earnings, the required investments for future growth and the level of free cash flow, we will distribute the surplus to the shareholders.

Trends in DOE, Dividends, Net Income Attributable to Shareholders



[Special Feature 1] Interview with the President

Q8 Finally, please tell us about how you would like Omron to be in the future. Also, how will you draw on your own strengths in order to realize this goal?

A Unique Company that Links its Cutting-Edge Businesses, Underpinned by a Customer-Oriented Perspective

It is only natural that a group comprising individuals with remarkable skills and characteristics and linkages that join those individuals together is a strong group. Traditionally, Omron has had many distinctive businesses. Accordingly, my ideal Omron is one that provides markets with industry-leading products in these business fields and further develops into a unique company which creates outstanding value by means of the organic linkages between each of these businesses.

To make this happen, I will make on-site visits throughout the world, where I will talk extensively with local employees. By doing so, I will draw out the full potential of "Team Omron" while respecting individual strengths. I believe my strengths lie in my age, which gives me the energy to travel around the world, as well as my team-building skills. For me, the most important goal is for our strong management team to make Omron "a truly global enterprise underpinned by robust growth" through swift and agile management.

[Special Feature 2] Interview with the Heads of Business Segments
 Heads of Business Segments Discuss their Strategies for
VG2020

[Special Feature 2] Interview with the Heads of Business Segments



The intrepid spirit and collaborative strengths of Omron passed down since its founding make the Group even stronger.

Each and every Omron individual demonstrates an intrepid spirit by targeting ambitious goals. At the same time, they collaborate as teams that transcend business segments and national borders, and try to improve by learning from each other. The true strength of the Omron Group is the power created through this intrepid spirit and collaborative strengths.

TEAM OMRON

IAB
 (Industrial Automation
 Business)
 Shigeki Fujimoto



Environmental
 Solutions Business HQ
 Masaki Teshigahara

EMC
 (Electronic and Mechanical
 Components Business)
 Koichi Tada

HCB
 (Healthcare Business)
 Kiichiro Miyata

AEC
 (Automotive Electronic
 Components Business)
 Yoshinori Suzuki

SSB
 (Social Systems, Solutions and
 Service Business)
 Kiichiro Kondo

Interviewer



Satoshi Ando
 Executive Officer
 Senior General Manager,
 Investor Relations Headquarters

Ando: The three tasks set out in the “GLOBE STAGE” (FY2011–2014) of Omron’s “Value Generation 2020” are (1) Reinforcement of the Industrial Automation (IA) Business, (2) Sales expansion in emerging markets, and (3) Focus on the environmental solutions business. I interviewed the heads of Omron’s six main business segments about how “Team Omron” should demonstrate its collaborative strengths.

Reinforcement of Industrial Automation (IA) Business

Special Feature 2 | Interview with the Heads of Business Segments

Ando: In line with the view that manufacturing markets will continue expanding centered on emerging economies, one of the priorities of “Value Generation 2020” is to maximize Omron’s industrial automation business, which is driven by two companies: the Industrial Automation Business (IAB) and the Electronic and Mechanical Components Business (EMC). First, I would like to hear the views of the presidents of IAB and EMC.

Striving to be the Number One in “Control,” “Product Lineup,” and the “Future.”

— Please explain the basic strategy of the IAB, the core business segment of the Omron Group.

Fujimoto (IAB): Our basic strategy is to become number one in “control,” “product lineup,” and the “future.” It is highly risky to focus merely on making machines work faster and more accurately at production sites. If we add the element of safety, we can become the number one in “control” by being the best in high-speed, high-precision, and safe machine control. Being the number one in “product lineup” means having the broadest offerings. And then there is being the number one in the “future.” In Japan’s case, the manufacturing industry accounts for 40% of total electric power consumption. Being the number one in the “future” means becoming the top player by offering new value through a focus on controlling the energy used by machines in an automated factory setting.

We at Omron will strive to achieve these goals



SHIGEKI FUJIMOTO

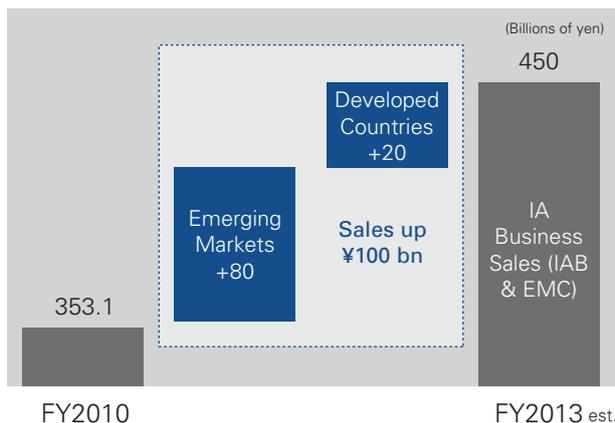
in the global market. This will necessitate more crossover between the vertical (business companies) and horizontal (head office and administrative divisions) not only within IAB, but also across the entire Omron Group. I believe that it is also important to foster global human resources who will be positioned at these crossover points.

Places without Fixed-Line Phones Suddenly Filled with Smartphones

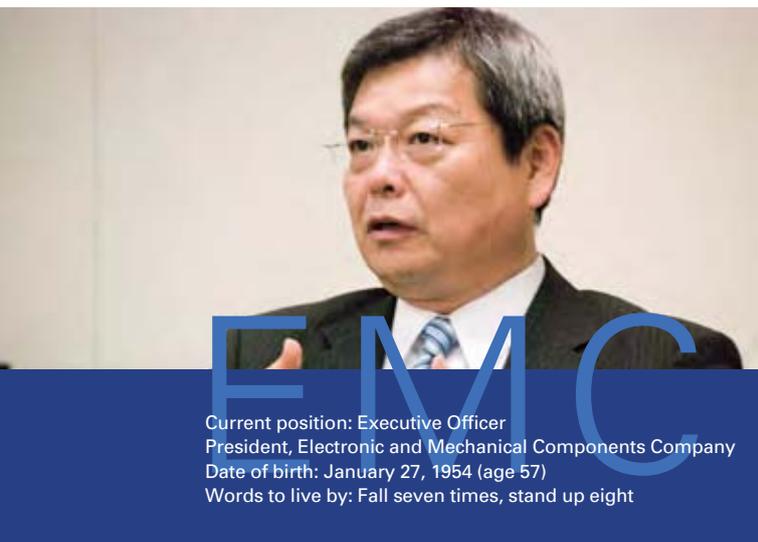
— What or where are the sources of demand for the products of the Industrial Automation Business?

Fujimoto (IAB): Our business supplies emerging markets, primarily China. Now, 80% of our clients in China are local manufacturers, and recently, I have sensed a surge in demand for automation. But what they seek varies greatly. One feature of emerging markets, including China, is “discontinuous evolution.” One example of this is the building of a network for smartphones in a place that didn’t even have infrastructure for fixed-line phones. In other words, there are two types of demand at the same time. On the one hand, there is

IA Business (IAB & EMC) Reinforcement



KOICHI TADA



the need for basic automation that is compatible with the standards of a particular area. On the other hand, there is demand for sophisticated functions that would not be out of place in an advanced market.

Adopting the Same Approach will Fail in the Face of Local Competition

— What kind of strategies do you adopt in emerging markets, where competition is intense?

Fujimoto (IAB): Broadly speaking, there are two types of competition: “global competition” and “local competition.” As an outsider, the odds are against us if we pursue the same strategy as local competitors. Therefore, we must differentiate our products by leveraging the advantages that our global supply chain gives us, or by possessing the best product lineup, which allows us to meet the needs of advanced markets. Against global competition, however, having some kind of innovative element will give us the upper hand. This is why we strive to become the number one in high-speed, high-precision, and safe machine control.

Naturally, it is also important to enhance profitability. This can be achieved in three ways: inexpensive production, keeping expenses down, and getting the purchaser to pay a high price in recognition of a product’s value. Regarding inexpensive production and a high purchase price, we have adopted a new approach that completely overturns traditional manufacturing principles based on Japanese standards. Specifically, we first build a common platform based on a global standard, which we then customize. In emerging markets, we must also provide products that can compete with the low-cost products available locally, while maintaining our usual high quality. In this case, we add our technology to inexpensive locally procured compo-

nents. By then raising quality through improved durability, for example, we can deliver products that best suit the standards in that area.

As for enhancing added value, we recently established an Automation Center in China. The Center is able to test the connectivity of products, including those made by other manufacturers. By also increasing what we offer to include both quality and services, we are pursuing a strategy aimed at raising total added value.

Because speed is of the essence in emerging markets, we intend to establish the infrastructure needed for this sort of competitive strategy within the three-year “GLOBE STAGE” (FY2011–2014) of “Value Generation 2020.”

— From the perspective of maintaining a competitive advantage, how will you advance collaboration between IAB and EMC?

Tada (EMC): In the second half of last year, we established an Industrial Components Discussion Group, which will focus on the industrial automation market and capturing demand from emerging markets. The aim is to deepen the mutual understanding that exists between my company and IAB concerning strategies, and to work together while we find common ground. Thanks to our mutual understanding, we have already decided to invest strategically in increasing production of relays for the IA market. Given that EMC’s mission is to supply relays and switches used in core products across the entire Group, I would like to see our operations underscored by a strong commitment to “coexistence.”

Strengthening Relationships with Horizontal Functions Key to Reinforcing “*Monozukuri* Capabilities”

— How will EMC strengthen IA business from the perspective of “*monozukuri* capabilities?”

Tada (EMC): In order to capture demand from emerging markets, it is essential that, in addition to reinforcing supply capabilities, we also improve productivity by developing materials, developing techniques, and making advances in automation. EMC is limited in what it can do on its own when it comes to *monozukuri* capabilities. Therefore, I would like each business company to work together as Team Omron to hone those capabilities. This will enable us to provide products with exceptional QCDS (quality, cost, delivery, and service), where Omron’s strengths lie, while strengthening collaboration with the head office functions of the Global Process Innovation Headquarters and the Research & Development Headquarters.

Sales Expansion in Emerging Markets

Special Feature 21 Interview with the Heads of Business Segments

Ando: Achieving growth during the “GLOBE STAGE” depends on capturing demand from emerging markets. I would like to ask the presidents of IAB, EMC, AEC, and HCB—all of which operate on a global basis, about this topic.

Nothing Beats Frontline Power

— How will IAB capture demand from emerging markets?

Fujimoto (IAB): Contact with customers is most important. For this reason, in the next three years we plan to double our frontline staff in emerging markets, which will double the speed at which we can identify customers’ problems. In China, the largest emerging market, we will increase the number of sales and marketing sites by 20 in the year ending March 2012, to a total of 52. We will achieve this in just one year, not three. In the next three years, we will also make a six-fold increase in the number of engineers offering technical support.



Establishment of an Automation Center in Shanghai China

Three-Year “GLOBE STAGE” Calls for Strengthening Production and Supply Capabilities

— What kind of strategy does EMC have in mind for consumer electronic components?

Tada (EMC): In China, with a population of 1.3 billion, and India with 1.1 billion, the number of people in the middle-income group is rising annually. Accordingly, we imagine that the quality standard sought in emerging markets for commercial and consumer electronic components will become the same as that sought by middle-income earners in developed countries. Also, given that there are markets where “discontinuous evolution” occurs, as Mr. Fujimoto has said, we need to adopt a global perspective regarding strengthening supply capabilities and raising productivity. Of course, it is crucial that we waste no time in establishing what global standards are and what kind of specifications and applications are needed. Accordingly, we will also reinforce marketing activities to gather information.

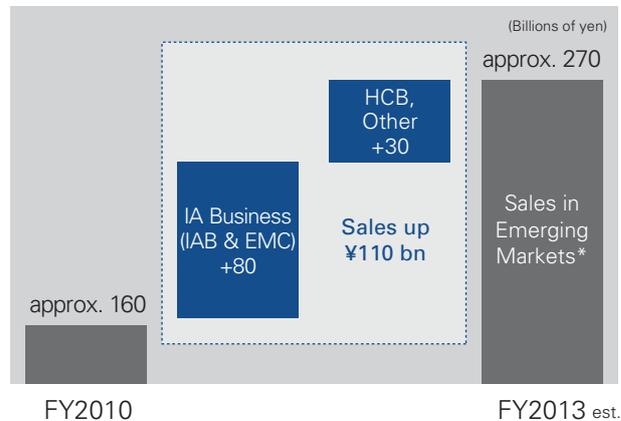
As for raising productivity, we will build a competitive advantage by reducing the materials we use and utilizing automation to lower manufacturing costs. In addition, because speed makes or breaks opportunities in an emerging market, we will strengthen our production and supply capabilities over the three-year period of the “GLOBE STAGE.”

— What points will the Automotive Electronic Components Business focus on during the “GLOBE STAGE” with respect to emerging markets in particular?

Suzuki (AEC): We have a fairly good idea of our business volumes through the fiscal year ending March 2014. This is because we are actively advancing production plans for clients from whom we have already received orders. They come from a variety of businesses and are part of a network that has car manufacturers at the apex. During the “GLOBE STAGE,” we will seek to establish an earnings structure that has an operating margin higher than the industry standard (5–6%). We will also focus on sowing seeds for growth in the next stage. Another strategy we are actively pursuing is to foster global human resources within an integrated production, sales, and development structure.

One year since the spin-off of AEC and the transfer of all employees to the new company, we are fully prepared for our advance into a new stage. We will target growth while emphasizing our enduring advantages, which are the capabilities of employees and the strengths of Team Omron. Since we have finally achieved a return to profitability, we intend to invest around half of the company’s profits in growth areas.

Sales Expansion in Emerging Markets



* Emerging markets: Greater China, Southeast Asia (plus India), Latin America (Brazil, etc.), Eastern Europe, Russia, the Middle East, and South Africa

YOSHINORI SUZUKI



Current position: Managing Officer
CEO & President, Omron Automotive Electronics Co., Ltd.
Date of birth: April 27, 1952 (age 59)
Words to live by: Benevolence, justice, courtesy, wisdom

— What is AEC's approach to emerging markets?

Suzuki (AEC): The standard practice among the world's leading automakers is to develop local models based on a standardized global platform. However, we are beginning to see a gradual shift toward building a separate platform for each area. You heard from Mr. Tada, president of EMC, of the increasing uniformity in quality standards for commercial and consumer electronic components. For finished vehicles, however, the opposite applies, as there is a growing trend toward customizing specifications, price, and design to meet the needs of a particular area.

Evolution of China's Automobile Industry Unlike Other Emerging Markets

— What kind of strategies does AEC have in mind for the Chinese market?

Suzuki (AEC): Amid this move toward customization, we need to approach China differently from other emerging markets in Asia. With the exception of China, there will be no significant changes in the industry's main players. In China, many local manufacturers are becoming stronger, attributable in part to the government's policy of providing assistance. On the demand side too, medium, large, and luxury cars are becoming increasingly popular in China, unlike in other emerging markets, which are about to enter a growth phase. This is why we are pursuing a policy of turning our production sites in China into autonomous bases that combine all stages, from development to production and sales.

Even though local manufacturers are becoming bigger, they lack the know-how that enables cutting-edge

global manufacturers to keep a firm grip on thousands, even tens of thousands, of parts, which they put together to make high-quality components. Conversely, this presents a business opportunity. Accordingly, we are cooperating with a variety of parts suppliers with a view to providing our local business partners in China with products that are easier to assemble. In addition to our electronic control units, these include seat belts, motors, and batteries.

— What is the basic strategy of the Healthcare Business for business expansion targeting consumers?

Miyata (HCB): Under "Value Generation 2020," our vision is to make testing and health management more familiar to the average consumer. The basic strategy of HCB comprises three courses of action to improve such familiarity.

The first is to improve customer accessibility. This entails increasing customer sales channels, in other words, broadening sales so that Omron products are available for purchase around the world. The second is to improve the accessibility of equipment. HCB has created a market by offering home-use products that perform testing and measurement functions—such as taking blood pressure readings—that are normally carried out at medical facilities. Our aim is to contribute to the early detection and treatment of ailments by accelerating the development of safe, reasonably priced equipment that is easy to operate. This will lead to improved accessibility to testing, as it shifts from medical settings to the home and from large hospitals to local clinics. The third course of action is to improve the accessibility of data services. This involves making healthcare and medical services more accessible by means of information services that store and analyze readings.

Aggressive Efforts to Broaden Sales Coverage

— What are HCB's projections for emerging markets, and what growth strategy is it pursuing?

Miyata (HCB): In the case of home medical equipment, the rule of thumb is that demand rises suddenly once GDP per capita exceeds \$10,000. We have seen this happen in China, followed by Russia. Since the GDP per capita in Brazil was over \$8,000 in the year ended March 31, 2010, we can expect to see growth in the near future. Higher incomes not only lead to economic development, but in emerging markets, they also result in expansion of the customer base. As incomes increase, meanwhile, lifestyles become more affluent, which is associated with an increase

in lifestyle-related diseases, such as high blood pressure and diabetes.

In light of this trend, our growth strategy focuses on broadening sales coverage. At present, we supply products to 260,000 large chainstore and drugstore outlets around the world. Our aim is to increase this number to 400,000 by the year ending March 2021. Most of the increase will come from emerging markets. In China, our products are currently sold in 20,000 stores, and we plan to elevate this to 30,000 stores by next year. In India too, we will raise the number of stores handling our products to 10,000 in the current fiscal year by increasing distributors from a handful to more than 30.

One initiative to widen coverage is to restrict the number of categories controlled from Japan to four: blood pressure monitors, blood glucose monitors, thermometers, and nebulizers. Meanwhile, we are implementing a policy that transforms area sales companies into business companies responsible for planning in their respective areas. This is because some areas have major health needs for specific conditions. One example is chronic obstructive pulmonary disease (COPD), which is connected to asthma and high smoking rates. We are considering accelerating the shift from sales companies to business companies so that in areas where this disease is prevalent, we can broaden coverage by getting local companies to engage in planning and be responsible for selling all of their stock.



Store in Bangalore, India

— What product strategies have you devised for emerging markets?

Miyata (HCB): We will seek to deliver products with cost and quality that surpass local value standards. Bringing Japanese standards to emerging markets won't work. We will target these markets by offering inexpensive models with simple functions. To capture the top market share in emerging economies, of course, we must manufacture products at the lowest cost in the world. For example, in China, not Japan, we are developing a ventilator that meets local demand through an alliance with a local manufacturer. However, this does not apply to mainstay products. For these, collaboration with the Omron Group's horizontal (head office) divisions in conjunction with the Global Process Innovation Headquarters will become increasingly important.

Top Runner of Team Omron to Raise the Profile of the Omron Brand

— What are HCB's brand strategies?

Miyata (HCB): In the case of consumer products, the most effective method is to secure shelf space in retail outlets and capture a sizable market with a full product lineup first, and then invest in a broad strategy. You can't afford to be too quick or too slow off the mark. In India, we are approaching the stage in which we should invest in a brand strategy. First we will enhance recognition of Omron as a medical equipment and healthcare product manufacturer, then enhance brand recognition amongst medical practitioners. Then we will roll out a mass-marketing brand strategy.

More than anything else, the healthcare business has the important mission of leading Team Omron's campaign of raising the Omron brand profile among consumers. Under "Value Generation 2020," we will strive to spread the Omron brand as widely as possible on a global scale while collaborating closely with the head office.



Current position: Executive Officer
CEO & President, Omron Healthcare Co., Ltd.
Date of Birth: July 24, 1960 (age 51)
Words to live by: Innovation as a way of life

KIICHIRO
MIYATA

Focus on the Environmental Solutions Business

Ando: The third task for growth is to focus on the environmental solutions business. I would like to ask the president of SSB and the senior general manager of the Environmental Solutions Business HQ about this topic.

Optimum Control of Energy

— Please tell us about initiatives being undertaken by the Environmental Solutions Business HQ.

Teshigahara (Environment): The Environmental Solutions Business HQ focuses on the optimal control of energy. Its specific objectives are to expand the energy-saving business by selling packages to the manufacturing industry, globally advance the energy-creation business centered on solar power conditioners, and meet future needs through an integrated energy solutions business that blends energy saving and energy creation.

With a three-tier structure, the energy-saving business consists of (1) a component business for sensing the energy and the environment in which it is used, (2)

a remote monitoring system business that sends sensed energy data to customers via application service providers, and (3) a solutions business that offers consulting and engineering services based on energy data and helps businesses reduce energy consumption and carbon dioxide emissions.

The energy-creation business will enhance its lineup by adding solar power conditioners and peripheral equipment for industrial applications to its existing range of offerings for the home. In addition to global expansion centered on Europe and China, it will also develop core products used in energy control as well as power storage.

The integrated energy solutions business will incorporate the creation, storage, and wise use of energy into energy flow control with the primary objective of developing a mini grid business mainly targeting corporations. Instead of merely measuring and visualizing the status of energy usage, in true Omron Group style, the business will provide solutions that “sense” whether or not the excess energy can be used for economic activities.

MASAKI TESHIGAHARA



Current position: Executive Officer
Senior General Manager, Environmental Solutions Business HQ
Date of birth: August 7, 1958 (age 53)
Words to live by: Stake all or nothing

ENVIRONMENTAL



+



Spread of Dispersed Power Sources a Golden Opportunity for the Group

— **The environment is an issue shared by all business divisions. What opportunities exist for collaboration within Team Omron?**

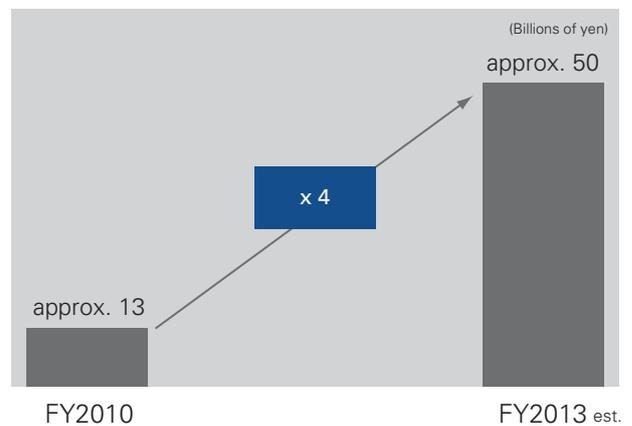
Teshigahara (Environment): The Environmental Solutions Business HQ does not only develop business on its own. It also actively collaborates in fields where there is an overlap of domains with other business companies, with the aim to minimize omissions and oversights by sharing an understanding of key issues.

Let me give a specific example. We are collaborating with IAB in the field of energy and environmental sensing for industrial machinery. Our first venture focuses on an electricity sensor that contributes to power saving. Here, our aim is to augment IAB's products and work jointly on activities that deliver new added value to customers. We are looking to leverage synergies between AEC's energy control technology for electric vehicles and our own energy controllers. Further, we are pursuing an approach with the Social Systems, Solutions and Service Business that will further integrate business development of the environmental solutions business. Collaborative efforts include utilizing the data center belonging to software company,

Omron Software Co., Ltd., and working with Omron Field Engineering Co., Ltd., SSB's field engineering company, on solutions for reducing carbon dioxide emissions.

Furthermore, at a time when dispersed power sources are the focus of much attention, we are working with EMC on the marketing of smart energy equipment, such as smart meters and smart taps. Because the proliferation of dispersed energy sources will change energy infrastructure from the ground up, we view it as an excellent opportunity for Team Omron. In the sense that we are casting a wide net that covers the full gamut of environmental needs, we definitely want to contribute as a horizontally aligned entity.

Environment-related Business Sales (Omron Sales Total)



KIICHIRO KONDO



Engineering and Software Make a Valuable Contribution

— **Lastly, I would like to ask about the growth strategies of SSB.**

Kondo (SSB): SSB provides solutions for railways, roads, and other social infrastructure that support our earnings base, as well as those that offer safety and security for commercial facilities. We also view the environmental solutions business as a new growth domain. Therefore, in April 2011, the environmental solutions business department was established within SSB, deepening collaboration with the Environmental Solutions Business HQ. With the field engineering company, Omron Field Engineering Co., Ltd., and the software company, Omron Software Co., Ltd., under our umbrella, we have much to offer Team Omron in the environmental solutions business. At the same time, we plan to work closely with customers on total solutions by integrating these two companies into “Team SSB.”

A Solutions Innovator that Surprises and Impresses Society

— **Specifically, how will the environmental solutions business draw on the strengths of SSB?**

Kondo (SSB): We are striving to become a solutions innovator that both surprises and impresses society. Therefore, we are shifting to a solutions-based business that does not end with the sale of components. Let’s take the example of not only being able to visualize the status of energy usage, but also having optimal control of energy. We have the technological capabil-

ities to add new value by using a camera and image processing sensors to regulate temperature and lighting while measuring the concentration of people in a certain location. We are keen to match these capabilities to social needs. At the same time, we will build a business that can deliver one-stop services as Team Omron, including maintenance and construction, while collaborating with the Environmental Solutions Business HQ.

Ando: I sincerely hope that this discussion will pass on to shareholders and other investors the enthusiasm with which the Group’s businesses are promoting the three main strategies for the “GLOBE STAGE” of “Value Generation 2020,” and applying the collaborative capabilities of Team Omron.

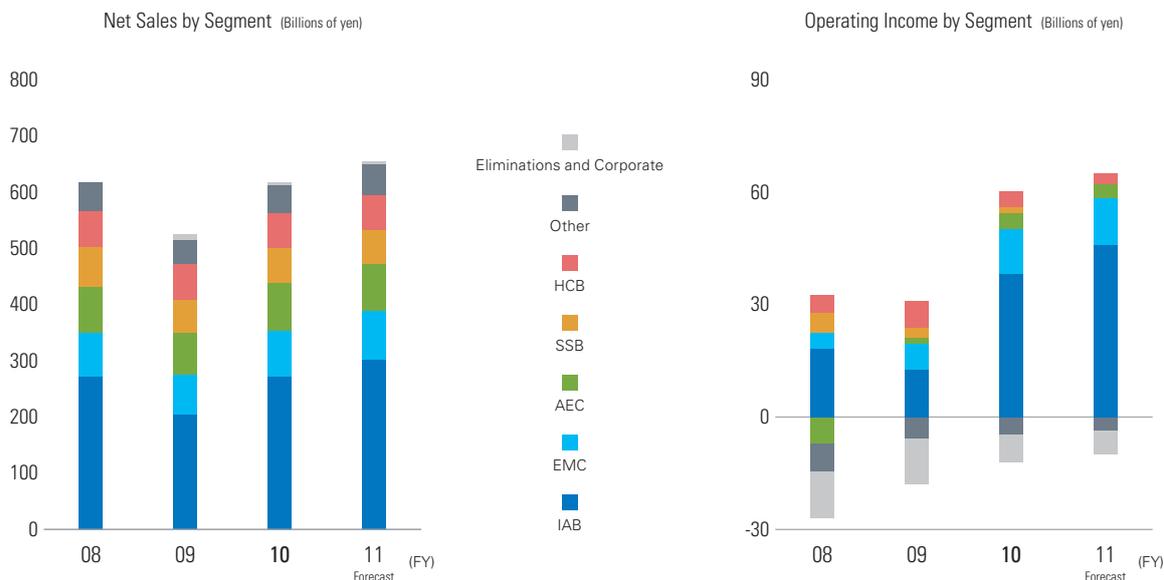


Omron at a Glance

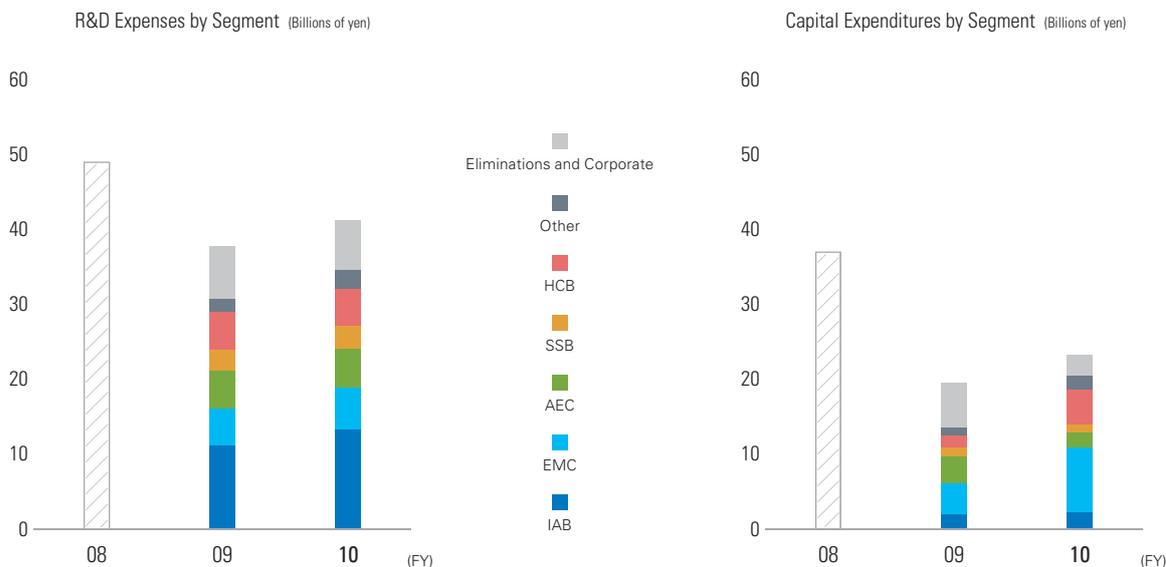
Performance and Forecast by Segment

Omron at a Glance

Net Sales and Operating Income



R&D Expenses and Capital Expenditures

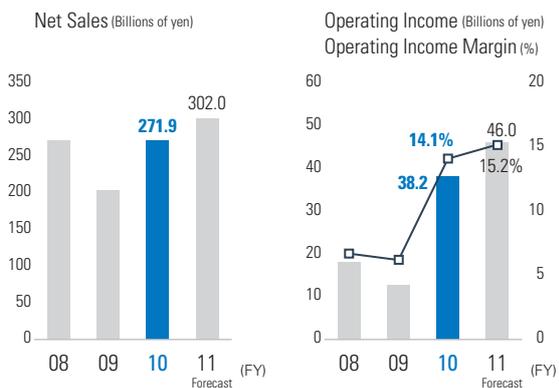


Notes:

- From fiscal 2009, the Companies adopt the Accounting Standards Codification No. 280, "Segment Reporting" (previously Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information"). Accordingly, the figures of the segment information for fiscal 2008 have been restated to conform with the current year presentation.
- The Company's business segments have been reclassified as IAB, EMC, AEC, SSB, HCB, and Other from the third quarter of fiscal 2009. Figures for fiscal 2008 have been restated to reflect the new classifications.
- Beginning in fiscal 2010, the Omron Group has been revising the management guidance fees for the purpose of concentrating capital funds at the headquarters in order to reinforce selection and concentration and allocate resources strategically. This inclusion has had an effect on the operating income of each segment.
- Fiscal 2008 figures for R&D expenses and capital expenditures are the combined total for all the segments due to the new segment organization.

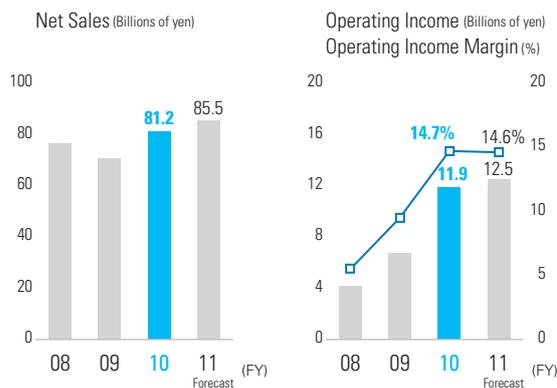
IAB
Industrial Automation
Business

Net Sales by Segment
44%



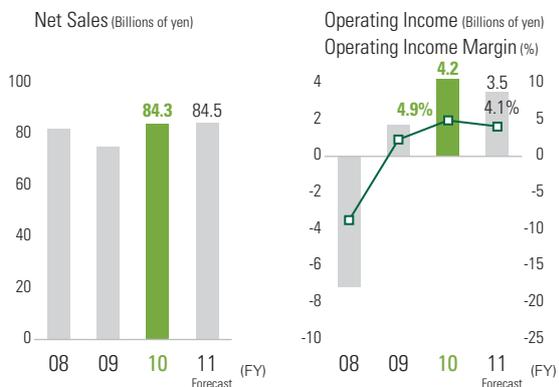
EMC
Electronic and Mechanical
Components Business

Net Sales by Segment
13%



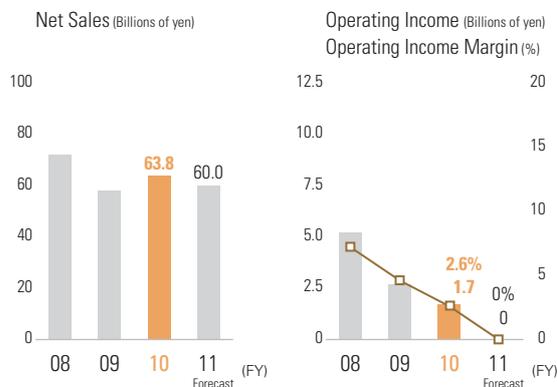
AEC
Automotive Electronic
Components Business

Net Sales by Segment
14%



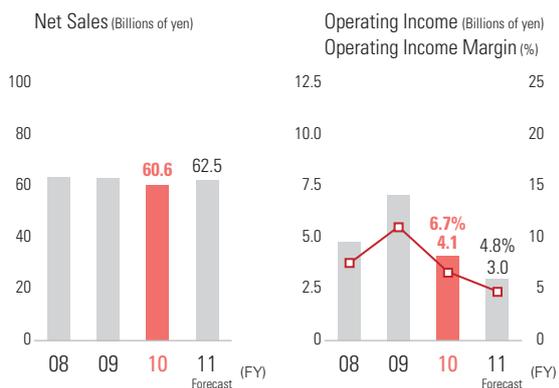
SSB
Social Systems, Solutions and
Service Business

Net Sales by Segment
10%



HCB
Healthcare Business

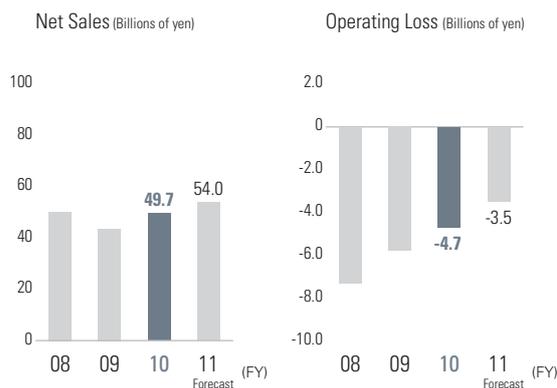
Net Sales by Segment
10%



Other
Environmental Solutions, Electronic
Systems & Equipments, Backlight,
and Micro Devices Businesses

Net Sales by Segment
9%*

* Including "Eliminations and Corporate"



IAB Industrial Automation Business

Manufacturing and sales of control systems and components for factory automation and industrial equipment

IAB is guided by the management philosophy "To the machine, the work of the machine, to man the thrill of further creation." As a pioneer in factory automation, IAB is at the forefront of developing new products incorporating knowledge gathered from around the world and broadening the scope of the automation field. IAB contributes to society by bringing automation to products that are useful for everyday life.

% of Net Sales

44%



Fiscal 2010 in Review

Vigorous capital investment demand has boosted sales in all regions. Income soared.

IAB net sales rose 33.3% year on year to ¥271.9 billion, and operating income increased 201.2% to ¥38.2 billion in fiscal 2010.

In Japan, net sales rose 35.9% year on year to ¥123.9 billion. The government's demand creation policies, such as eco-car subsidies and tax breaks, helped spur a general recovery in capital expenditures by the Japanese manufacturing industry, which generated a steep rise in sales in the first quarter centered on sensor and control devices, and sales continued to be brisk thereafter. In addition, market growth for electronic devices and terminals, led by smartphones, supported increasing capital investment by the semiconductor and electronic components industries, which also boosted IAB sales.

Overseas, sales rose 31.2% year on year to ¥148.0 bil-

lion, despite the impact of the strong yen. Sales rose sharply in China amid ongoing steady investment in production equipment in response to the government's measures to expand domestic demand and on the Company's successful introduction of programmable logic controllers and other products catering to the Chinese market and efforts to strengthen its sales force. Sales were also strong in advanced economies, due to an improved export environment in Europe resulting from the weakened euro and in North America by increasing demand for control-related equipment accompanying a recovery in capital expenditures in the automobile industry. Sales also improved in India, Brazil, and other emerging economies against a backdrop of brisk demand environment for capital investment. In addition to the increasing sales in Japan and in all regions overseas, operating income also rose sharply for the year as our structural reform measures began bearing fruit.

IAB Results and Forecast

Fiscal Year	2008	2009	(Billions of yen)	
			2010	2011 (Forecast)
Net sales	272.0	203.9	271.9	302.0
Domestic	125.5	91.2	123.9	131.5
Overseas	146.5	112.7	148.0	170.5
North America	31.6	18.9	26.7	30.7
Europe	70.7	51.2	56.7	62.8
Asia Pacific	17.4	16.8	25.0	30.0
Greater China	25.7	25.5	38.8	46.5
Direct exports	1.0	0.3	0.7	0.5
Operating income	18.2	12.7	38.2	46.0
Operating income margin	6.7%	6.2%	14.1%	15.2%
R&D expenses	—	11.1	13.2	—
Depreciation and amortization	—	5.2	4.5	—
Capital expenditures	—	1.9	2.2	—

* From fiscal 2009, the Companies adopt the Accounting Standards Codification No. 280, "Segment Reporting." The Company's business segments have been reclassified from the third quarter of fiscal 2009. Accordingly, the segment information figures for fiscal 2008 have been restated to conform with the current year presentation (provided, however, that the transfer of the solar power conditioner business to the Other segment in fiscal 2010 has not been reflected).

* Beginning in fiscal 2010, the Omron Group has been revising the management guidance fees for the purpose of concentrating capital funds at the headquarters in order to reinforce selection and concentration and allocate resources strategically. This inclusion has had an effect on the operating income of each segment.

* Fiscal 2008 figures for R&D expenses, depreciation and amortization, and capital expenditures have not been stated due to the new segment organization.

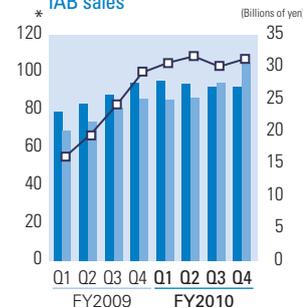
* The sales figures given indicate sales to external customers and exclude intersegment transactions. Operating income indicates income including internal income prior to the deduction of amounts such as intersegment transactions and head office expenses that are not apportionable.

* The forecast for R&D expenses, depreciation and amortization, and capital expenditures is not publicized.

Check it out!

Analysis of external environment

Indices of industrial production and machinery orders, IAB sales



■ Index of Industrial Production* (Seasonally adjusted) [left axis]
■ Machinery orders* [left axis]
— IAB sales [right axis]

*Source: The Ministry of Economy, Trade and Industry and the Cabinet Office, Government of Japan

IAB sales trends move on a slight time lag to indices for industrial production and machinery orders.

Shigeki Fujimoto

Managing Officer
Company President
Industrial Automation Company



Business Strategy and Outlook for Fiscal 2011

Continuing our ongoing evolution as *the partner in automation throughout the world*

In the IAB segment, we forecast a year-on-year rise in net sales by 11% to ¥302.0 billion, with a 20% increase to ¥46.0 billion in operating income in fiscal 2011.

IAB is focusing on meeting the automation needs in the quickly growing emerging economies, and meeting the control needs for application in the areas of safety, the environment and energy, as well as the need for advanced and complicated control devices in advanced economies. IAB is seeking to provide value to customers in three areas as described below, with the aim of becoming number one in "control," "product lineup," and the "future."

1. The best and safest matching of machines to people (strengthening the machine automation business):

We aim to take the initiative in introducing the industry's leading ultra-high-speed, high-precision machine automation products ahead of competitors, and simultaneously pursue both productivity and safety by providing optimal machine automation incorporating our safety expertise accumulated from on-site testing around the world.

2. A broad product lineup to meet diverse global needs (strengthening the control equipment components business):

We will further reinforce the world's leading lineup of control equipment to match the needs in leading industrialized nations as well as the needs of the rapidly rising emerging economies. We will broaden our sales networks in each region and strengthen our systems for speedily and seamlessly supplying our products to customers around the world.

3. The contribution of energy control equipment using our sensing and control technologies (responding to new needs):

IAB will develop products and solutions to realize "energy control" at manufacturing sites in response to the rapidly growing need to save energy and conserve resources by combining its surveillance sensing technology, which enables the constant "visualization" of power usage, ventilation, lighting, and other conditions in the manufacturing environment, and its control technology to identify wasted energy and optimize energy usage.

What's New

"Automation Center" in Shanghai, China, to lead evolution of machine automation

In order to flexibly respond to the evolving needs of customers, the equipment we provide must deliver high performance and provide optimal interconnectivity between devices so that the equipment performs as desired and production operations can commence immediately. Omron is forming a worldwide network of "Automation Centers" with various functions to assist customers so they can utilize their equipment at the highest performance levels.

In September of this year, IAB will establish a new center in China, where needs are steadily increasing for factory automation against a backdrop of soaring labor costs and labor shortages in the coastal areas. We are increasing by threefold the number of engineers providing technical support at customer operating sites, and are strengthening our direct support system for technical issues that were previously difficult to resolve in the field.

Omron will continue to create value that contributes to customers and to innovate as a worldwide automation partner.



Machine Automation Controllers: Sysmac NJ Series

Machine Automation Software: Sysmac Studio

The Sysmac NJ Series controllers and Sysmac Studio software are the automation platform with an embedded Intel MPU that can interconnect a large number of ultra-high-speed and high-precision machine control equipment allowing integrated control of an entire system using a single software program.



Laser Scanner

Omron's Safety Laser Scanner OS32C, using a laser beam reflection method, is the world's most lightweight, compact, and energy-efficient laser-beam reflection safety scanner. Versatile enough to be placed virtually anywhere, such as on an automated guided vehicle (AGV) or on the machinery itself, the non-contact operation meets international safety standards for human presence detection and intrusion detection.



Fiber Laser Oscillator

Developed using proprietary technology, Omron's fiber laser oscillator device enables the previously unattainable features of reduction printing and processing as well as printing and processing on processing-resistant material. This laser writer, released in fiscal year 2011, has a built-in transmitter and realizes high-quality laser beam, high peak power, high repetition rate, and pulse control.



EMC Electronic and Mechanical Components Business

Manufacturing and sales of electronic components for consumer appliances, telecommunications equipment, mobile telephones, amusement devices, and office automation equipment

EMC utilizes its cultivated strength in *monozukuri* (product creation) technology, integrating its relays, switches, connectors, and other electromechanical component products to supply products to customers in a wide range of industries.

% of Net Sales

13%



Fiscal 2010 in Review

Sales showed a strong performance, led by relays. Profits rose on brisk demand, particularly in emerging economies.

EMC posted a net sales increase of 14.8% year on year to ¥81.2 billion, led by expanding demand in all industries, particularly for relay products. The improved product mix and other factors generated a 76.8% year-on-year rise in operating income to ¥11.9 billion. As part of the restructuring of the Omron Group, the Japanese and North American relay businesses were shifted from the Automotive Electronic Components (AEC) business to the EMC business in fiscal 2010.

Domestic net sales amounted to ¥24.9 billion, an increase of 11.5% year on year. Sales in Japan were brisk throughout the year for components for home appliance and automotive applications, supported by the government Eco Point program for home appliances, subsidies and tax incen-

tives for eco cars, and stepped up production of air conditioners to meet special demand from the year's heat waves.

Overseas sales were also steady and rose 16.4% year on year to ¥56.3 billion. Demand for home appliances continued to grow in China and other emerging economies, while demand for home appliances tailored for environmental and energy-conservation needs also increased in Europe and the United States. Hot weather in the Northern Hemisphere also supported increasing production of air conditioner units. These product demand trends boosted sales of the relays and switches for home appliances. Sales of automotive relays and switches also rose on expanding auto production in China and Asia and recovering auto production activity in North America.

At the same time, soaring prices for silver, copper, and other materials took a significant toll on revenue. Nevertheless, we were able to extend the previous year's growth trend in operating income by undertaking various

EMC Results and Forecast

Fiscal Year	2008	2009	2010	2011 (Forecast)
Net sales	76.5	70.7	81.2	85.5
Domestic	25.6	22.3	24.9	24.6
Overseas	50.9	48.4	56.3	60.9
North America	8.6	7.3	13.7	14.0
Europe	9.2	11.7	13.0	14.2
Asia Pacific	8.4	7.6	8.4	9.2
Greater China	20.9	19.8	19.8	22.1
Direct exports	3.8	1.9	1.5	1.4
Operating income	4.2	6.7	11.9	12.5
Operating income margin	5.5%	9.5%	14.7%	14.6%
R&D expenses	—	5.0	5.6	—
Depreciation and amortization	—	8.5	6.9	—
Capital expenditures	—	4.2	8.7	—

(Billions of yen)

Check it out!

Analysis of external environment

Global shipments of electronic components and EMC sales



Source: Japan Electronics and Information Technology Industries Association (JEITA)

Shipments were particularly high in the first half of 2010, but weakened in the second half.

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* Beginning in fiscal 2010, the Omron Group has been revising the management guidance fees for the purpose of concentrating capital funds at the headquarters in order to reinforce selection and concentration and allocate resources strategically. This inclusion has had an effect on the operating income of each segment.

* Fiscal 2008 figures for R&D expenses, depreciation and amortization, and capital expenditures have not been stated due to the new segment organization.

* The sales figures given indicate sales to external customers and exclude intersegment transactions. Operating income indicates income including internal income prior to the deduction of amounts such as intersegment transactions and head office expenses that are not apportionable.

* The forecast for R&D expenses, depreciation and amortization, and capital expenditures is not publicized.

Koichi Tada

Executive Officer
Company President
Electronic and Mechanical
Components Company



structural reforms, including the ongoing implementation of measures to increase productivity.

Business Strategy and Outlook for Fiscal 2011 Focus on lowering manufacturing costs through *monozukuri* capabilities and optimizing production on a global scale

We plan to raise EMC net sales by 5.3% year on year to ¥85.5 billion and operating income by 4.9% to ¥12.5 billion in fiscal 2011.

We anticipate the market environment for electronic components to remain strong in the global markets, particularly in emerging economies, and are fortifying our supply capabilities in preparation for growing demand. Amid soaring raw material prices and rising labor costs in China, we will focus on using our *monozukuri* capabilities to lower manufacturing costs, while optimizing our production on a global scale to maintain our competitive edge over local manufacturers in emerging economies.

We will apply our product *monozukuri* capabilities to reduce manufacturing costs and lower the environmental

burden of our operations by enhancing our technology for energy conservation and material economizing, including shortening the time needed for component molding and pressing, improving galvanizing methods to reduce the usage volume of coating material, and reducing the amount of scrap material (such as from the molding and pressing processes) generated by the manufacturing operations.

In addition, the Omron Switch & Devices Corporation began mass production in May 2011 of new products in a new manufacturing facility located at its Okayama head office. We will strengthen this new facility as the production hub for the integration of the Company's switch *monozukuri* technology and global production activities.

At our overseas production bases, we are planning to shift our production operations for relay units for signals, automotive relays, and automotive switches to the Shanghai facility and also to expand the facility in anticipation of growing demand in China. A groundbreaking ceremony was held in May 2011, and the facility is scheduled to commence operation in April 2012. The new facility is expected to double our current production volume in fiscal 2013.

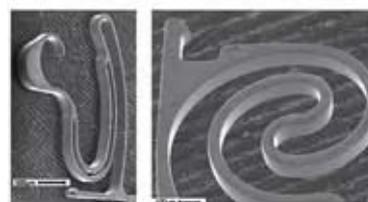
What's New

Development and start of mass production of connectors using the electroforming technique

Omron used high-precision electroformed contacts formed with electroplating methods to develop microminiaturized connectors with modifiable terminal shapes, which had been difficult to realize using conventional press processing techniques. Omron has commenced mass production of battery connectors for mobile phones using this new technology.

Electroforming is a metal forming process that forms thin parts through the electroplating process. The parts are produced by plating a layer of metal onto a base form (master). Once the plated layer has been built up to the desired thickness, this newly formed part is stripped off the master substrate. The electroforming technique enables an extremely small bend radius, as small as $40\ \mu\text{m}$, which vastly enhances the flexibility for forming high-precision components. For example, if a $250\ \mu\text{m}$ -thick plate is used, pattern and slit widths can be reduced to $80\ \mu\text{m}$, which is impossible with ordinary pressing. This greatly contributes to further miniaturization of components.

We plan to continue developing the technique for compact mobile devices with higher functions as well as for inspection electrodes in inspection devices and equipment.



An Electroformed Contact

Backlock Multipole FPC Connector with 0.3 mm Pitch, 1.1 mm Height, and the Industry's Largest Pin Count

Our XF3E flexible printed circuit (FPC) connectors with 90 pins are used in a wide range of digital devices, including smartphones, mobile phones, PCs, optical disk drives, and LCD projectors.



XF3E FPC Connector

4.5 mm Long-stroke Miniature Power Switch with Superb Tactile Performance

Designed to emphasize operability, the C4V Miniature Power Switch has a unique snap-action mechanism and 4.5 mm long-stroke to give it a sharp feel. Applications as an on-off switch range from vacuum cleaners, air conditioners, and other home appliances to printers, copiers, and office equipment, as well as industrial equipment, such as measuring equipment and machine tools.



C4V Miniature Power Switch

Small Sealed Switch for Machine Tools

The D4E enclosed switch is a limit-switch for industrial machinery primarily used as built-in switches for machine tools and with broad applications in position sensors, such as when position machining objects to a table. The enclosed switch reduces heat produced by friction between the tool and machining object, and is optimal for environments where coolant (cutting oil) inevitably gets on the machines.



D4E Miniature Coolant-resistant Enclosed Switch

AEC Automotive Electronic Components Business

Production and sales of electronic components for automobiles

AEC conducts business operations catering specifically to the automotive electronics field, and produces technologies and products designed to create “the best matching of automobiles to people.”

% of Net Sales

14%



Fiscal 2010 in Review

Sales rose on recovering automobile production. Structural reforms resulted in a steady return to profitability.

AEC net sales increased 12.1% year on year to ¥84.3 billion, and operating income rose 140.4% to ¥4.2 billion in fiscal 2010, supported by market recovery and progress with structural reforms.

As part of the structural reforms implemented in fiscal 2010, Omron split off AEC, and established the 100% subsidiary Omron Automotive Electronics Co., Ltd. on May 6, 2010. Amid the increasingly rapid pace of change in the business conditions of the automotive industry, AEC has begun autonomous management, specializing in the automotive industry, and has enhanced its ability to respond quickly and flexibly to customer needs. We have reorganized our North American production structure to fortify our business operation structure and have begun taking steps

to strengthen our platform development activities and other areas to enhance our quality.

In Japan, the automobile market has been showing signs of recovery, supported by preferential tax treatment for eco-friendly vehicles and other government policies promoting new car purchases in the first half. The AEC segment was only slightly affected by the March 11 Great East Japan Earthquake. As a result of the above, the AEC segment increased domestic sales by 18.8% year on year to ¥28.4 billion. Overseas sales were also steady, rising 9.0% year on year to ¥55.9 billion. Contributing to the rise in overseas sales was a gradual recovery in the North American automobile market and market growth in China, India, Brazil, and other emerging economies.

Earnings improved markedly from the previous fiscal year as a result of the impact of the market recovery and our structural reforms.

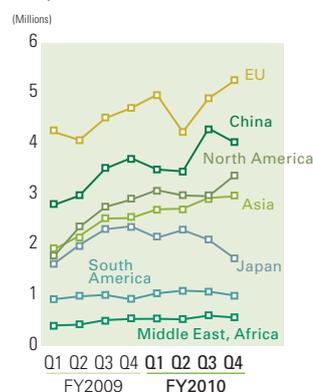
AEC Results and Forecast

Fiscal Year	2008	2009	(Billions of yen)	
			2010	2011 (Forecast)
Net sales	82.1	75.2	84.3	84.5
Domestic	25.0	23.9	28.4	26.8
Overseas	57.1	51.3	55.9	57.7
North America	27.9	24.0	23.9	20.9
Europe	9.0	2.0	2.6	2.7
Asia Pacific	12.5	13.1	14.2	17.5
Greater China	4.7	6.3	9.1	9.1
Direct exports	3.0	5.9	6.2	7.5
Operating income	(7.1)	1.7	4.2	3.5
Operating income margin	—	2.3%	4.9%	4.1%
R&D expenses	—	5.0	5.3	—
Depreciation and amortization	—	2.1	2.1	—
Capital expenditures	—	3.6	2.0	—

Check it out!

Analysis of external environment

Worldwide automobile production (units basis)



Source: CSM Worldwide, Inc.

Production in Japan declined in the fourth quarter of fiscal 2010, mainly due to the earthquake disaster.

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* Beginning in fiscal 2010, the Omron Group has been revising the management guidance fees for the purpose of concentrating capital funds at the headquarters in order to reinforce selection and concentration and allocate resources strategically. This inclusion has had an effect on the operating income of each segment.

* Fiscal 2008 figures for R&D expenses, depreciation and amortization, and capital expenditures have not been stated due to the new segment organization.

* The sales figures given indicate sales to external customers and exclude intersegment transactions. Operating income indicates income including internal income prior to the deduction of amounts such as intersegment transactions and head office expenses that are not apportionable.

* The forecast for R&D expenses, depreciation and amortization, and capital expenditures is not publicized.

Yoshinori Suzuki

Managing Officer
 President and CEO,
 Omron Automotive
 Electronics Co., Ltd.



Business Strategy and Outlook for Fiscal 2011

Net sales are expected to rise on growing demand in emerging economies, but profits will decline due to the impact of the earthquake disaster.

In the AEC segment, we forecast a year-on-year increase of 0.3% to ¥84.5 billion in net sales, with a 15.9% decline in operating income to ¥3.5 billion in fiscal 2011. The Great East Japan Earthquake has had a strong impact on the automobile industry. In particular, some automobile manufacturers incurred direct damage or were forced to vastly reduce production volumes because of difficulties in procurement of various parts required for vehicle assembly. These conditions led to a sharp drop in domestic sales at the start of the first quarter of fiscal 2011, but the industry's steady restoration and reconstruction efforts lead us to expect the market to begin recovering in the second half. In addition, automakers began revising their production schedules from July, shifting production activity from

weekdays to weekends to avoid electricity supply shortages during the summer (AEC has similarly revised its work schedule, making Thursdays and Fridays days off and Saturdays and Sundays work days from July until the end of September).

Overseas, we anticipate ongoing growth in the automobile market centered on the emerging economies, with intensifying competition between the automakers and accelerating production activity around the world. At AEC, we are fortifying and expanding our production capacity for core products at our production bases in emerging economies. AEC will also aggressively study the trends toward motorization in emerging economies and the specific automobile needs of each area as we seek to create and capture new business opportunities by presenting unique business proposals to automakers.

What's New

Increasing production capacity at our Thai manufacturing base to meet expanding demand in Asia

Demand for automobiles, motorcycles, and other vehicles is expected to continue growing in Asia and other emerging economies. In preparation to meet this growing demand, AEC is currently constructing a new plant (scheduled for completion in December 2011) to increase the production capacity at our base in Ayutthaya, Thailand.

Our existing plants in Thailand focus on the production of switches and relays for automobile components. The new plant will strengthen local assembly capabilities for complicated electronic components, and our Thai manufacturing base will aim to provide production and services matched to local customer needs in the Asian region.



No. 3 Plant in Thailand (Conceptual Drawing)

Electric Power Steering Controllers

AEC anticipates that a growing number of automobile models will utilize its electric power steering controllers, which enable smooth steering wheel operation and save energy. AEC's long track record has made it a highly trusted supplier, and AEC has begun full-fledged mass production of controllers at its plant in China.



Environmental Products

AEC commercializes battery control technology for use in electric vehicles and mass-produces cell monitoring units, electricity leakage sensors, and other devices. AEC will continue to focus on the development of products and technologies for eco-friendly vehicles.



Electricity Leakage Sensor

Transmitter Key and Engine Start Systems

AEC is carrying out the development and production of various devices integrating its abundant wireless, miniaturization, and weight-reducing technologies. These systems provide added convenience for users and greater ease in locking and unlocking doors and starting the engine.



SSB Social Systems, Solutions and Service Business

Providing solutions and services for realizing a secure, safe, and comfortable society

SSB provides various equipment, systems, and services to support secure and comfortable living environments and safe social infrastructure.

% of Net Sales

10%



Fiscal 2010 in Review

Steady growth for the "Social Sensing Business"

SSB net sales rose 10.1% year on year to ¥63.8 billion, while operating income declined 37.7% to ¥1.7 billion in fiscal 2010.

In railway infrastructure systems, SSB continued to introduce new equipment (automatic ticket vending machines and automated ticket gates) and began participating in business discussions concerning railway station safety and security solutions while related investment began expanding in the second half of the fiscal year. As a result, the railway infrastructure systems posted a significant increase in sales for the year.

Sales were also strong for traffic control and road control systems on a substantial rise in additional investments in highway infrastructure and on the recognition of the need for safety and security solutions related to detecting pedestrians on the highway system, vehicles moving in the wrong

direction, and other traffic conditions.

The environmental solutions business increased sales in its related maintenance operations, with contributions from the expanding demand for products related to solar power generation, supported by the Japanese government's purchase-subsidy program, and an increase in related installation construction projects.

In addition, the "Social Sensing Business," which aims to provide sensor technology to meet social sector needs and contribute solutions in the safety, security, and environmental domains, steadily expanded business supported by installations of large-scale video surveillance systems, including face verification systems, intrusion detection systems, and other image processing technology.

The segment's cost burden increased by ¥1.4 billion from the previous fiscal year due to the Company's revisions to its management guidance fees. If the impact from this change is excluded, the increase in sales and ongoing

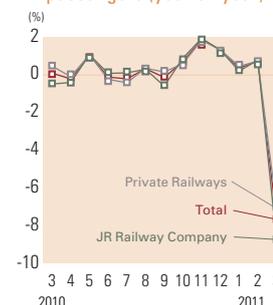
SSB Results and Forecast

Fiscal Year	2008	2009	(Billions of yen)	
			2010	2011 (Forecast)
Net sales	72.3	58.0	63.8	60.0
Domestic	70.7	57.5	63.1	59.5
Overseas	1.6	0.5	0.7	0.5
North America	0.0	0.0	0.0	0.0
Europe	0.0	0.0	0.0	0.0
Asia Pacific	0.0	0.0	0.0	0.0
Greater China	0.0	0.0	0.0	0.0
Direct exports	1.6	0.5	0.7	0.5
Operating income	5.2	2.7	1.7	0.0
Operating income margin	7.2%	4.6%	2.6%	—
R&D expenses	—	2.9	3.0	—
Depreciation and amortization	—	1.4	1.7	—
Capital expenditures	—	1.2	1.0	—

Check it out!

Analysis of external environment

[Reference] Change in the number of rail transport passengers (year on year)



Source: Rail Transport Overview, Ministry of Land, Infrastructure, Transport and Tourism

SSB's business covers a broad range of social fields, and there are no specific economic indicators that link closely to performance. In the railway segment, for example, SSB's sales are strongly influenced by customer budgets for IC card equipment installation and new railway and station construction plans. The disaster that struck Japan in fiscal 2010 led to a sharp drop in passenger numbers during March, which is expected to influence the investment environment in fiscal 2011.

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* The sales figures given indicate sales to external customers and exclude intersegment transactions. Operating income indicates income including internal income prior to the deduction of amounts such as intersegment transactions and head office expenses that are not apportionable.

* The forecast for R&D expenses, depreciation and amortization, and capital expenditures is not publicized.

Kiichiro Kondo

Managing Officer
President and CEO
Omron Social
Solutions Co., Ltd.



reductions in fixed costs would have resulted in an increase in operating income of 16.3% year on year to ¥400 million.

Business Strategy and Outlook for Fiscal 2011

Becoming a solutions innovator

In the SSB segment, we forecast a decline of 6% year on year to ¥60.0 billion in net sales and a ¥1.7 billion decline to zero in operating income in fiscal 2011.

The railway infrastructure business is expected to face a situation of ongoing restrained investment, combined with the likelihood of further investment constraint in Eastern Japan following the Great East Japan Earthquake as companies developing business in the stricken region cut back on investment spending. At the same time, we anticipate demand related to social infrastructure restoration for areas damaged in the disaster. Amid such circumstances, SSB will seek to achieve business growth by accelerating its structural reform measures to ensure the achievement of profitability in its existing train station and railway, and road-

way and traffic business areas. The SSB segment will work to expand business by strengthening operations in social safety and security as a growth business and accelerating its expansion into the environmental market through the focusing of resources on meeting the quickly growing needs related to electricity conservation.

The SSB segment entered a new phase on April 1, 2011, as Omron Social Solutions Co., Ltd. By promoting and reinforcing seamless collaboration between Group companies Omron Field Engineering Co., Ltd., which provides maintenance and services, and software developer Omron Software Co., Ltd., we can offer the complete value chain of solutions, ranging from consulting to the provision of sensing devices, to system integration, maintenance, operation and services, thus providing clients with value and reliability.

Together with other Group companies, SSB aims to transform itself into a solutions innovator through unified Group management and achieve growth in its business operations.

What's New

Next-generation beverage vending machines that communicate with people

Since August 2010, SSB has been supplying our "Segment Sensors" for use in the next-generation vending machines of JR East Water Business Co., Ltd. Using Omron's "OKAO Vision" face sensing technology, the "Segment Sensor" analyzes the age, sex, and other attributes of the purchaser from an image of the person's face taken by a camera. When a person stands in front of the next-generation vending machine, the Segment Sensor determines the age and sex of that person, and takes into account other factors, such as the temperature and time of day, to deduce the person's need and recommend a product for purchase. The data that JR East Water Business gathers from the sensors is considered marketing data, and is used in the development of new beverage products.

The system conducts face verification utilizing technology developed by Omron using an image database of five million face images of one million people collected over more than a decade. The application of this new technology brings a level of amusement to communications between the purchasers and the machines (vending machine).



Beverage sales by next-generation vending machines continue to show a steady performance for the entire year that has passed since their introduction. We are planning to expand deployment of these vending machines in the Kanto Region, with a total of 500 such machines to be installed.

Information Kiosk Terminals for Train Stations

The train station, previously a transit point for people using the railway service, has been transformed into a commercial complex where many people gather. Kiosk terminals provide useful information about the station buildings, which are growing in scale and complexity, and other businesses in the area. These terminals have the added capability of processing IC cards. The terminals can be located in unmanned areas inside a station for users to interact with a station attendant "face to face" using a video camera and a microphone.



New PG-R Ticket Gate

The new PG-R model railway ticket gates are slimmer than existing gates, allowing wider aisles and smoother passage through the gate. This latest ticket gate offers enhanced usability for various types of users.



Received the 2010 Good Design Award

HC B Healthcare Business

Providing health and medical devices and services for homes and medical institutions

Omron Healthcare Co., Ltd. (HCB) is aiming to expand business with a focus on emerging economies by developing innovative products and services to enable people around the world to accurately and easily monitor their health status.

% of Net Sales

10%



Fiscal 2010 in Review

Domestic performance struggled under sluggish consumption. Overseas results slightly decreased because of the strong yen.

HCB net sales declined 4.3% year on year to ¥60.6 billion, partially as a result of the absence of last year's temporary rise in demand following an outbreak of H1N1 influenza. Operating income, strongly impacted by consumers' preference for low-priced items during the year, fell 42.2% year on year to ¥4.1 billion.

In Japan, net sales declined 9.0% year on year to ¥26.9 billion. Company efforts to boost domestic sales of home-use healthcare products were led in the first quarter by aggressive TV commercial campaigns for new products in its mainstay blood pressure monitors, body composition monitors and pedometers, but these efforts were unable to offset the trend among customers to select low-priced

items and reduced customer traffic at stores due to the intense summer heat. Another factor in the steep decline in sales was the backlash from the sharp rise in demand for digital thermometers during last year's outbreak of H1N1 influenza. Sales of medical equipment for hospital-use were strong on the success of new additions to our product line of physiological monitors and other products.

Overseas, sales were sluggish, edging down 0.2% year on year to ¥33.7 billion, partially due to the impact of the strong yen. In China, increasing awareness of health management issues in provincial cities continued to generate strong demand, but consumption activity was stifled in the fourth quarter by a spike in commodity prices. Demand for healthcare devices remained brisk in Russia, the Middle East, Southeast Asia, Central and South America, and other emerging economies.

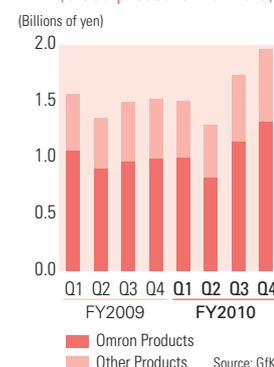
HC B Results and Forecast

Fiscal Year	2008	2009	(Billions of yen)	
			2010	2011 (Forecast)
Net sales	63.6	63.4	60.6	62.5
Domestic	28.1	29.6	26.9	25.5
Overseas	35.5	33.8	33.7	37.0
North America	12.0	10.8	10.2	10.3
Europe	14.3	12.7	12.2	13.5
Asia Pacific	2.1	2.3	2.5	3.0
Greater China	6.7	7.4	8.0	9.2
Direct exports	0.4	0.7	0.8	1.0
Operating income	4.8	7.1	4.1	3.0
Operating income margin	7.5%	11.1%	6.7%	4.8%
R&D expenses	—	5.0	5.0	
Depreciation and amortization	—	1.3	1.2	
Capital expenditures	—	1.5	4.7	

Check it out!

Analysis of external environment

Changes in domestic electronics market (blood pressure monitors)



Sales of blood pressure monitors were brisk in the second half after dipping briefly in the second quarter due to the hot weather, etc.

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Kiichiro Miyata

Executive Officer

President and CEO,
Omron Healthcare Co., Ltd.

Business Strategy and Outlook for Fiscal 2011

Declining operating income amid growth in the markets of emerging economies

In the HCB segment, we forecast an increase of 3.1% year on year to ¥62.5 billion in net sales, accompanied by a 26.4% decline to ¥3.0 billion in operating income in fiscal 2011.

Changing living habits accompanying rising living standards and the westernization of diets in emerging economies, such as China, India, and Central and South America, are leading to an increasing number of patients suffering from lifestyle-related diseases. Given this trend, we anticipate ongoing steady growth for the healthcare equipment market in those regions. In advanced nations, we anticipate the sluggish private consumption to continue and restrained investment by medical institutions to produce an ongoing low level of demand for healthcare devices and equipment for medical institutions. However, we also expect the aging of the population in advanced economies to lead to increasing attention to disease prevention. In Japan, we anticipate a decline in personal

consumption in the aftermath of the earthquake.

In this environment, HCB plans to continue developing innovative equipment based on the "Net Healthcare" program, which allows the utilization of data measured at home both for personal health management and disease management in cooperation with medical institutions. Specifically, HCB is accelerating its development of healthcare devices compatible with its WellnessLink service, which supports health management using IT and which is accessible through various types of equipment, such as computers and mobile phones.

Overseas, we plan to actively introduce products catering to specific local needs in emerging economies where health consciousness is rising, as a strategy to stimulate demand and further strengthen the Company's presence in those markets.

What's New

"WellnessLink" health management service launched

In November 2010, Omron launched the free health management service "WellnessLink," providing users with access to personal advice based on health data measured daily as well as health-supporting content.

With over 50,000 members (as of August 31, 2011), the service promotes active communication between members via Web-based events, where they can interact in such ways as providing encouragement to each other and exchanging information.

Members can input data from previously owned blood pressure monitors, pedometers, and other devices, or they can purchase devices with built-in WellnessLink access for greater ease in uploading measurement data. Originally developed for use with three types of devices—blood pressure monitors, body composition monitors, and pedometers—in June 2011, Omron released an activity monitor enabling the daily monitoring of calories burned. Omron plans to offer an increasingly wider variety of devices with WellnessLink, and will expand its services to support ongoing enjoyment of daily health management.



HJ-205IT



Computer Screen Image
("My Graph, Morning and Evening Diet")

Omron Blood Pressure Monitor HEM-7250-IT

The HEM-7250-IT blood pressure monitor has a built-in communication function for the WellnessLink health management service enabling management of graphs of daily measurement data and the provision of analytical information based on changes in blood pressure and accurate blood pressure readings on the Web.



Omron Body Composition Monitor HBF-208IT

The HBF-208IT Omron body composition monitor has a built-in "morning and evening diet" function that uses measurements taken twice a day, in the morning and evening, to verify the user's target weight for the day and progress toward the target. The WellnessLink morning and evening diet program provides weight loss advice to users.



Omron Activity Monitor Calorie Scan HJA-307IT

The Omron Activity Monitor HJA-307IT connects to the WellnessLink service, enabling users to monitor the calories burned each day. Users can set the amount of calories to burn each day to keep track of how many calories remain to be burned to meet their target and see how they are progressing toward their target.



Other

Environmental Solutions Business, Electronic Systems & Equipments Business, Backlight Business, Micro Devices Business

Several other business incubation operations under direct control of the Company president

The main objective of operations in the Other segment is to undertake incubation activities for future business expansion. The Other segment advances business in future growth areas, including the environmental field, where energy-conservation and CO₂ reduction needs are expected to continue growing, and the expanding smartphone market.

% of Net Sales

9%*



* Including "Eliminations and Corporate"

Fiscal 2010 in Review

Sales were strong in the backlight, environmental, and other businesses.

In the Other segment, net sales increased 13.9% year on year to ¥49.7 billion, while the operating loss decreased from ¥5.8 billion in fiscal 2009 to ¥4.7 billion in fiscal 2010.

The Environmental Solutions Business HQ drew strong demand for its CO₂ reduction solutions using the real-time visualization of electric power consumption volume data and high-precision sensors for measuring electricity usage (energy-saving business) for use at production sites. Sales also grew for solar power conditioners (energy-creation business), which were transferred to the Other segment from IAB (Industrial Automation Business) in the third quarter of fiscal 2010.

In the Electronic Systems & Equipments Business HQ, continuing recovery in demand from domestic customers supported ongoing steady demand for industrial embedded computers, contract production and development of electronic devices, and uninterruptible power supply units.

The Micro Devices Business HQ experienced declining demand for certain types of contract production orders for semiconductors but recorded growing demand for custom integrated circuits (ICs) in response to recovery trends in emerging markets.

Backlight Business sales were strong on a full-year basis as slowing demand in its core business of backlight components for mobile phones was overcome by aggressive efforts to capture the growing demand in the expanding smartphone market.

Other Results and Forecast

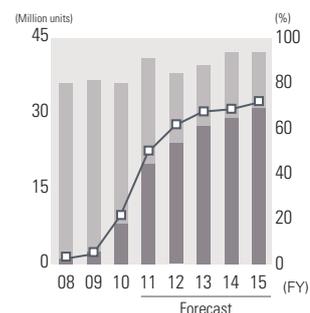
Fiscal Year	2008	2009	2010	2011 (Forecast)
Net sales	50.2	43.6	49.7	54.0
Domestic	30.5	24.7	27.5	27.4
Overseas	19.7	18.9	22.2	26.6
North America	0.0	0.0	0.0	0.0
Europe	0.0	0.0	0.0	0.0
Asia Pacific	0.0	0.0	0.0	0.0
Greater China	17.0	17.5	20.7	24.0
Direct exports	2.7	1.3	1.5	2.6
Operating income	(7.3)	(5.8)	(4.7)	(3.5)
Operating income margin	—	—	—	—
R&D expenses	—	1.7	2.5	—
Depreciation and amortization	—	1.2	1.2	—
Capital expenditures	—	1.1	1.9	—

(Billions of yen)

Check it out!

Analysis of external environment

Smartphone unit shipment volume trend and forecasts



- Smartphone unit shipments [left axis]
- Feature phone unit shipments [left axis]
- Shipment ratio of smartphone units to feature phone units [right axis]

* PHS, data transmission cards, and communications modules not included

Source: MM Research Institute data

The proliferation of smartphones is expected to expand the backlight market for high-end liquid-crystal panels.

* From fiscal 2009, the Companies adopt the Accounting Standards Codification No. 280, "Segment Reporting." The Company's business segments have been reclassified from the third quarter of fiscal 2009. Accordingly, the segment information figures for fiscal 2008 have been restated to conform with the current year presentation (provided, however, that the transfer of the solar power conditioner business from IAB in fiscal 2010 has not been reflected). In addition, neither eliminations nor adjustments are included.

* Beginning in fiscal 2010, the Omron Group has been revising the management guidance fees for the purpose of concentrating capital funds at the headquarters in order to reinforce selection and concentration and allocate resources strategically. This inclusion has had an effect on the operating income of each segment.

* Fiscal 2008 figures for R&D expenses, depreciation and amortization, and capital expenditures have not been stated due to the new segment organization.

* The sales figures given indicate sales to external customers and exclude intersegment transactions. Operating income indicates income including internal income prior to the deduction of amounts such as intersegment transactions and head office expenses that are not apportionable.

* The forecast for R&D expenses, depreciation and amortization, and capital expenditures is not publicized.

The Other segment's operating loss for the fiscal year was largely attributable to forward investment by the Micro Devices Business. The segment has reduced the loss amount for two consecutive years.

Business Strategy and Outlook for Fiscal 2011

The smartphone market is expanding. The environmental business is being actively developed.

In the Other segment, we forecast an 8.7% year-on-year rise to ¥54.0 billion in net sales in fiscal 2011, and a 25.5% decrease in the operating loss to ¥3.5 billion.

The Environmental Solutions Business HQ is active in both the energy-saving and energy-creation business fields, and will work to grow the CO₂ reduction solutions business and to establish future businesses to contribute to the realization of a low-carbon society.

The Electronic Systems & Equipments Business HQ will focus on expanding sales in the industrial embedded computers business and laying the groundwork for future business growth while seeking to maintain the level of sales in the contract production and development of elec-

tronic devices and the uninterruptible power supply units businesses.

We anticipate ongoing flat demand for existing IC products and other products in the Micro Devices Business HQ and will focus on increasing sales in expected growth markets, such as MEMS microphones and contract production of semiconductors.

We aim to improve the profitability of the backlight business by raising the level of its technical capabilities for volume production, strengthening its operating bases in China, while continuing to reorganize its operations to improve business management efficiency. We plan to increase sales by focusing efforts on sales of high-end products, particularly for the smartphone market.

What's New

Japan's First Power Conditioner with Built-in Multiple-unit Anti-Islanding Control Technology (AICOT®)

Omron has developed and commenced sales of Japan's first power conditioner with built-in AICOT® technology with applicability to utility interconnection (*1) between localized solar power generation systems, which are expected to increase with the trend toward "solar towns" and other developments following the energy shift.

In fiscal 2010, Omron's smart electricity monitor (KM50-E), which monitors power consumption during the operation of equipment at production sites and automatically recognizes actual energy required (operating electricity) and wasted energy (standby electricity) not directly related to production, received a commendation as a "superior energy-saving machine" by the Japan Machinery Federation.

We plan to aggressively develop a comprehensive energy solutions business on the two pillars of the energy-saving and energy-creation businesses.

*1 Utility interconnection refers to the linking of electric power output from separate power generation facilities (decentralized power generation) via power lines (utility lines). When the power output from a power generation facility is insufficient, the shortage amount can be supplied by power lines connected to other facilities.



Four-inch Backlight for Smartphones

This high-intensity, high-performance backlight minimizes variation of brightness and color to create more beautiful high-resolution liquid-crystal displays for smartphones.



MEMS Non-contact Temperature Sensors

We are developing smaller MEMS Non-contact Temperature Sensors with more elements than sensors already on the market for household applications in the global market and to supply to factories and for verification testing.



Frantio® AX

The Frantio® AX is a development kit for equipment with built-in multi-screen displays using Axell Corporation's AG10 Graphics LSI.



Intellectual Property Strategy

The Intellectual Property Center defends high-value technical assets to boost the Group's competitive strength and protects and effectively utilizes the Company's patents, brand names, and expertise to maximize the Omron Group's long-term corporate value. The Center raises the success rate of the Group's business activities and contributes to enhancing the profitability and promoting the business growth of the Omron Group.

Establishment and Implementation of the Intellectual Property Guidelines

Omron has established Intellectual Property Guidelines based on the Management Principles to serve as guiding principles and judgment criteria for the execution of activities related to intellectual property. In addition, under the Intellectual Property Policy, derived from the Intellectual Property Guidelines, the Company formulates an intellectual property strategy that is consistent with its business and technical strategies and implements the strategy.

Intellectual Property Guidelines

- [1] Create high-quality intellectual property
- [2] Aggressively utilize intellectual property
- [3] Respect, protect, and manage intellectual property
- [4] Recognize that Omron's strengths are based on intellectual property

Intellectual Property Activities Contributing to Business

The Intellectual Property Center prioritizes and determines the degree of importance of the research projects, in accordance with our business strategies, and carries out the formulation of intellectual property strategies in a focused manner, with the objective of contributing to business through the efficient and effective use of management resources. Investments are made from the near-term perspective of strengthening current core businesses and from the long-term perspective of advancing in the direction of next-generation technological innovation to create new business while ensuring that the core businesses will remain vital in the future. The Center also identifies and analyzes technological trends in new markets, such as new energy businesses, to ensure the Company is fully prepared to create an Omron-style business using fundamental Omron technology and respond swiftly to business opportunities that may appear when the markets begin expanding.

The Center contributes to the growth of Omron Group's business value over the long term through intellectual property, by strengthening internal coordination to respond to the rapidly changing market conditions, accurately assessing our core technologies, creating a matrix of our businesses and technologies, and thus connecting our ver-

tical businesses horizontally by leveraging our intellectual property strengths.

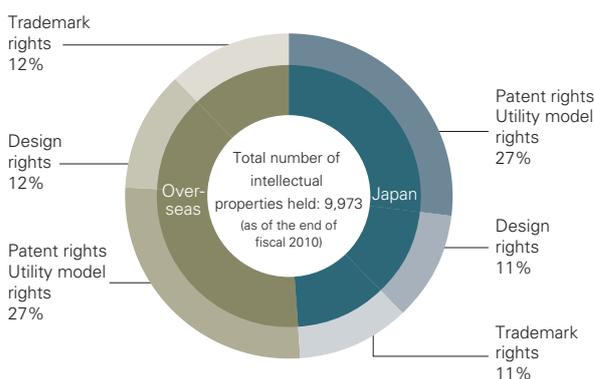
Promoting Globalization of Intellectual Property Capabilities

The globalization of our intellectual property has been advancing ahead of the Omron Group's Hyper-Global business development. Our Singapore headquarters is positioned as a leading operating site with the same functions as our sites in Japan, and we plan to develop its functions as an operating hub capable of autonomous development of intellectual property activities, not only for emerging economies where rapid market growth is anticipated, but also for all areas around the world.

In China, we have expanded both in production and development and are establishing intellectual property functions to support localized innovation. With the aim of greatly enhancing our intellectual property capabilities in China, we are also providing intensive training for Chinese staff to cultivate local intellectual property management and specialist staff. Similar training and staff development programs are being conducted at local affiliated companies in the United States.

We are making steady progress fortifying our foundation for global intellectual property through the active cultivation of staff at all of our global operating sites who can contribute to the Group's business success with intellectual property expertise. We are also establishing a global intellectual property management system and reducing intellectual property risks to achieve results that are the key components of strong global intellectual capabilities.

Intellectual Property Holdings in Japan and Overseas



Intellectual Property and R&D-related Data

Fiscal Year	2006	2007	2008	2009	2010
Number of patents					
Applications	1,300	1,255	1,119	794	901
Approvals	836	943	826	730	753
Total patents	5,206	5,717	5,205	5,218	5,452
R&D expenses (billions of yen)	52.0	51.5	48.9	37.8	41.3
R&D expense/Sales ratio	7.1%	6.7%	7.7%	7.2%	6.7%
R&D staff (number of employees)	1,630	1,622	1,509	1,449	1,543

Omron Chairman Hisao Sakuta and External Director Kazuhiko Toyama Reveal the Story Behind the Appointment of a New President



Kazuhiko Toyama,
External Director

Kazuhiko Toyama has previously held positions at The Boston Consulting Group K.K. He also helped found and later served as President and Representative Director of Corporate Directions, Inc., Japan's first independent management strategy consultancy, which successfully turned around 41 domestic companies. In 2003, Mr. Toyama was appointed Executive Managing Director and COO of the Industrial Revitalization Corporation of Japan at its inception. In April 2007, he founded Industrial Growth Platform, Inc., which provides management support services focused on realizing long-term sustainable business operations and elevating corporate value, and assumed the role of CEO and Representative Director.

An Unspoken Understanding in My Case

— **Mr. Sakuta, you were appointed president of Omron in fiscal 2003, the first president not related to the Company's founding family. How did your selection come about?**

Sakuta: In 2002 when the IT bubble burst, Omron was thrust into a crisis. The Company undertook painful structural reforms in which it called for employees to take early retirement. After the annual general meeting of shareholders held that June, then president Yoshio Tateisi announced that he would take responsibility and step down. I suppose that, as head of the Company, he felt

responsible for what had happened. To take responsibility is to put a company back on the path to profitability. The subsequent structural reforms led to a sudden upturn in performance from fiscal 2003.

My name was one of those mentioned in the media as a candidate for Omron's next president. President Tateisi first raised the issue with me at the end of August 2002. He said to me, "Don't run away if I shoulder tap you as the president." I replied, "In that case, I won't go anywhere," but I didn't really understand the implications. After that, we had a number of similar conversations, and on December 8, President Tateisi said to me, "I've made my decision, I'll leave the rest to you." In fact, I think that at the time there was some sort of unspoken understanding between President Tateisi and me.

An Open Process is Important

— Why did you establish the President & CEO Selection Advisory Committee after you had taken up the position of president?

Sakuta: One year had passed since I became president in June 2003, and with things a little calmer, I thought I should start thinking about who would eventually take over from me. I believed that a fair and open selection process, one that was highly visible, was required for a president who was not related to the founding family to shepherd all of Omron’s employees. Attempting to choose someone through internal conversations alone is not a fair process, as there are many unspoken assumptions and things are better left unsaid. Accordingly, with the agreement of the other executives, in December 2006, we established the President & CEO Selection Advisory Committee with an outside director as the chairman. However, because it would be irresponsible to entrust the selection of candidates for the position of president solely to a person outside the Company, my expectation was that the committee would make sure that there were no untoward methods of selection.



— Mr. Toyama, what was your role as chairman of the President & CEO Selection Advisory Committee?

Toyama: President Sakuta gave me his own profiling on the shortlisted candidates. Then, I theorized about the attributes of a leader suitable for each of Omron’s phases, and offered my opinions.

[Special Feature 3] Dialogue: Corporate Governance

Corporate Governance Initiatives

	1999	2003	2011
President	1987– President Yoshio Tateisi (member of founding family)	2003– President Hisao Sakuta (not member of founding family)	2011– President Yoshihito Yamada (not member of founding family)
Chairman of the Board of Directors/CEO	President serves as Board of Directors’ Chairman and CEO	Chairman serves as Board of Directors’ Chairman/President serves as CEO	
Separation of management oversight and business execution	30 directors	1999– Number of directors reduced to seven (including external directors) 1999– Introduction of executive officer system	
Advisory board	1999 Advisory Board		
External directors	2001 One member	2003– Two members (seven directors)	
External corporate auditors	1998 One member 1999– Two members	2003– Three members (four auditors)	2011– Two members (four auditors)
Advisory committees	1996– Management Personnel Advisory Committee	2000– Personnel Advisory Committee 2003– Compensation Advisory Committee	2006– President & CEO Selection Advisory Committee 2008– Corporate Governance Committee
Corporate philosophy	Omron Principles formulated in 1990 Revised in 1998	Revised in 2006	

Corporate motto formulated in 1959

The unifying force of Omron shifted from being the founding family to the Omron principles.



Getting the mechanism of the President & CEO Selection Advisory Committee to function properly is no easy matter. If you defer to form, you end up rubber-stamping the arbitrary selection of a president. Since contact between an outside director and candidates is extremely limited, you first have to establish an environment in which those inside the company can make fair personal assessments. Then, it is I, with my own evaluation barometer backed up by management experience, who must clearly say “no” if a candidate isn’t right without being unduly influenced by the opinions of those around the table. Of course, this is where corporate culture comes into play.

During my time as chief operating officer of the Industrial Revitalization Corporation of Japan, I was involved in the selection of many company presidents, and I can say with assurance that the process used to select Omron’s new president worked exceedingly well.

— About when was Mr. Yamada’s name put forward as a successor to the president?

Sakuta: About two years ago. Since the President & CEO Selection Advisory Committee has an “advisory” role, it is the president who provides the committee with information for reaching a decision. But because the committee must not make an unfair or wrong decision based on my personal bias and set of beliefs, I threw out feelers to Yoshio Tateisi, who was chairman at the time, and the directors. I said to them, “I have drawn up a list of potential successors based on this sort of perspective. What are your thoughts on this?” In other words, I cast around asking them to let me know if they were aware of a better candidate. After this exercise, in December 2010, I said to Mr. Toyama, the committee chairman, that an announcement on the new president would be made the following month (January), and that I’d like him and the committee to reach a decision. Accordingly, I submitted the names of several candidates.

We Needed a Leader with Excellent Team Management Skills

— What type of leader does Omron most need today?

Sakuta: Deciding who is the right person to be president is not unequivocal, but varies depending on the situation. A crisis, like after the collapse of Lehman Brothers, when there was no time to lose, requires a person who can find a way out of the crisis with laser-like focus. I get the feeling that many would choose a charismatic business manager. However, having overcome that crisis, today, things are back to normal. Even when looking ahead five years, I thought that someone adept at team management who also kept a watchful eye on the whole Group was the right person.

With the rapid globalization and diversification in Omron’s business domains and personnel, we’re well past the time when charismatic management would fit the bill. In short, we need a leader who is capable of establishing a global “Team Omron.” This calls for a leader who is highly flexible and accepting of diversity, and young enough to travel around the world. But when I say “leader,” I don’t mean the type of person who likes being the center of attention.

There is one problem, however. To establish a competitive edge in the world market, it is essential to have global management that makes good use of worldwide resources. But management hasn’t yet caught up with the globalization of the “hardware” side of the business, that is, sales and production sites. Unless we also recruit global personnel to management positions, it will be too late. We are a company in which two-thirds of our employees are of nationalities other than Japanese. Therefore, it’s only natural that the Group’s management be made up of people from a variety of countries. Local personnel are the ones with the best knowledge about local situations.

When Mr. Yamada was a university student, he was the captain of a handball team who led his team on to victory in the Western Japan Championships. Through his experiences working in a variety of countries, moreover, he has also learnt to be open-minded and accepting of diversity. He is a person who is able to get on with people regardless of their nationality, and has an excellent ability to put together a team in a business setting.

The Age of “Full Globalization”

— Mr. Toyama, which direction is the globalization of Japanese companies taking?

Toyama: When viewed from economic rationality alone, it wouldn’t surprise me if there were more hollowing-out of industry in Japan. It is the “home bias” of Japanese companies that will stop this from happening. At a time when

the interruption of supply chains stemming from the recent earthquake and tsunami as well as a rapidly appreciating yen are having a significant impact on global expansion, the mood has changed completely. From now on, a company will try to survive the global competition by creating value with diverse cultures, values, and languages positioned on a single corporate platform. It has a different dimension from past globalization. However, people brought up in Japan are not used to diversity and neither are they good at dealing with it. I think we will see more companies switching from the globalization of their internal management to recruitment on a global scale out of necessity.

Even though one might call this “full globalization,” however, we must not make the mistake of thinking it means a company will have no nationality. As a company that has developed and grown in Kyoto, Japan, Omron must have a well-organized structure supported by a common thread that consists of the firm principles and corporate motto that have been passed down since its founding. In other words, by weaving Omron’s DNA and principles that make up the vertical threads, together with the horizontal thread of diversity, we will compete on the world stage. This is the challenge that awaits Mr. Yamada.

Team Omron Also Requires a Minority Viewpoint

— **President Yamada is 49, does not come from one of Omron’s core businesses, and is not a member of the Tateisi family, Omron’s founding family. Don’t you feel some unease about what lies ahead for Omron?**

Sakuta: I wouldn’t say that I feel no unease whatsoever, but I thought that I would like a young successor to advance Omron’s globalization and diversification. However, a young president would find it difficult if he were the only young one among top management. For this reason, I spent around three years increasing the number of young executive officers. When making replacements, I sought a balance of around one person over 50 years of age for every two under 50. As a result, among the 25 current executive officers there are actually 10 who are under 50. Mr. Yamada is by no means the only young one.

At the point when I thought Mr. Yamada may be a good candidate, I gave him some experience as the manager of the Group Strategy HQ. This enabled me to monitor his management skills from a Group-wide perspective. The other candidates had already had comparable experience. Of course, Mr. Yamada didn’t know that he was in the running. Some might think that I had decided on him a full three years ago, but that was not the case.

Mr. Yamada comes from the Healthcare Business. It’s not a nice way to put it, but if you view Omron’s core businesses as belonging to the majority and all other businesses to the minority, you will find that those in the minority have a fairly strong sense of inferiority toward the majority. Even if the Healthcare Business is a minority busi-



ness in terms of size, however, it is helping to enhance the social value of Omron as a whole. I look forward to the surge in motivation that Mr. Yamada’s appointment as president will give to executives in the minority, as well as to his viewpoints, which derive from his past experience in a minority business.

“One’s Natural Personality,” an Important Quality

— **What kind of person is Mr. Yamada?**

Sakuta: I first became aware of Mr. Yamada in 2005 when I gave a policy briefing to a gathering of senior executives in Europe. I greeted him by name. Afterward, he came to my table and said, “I didn’t think you would know my name. That means a lot to me.” Actually, I had gotten everyone’s names from my secretary beforehand (He chuckles). Back then, I thought that he was a very positive and energetic man.

In 2008, I made Mr. Yamada president of OMRON Healthcare Co., Ltd. For some reason or other, for two years I also assumed the role of director of that company, and would give him feedback and pep talks. At this juncture, I thought it would be interesting if Mr. Yamada were to become the president of Omron. When it comes down to it, he has a cheerful disposition. And, he’s a good listener. He’s like a big brother. He didn’t appear to be the sort who is totally dedicated to his work, but his personality was very appealing.

Toyama: I think humanity counts for a lot in a president. Unlike skills, humanity is something that you can’t supplement. That’s why selecting a president is difficult. For skills, all you need is to assess them against a benchmark, but assessing humanity is not so straightforward.

Sakuta: Everyone finds this to be true, that there is a limit to how much you can do on your own. Not much can be accomplished unless the subordinates think that they would like to follow that person and are willing to give their support. So why would they give their support? I think it’s because they empathize with that person’s values. There’s no denying the economic aspect, but who will seriously



go along with a superior whose sense of justice, morality, and ethics you question?

Going Through a Life-Changing Experience Builds Courage

— Can you say something to Mr. Yamada about the type of mindset a company president should have?

Sakuta: Mr. Yamada has been through a life-changing experience. After I spoke to him in Europe the first time, he came down with an illness of the cervical spine and faced surgery, which he knew, if unsuccessful, would end in partial paralysis. Because he's someone who had been captain of his university's handball team, he must have never had cause to worry about his health. But one day, he felt a numbness in the tips of his fingers and his neck didn't feel right. When he sought medical help and they looked into what was wrong, he was told that he had a degenerative cervical spine disease. Moreover, the success rate for this surgery is not very high. He was faced with the dilemma of what he should do, whether or not he should have the surgery. It was one of those unimaginable challenges that are part of life. But he pulled through. The surgery was successful, there was no permanent damage, and he regained full health. In my estimation, this experience gave him the indomitable spirit he has today.

Toyama: For me as well, Mr. Yamada's harrowing experience was one factor I took into consideration. In the world of business, one's raw humanity comes out when confronted with an extremely precarious situation, and I have witnessed many businessmen cease to function when up against such an ordeal. The president is in the position of making final decisions, and can run into problems that he can't solve solely with rationality. If the president lacks inner strength at times like these, he will sidestep the issue and no longer be able to make decisions at crucial moments. The situation then goes from bad to worse.

It is the President Who Makes Unpopular Decisions

— Can you say something to Mr. Yamada about the type of mindset a company president should have?

Sakuta: There is one thing. If a president is unwilling to make hard decisions that are criticized by those around him, he won't get anywhere. Examples include a decision to close down a business, or the painful task of restructuring personnel. A favorable decision can be left to a president's subordinates to make because it is usually welcomed. However, Mr. Yamada needs to be mindful that it is the president alone who can make important, as well as hard and unpalatable, decisions. The reason is that when under an all-out attack, the president is the only one whose position allows him to withstand such an assault.

Toyama: Typically, a company will make decisions that add to it and, in some cases, make decisions to subtract a similar amount, and through this accumulation of adding and subtracting, it enlarges its pie. To put it the other way, a company won't grow unless a decision is made to subtract when the situation so dictates. This is a cross that the person at the top must bear. People will start criticizing you by saying, "Well, that's the logical choice, but...." Conflict will arise between logic and emotions. Ultimately, the most important thing is to get people to accept your integrity and values. Even though Mr. Yamada is young, we selected him as president because we recognized him as capable of handling such situations.

Corporate Governance, Compliance, and Risk Management

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

Corporate Governance

Basic Policies

Omron is making an effort to enhance its corporate governance based on the belief that the most crucial factor in earning stakeholders' support is to establish an optimal management structure and execute fair and appropriate business operations while ensuring the proper functioning of a verification system (monitoring system), and to realize the aim for continuous corporate growth.

In line with this basic policy, Omron maintains an executive officer system with clearly segregated management oversight and business execution functions to oversee business activities. Directors other than the president do not concurrently serve as executive officers. In addition, the internal company system vests each company president with wide-ranging authority for the purpose of expediting decision making and improving operating efficiency. This system allows the autonomous business units to take the initiative in the conduct of business with clearly defined roles and responsibilities made possible through commitment-driven management. The companies are thus empowered to advance value creation catering specifically to their customers and to carry out corporate value management firmly based on shareholder value.

Management and Oversight Structure

Omron has a Board of Corporate Auditors. Under our governance system, the Board of Directors supervises and monitors business execution, while the Board of Corporate Auditors fulfills an auditing function. Moreover, we have further enhanced management fairness and transparency by incorporating the best elements of corporate governance carried out by companies that operate under a committee system. Specifically, we have established four advisory committees, each chaired by an external director: the Personnel Advisory Committee, the President & CEO Selection Advisory Committee, the Compensation Advisory Committee, and the Corporate Governance Committee.

Omron has set the number of members of its Board of Directors at seven to encourage efficient and meaningful discussion. In addition, the 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. To increase objectivity in management and to strengthen management oversight, the positions of Chairman of the Board of Directors and the CEO are segregated. The Chairman of the Board of Directors serves as a monitor representing stakeholders and does not take part in the execution of business.

Auditing Functions

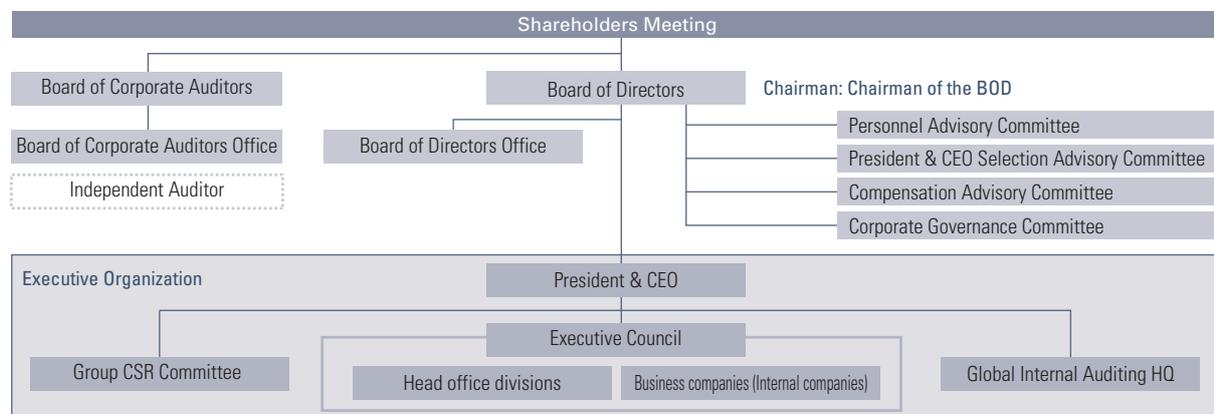
The Board of Corporate Auditors, consisting of four auditors, audits governance practices, management conditions, and the daily activities of management and directors. The Global Internal Auditing Headquarters, which functions directly under the President & CEO, periodically conducts internal audits of accounting, administration, business risks, and compliance in each headquarters division and in each business company as part of its internal auditing function. The Auditing HQ also offers specific advice for improving business functions.

Appointment of External Directors

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

Emphasizing the independence of external directors and external 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 external directors and the organizations to which they belong must not have been employed by the Omron Group's independent accounting auditor for five years prior to the nomination, may not be employed by a principal customer or supplier of the Group, and may not be a principal shareholder of the Group.

Corporate Governance Structure



Board of Directors (BOD)

The BOD oversees business activities and decides important business matters such as management objectives and strategies.

Board of Corporate Auditors

This board oversees the corporate governance system and its implementation, and audits the day-to-day operations of directors and other executives.

Personnel Advisory Committee

This committee, chaired by an external director, sets election standards for directors and executive officers, selects candidates, and evaluates current executives.

President & CEO Selection Advisory Committee

This committee, chaired by an external director, is dedicated to the nomination of presidents and deliberates on the selection of the new president for the upcoming term and on preparing contingency succession plans.

Compensation Advisory Committee

This committee, chaired by an external director, determines the compensation structure for directors and executive officers, sets evaluation standards, and evaluates current executives.

Corporate Governance Committee

This committee, chaired by an external director, discusses measures to continuously enhance corporate governance and increase fairness and transparency in management.

Executive Council

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

Director and Corporate Auditor Remuneration

The Compensation Advisory Committee, which is chaired by an external director to ensure objectivity and increase transparency, deliberates remuneration for directors, and the committee's recommendations are submitted for consideration. After consideration of the recommendations, remuneration amounts for individual directors are deter-

mined by resolution of the Board of Directors and those for corporate auditors are determined by consent of the corporate auditors within the scope of the total amount for remunerations for directors and corporate auditors established by resolution of the General Meeting of Shareholders.

Fiscal 2010 Director and Corporate Auditor Remuneration

	Number of People	Basic Compensation	Bonus	Total Remuneration
Directors	7	367	200	567
(External Directors)	(2)	(21)	(—)	(21)
Corporate Auditors	4	82	—	82
(External Auditors)	(3)	(49)	(—)	(49)
Total	11	449	200	649
(Total for External Directors and Auditors)	(5)	(70)	(—)	(70)

- Director compensation consists of basic compensation (monthly salary), bonus, and stock-based compensation*.
- External director compensation consists of basic compensation (monthly salary).
- Corporate auditor compensation consists of basic compensation (monthly salary).

* Stock-based compensation is administered following guidelines specifying set remuneration amounts to be paid on a monthly basis and utilized to acquire Company stock (through a director stock ownership plan), which is then held during the individual's tenure.

Internal Controls

Ensuring healthy and effective organizational operation

Omron has established the “Basic Policy on the Maintenance of an Internal Control System” to ensure the healthy and effective operation of its organization. This Basic Policy provides the basis for the maintenance and operation of an internal control system throughout the Omron Group to ensure the controls are functioning effectively in each of the four objective areas of financial report accuracy, legal compliance, operating efficiency, and asset safeguarding.

Omron maintains a system for an internal audit department to monitor the outcomes of in-house inspections of the maintenance and operation of the business processes of each division and each affiliated company in accordance with the Internal Control Reporting System (the so-called J-SOX) requirements of the Financial Instruments and Exchange Act promulgated in June 2006. The in-house inspections help each division and affiliated company to deepen its understanding of the internal controls associated with financial reporting, and thereby serve as a system for promoting self-governing controls.

Two types of internal audits to ensure healthy and effective organizational operation

Omron conducts two types of internal audits to ensure the healthy and effective operation of its organization. The Internal Control Audit is conducted to ensure that the internal controls are functioning effectively in each of the four objective areas of financial report accuracy, legal compliance, operating efficiency, and asset safeguarding. The Management Audit examines the solutions and improvement measures implemented for specific management issues. In the event that the result of these audits includes items recommended for improvement, the Company supports measures to complete the improvements.

In addition, the Omron Group has established a Corporate Auditor Office and placed full-time auditors in each of its four regions of global business (the Americas, Europe, Asia Pacific, and Greater China) to implement internal audits based on local practices and legal systems at its business sites worldwide.

Compliance

Fortifying against risk from changes in the internal and external environment

The Omron Group has established the Group Corporate Ethical Conduct Promotion Committee, comprised of members from the head office and each business company, under the Group CSR Committee as part of its organizational structure to promote compliance activities throughout the Group.

The Group Corporate Ethical Conduct Promotion Committee convened twice in fiscal 2010 to deliberate such issues as corporate ethics activities to improve the Group’s capabilities for responding to risk. Initiatives implemented based on the committee’s decisions included the revision and standardization of the Group’s methods of risk analysis, a comprehensive employee survey on risk awareness, and education and training programs.

In addition, for affiliated companies in Japan, the Company appointed corporate ethics promotion officers selected from their management or higher positions to be responsible for implementing compliance education at each company. The Company also holds an annual Meeting of Corporate Ethics Promotion Officers, in which all members of the committee participate. At this meeting, participants undergo training and exchange information, such as on the implementation status of PDCA cycle activities that are part of action plans. The Company also is enhancing its compliance programs at affiliated companies overseas, by appointing corporate ethics promotion offi-

cers and other means.

We plan to continue and strengthen the activities of the committee to enhance the Group’s ability for early detection and common awareness of risk that arises from changes in external conditions, such as in laws and regulations, or from changes in internal conditions, such as from new business activities or business expansion into emerging countries.

Hotline with clarified rules for whistle-blower protection

In Japan and North America, a whistle-blower hotline is in place for use by Omron Group executives, full-time employees and temporary staff, as well as their families. In Japan, the internal hotlines link to the Legal Affairs Department, and the external hotlines link to the offices of external attorneys. Reporting may be carried out by telephone or email. Beginning in fiscal 2008, reporting and consultation may also be conducted via an Intranet electronic bulletin board.

In fiscal 2010, a total of 25 hotline contacts for reporting and consultation were made in Japan and four in North America.

Clear rules of usage have been established for the internal whistle-blower hotline to ensure strict confidentiality and make sure that these individuals are not treated unfairly for having taken action. In addition, employees are provided with a corporate ethics card and are made aware of the existence of the hotline via the Company’s Intranet system, during new employee training sessions, and at

other opportunities. Omron will continue to keep employees informed about the system and to implement measures to realize an effective system for responding to whistle-blowers' reports.

Applying the PDCA cycle for continually maintaining and improving information security management

Omron constantly endeavors to fortify its information security following its basic policy of fulfilling its responsibility to all stakeholders through the appropriate handling of information received from business associates, personal information, and its own company information.

In fiscal 2007, the Company formed the Information Security Management Committee with the objective to fortify its integrated management system for confidential information and personal information, and formulated management rules shaped by the basic policy. The Company, led by the Information Security Management Committee, applies the PDCA cycle methodology throughout the Group to continuously improve information security. The Company conducts employee education sessions, monitors work-

place management conditions, establishes policies based on risk analysis for information leaks, periodically investigates information security management conditions at subcontractor sites, and implements other measures. In addition, the Company annually reviews management rules based on changes in the external environment and results of worksite monitoring. In fiscal 2010, the company added encryption to notebook computers used inside the Company.

In fiscal 2007, the Company established common rules for information security in its overseas operations. Rules were instituted for all affiliated companies. As of the end of fiscal 2010, all of Omron's overseas affiliated companies were fully enforcing the rules. The Company also conducted information security education programs for affiliated companies in certain regions.

Omron will continue its efforts to maintain and improve its information security management in its operations in Japan and overseas.

Risk Management

The Company established the Omron Crisis Management Rules (established 1999, amended June 2009) to ensure all employees can act promptly and accurately when a crisis occurs to minimize damage, facilitate the continuity and early restoration of business operations, and prevent recurrence.

Immediately after the Great East Japan Earthquake on March 11, 2011, Omron established a Company Emergency Response Headquarters to direct the disaster response and recovery activities of the Group. The Group itself incurred only minimal direct impact from the disas-

ter; however, procurement difficulties for raw materials, parts, and other items resulted in production shutdowns and reduced production line operating rates for some of the Company's products.

Based on the experience of the disaster, Omron is reviewing its Business Continuity Plan (BCP), an important management issue, which includes the revisions of the parts procurement system that tends to be over reliant on some suppliers for certain parts.

Basic Policies Stipulated in Omron's Crisis Management Rules

1. Place human life and personal safety at the top of the list of priorities.
2. Give high priority to legal/regulatory compliance and respect for social rules.
3. Minimize the negative impact of crises on customers and society.
4. Curtail the negative impact of crises on Omron's business and strive to ensure smooth continuation and quick restoration of business operations.
5. Take necessary measures in a sincere and consistent manner.
6. Disclose information appropriately and remain accountable.

Corporate Social Responsibility (CSR)

Actively practicing the Omron Principles is an integral part of fulfilling our corporate social responsibility. CSR is a fundamental aspect of our management strategy, and we accordingly have set specific objectives for our CSR.

Working for the Benefit of Society

We place the corporate core value of “Working for the benefit of society” at the highest level in the Omron Principles. This core value reflects our belief that a company exists to provide value to society, and it is only by fulfilling societal expectations that we can earn society’s trust as a good corporate citizen and be allowed to continue to exist. It is also a declaration of our conducting operations giving due consideration to the stakeholders that make up society.



CSR Basic Policies

CSR Basic Policies established by the Omron Group in 2005 governing the implementation of CSR activities places the Company’s involvement in society at the forefront and outlines three aspects of social participation: (1) contributing to a better society through business operations; (2) showing a commitment to addressing societal issues as a concerned party; and (3) always demonstrating fairness and integrity in the promotion of corporate activities. The new long-term vision VG2020, which commenced in July 2011, reinforces our commitment to diligently and conscientiously reviewing and addressing issues as we set specific objectives and exercise CSR management with a view to enhancing the Company’s long-term corporate value.

CSR Management System

Omron is working to strengthen its global CSR management system in line with its belief in the importance of CSR in its management strategies and of fulfilling its CSR obligations through its business operations.

Omron established the Group CSR Committee at the end of fiscal 2007 to enable management to assess the Group’s overall CSR status and identify CSR issues, and show the direction of the Group’s CSR activities. Chaired by the president and comprised of presidents of the business companies, general managers of head office administrative divisions, and presidents of overseas regional group head offices, the committee’s main tasks include formulating the Omron Group’s CSR policy and strategies and promoting and monitoring CSR activities in key areas. The business companies and head office administrative divisions, including the environment department and the legal affairs department, are responsible for putting into action the policies and strategies determined by the committee.

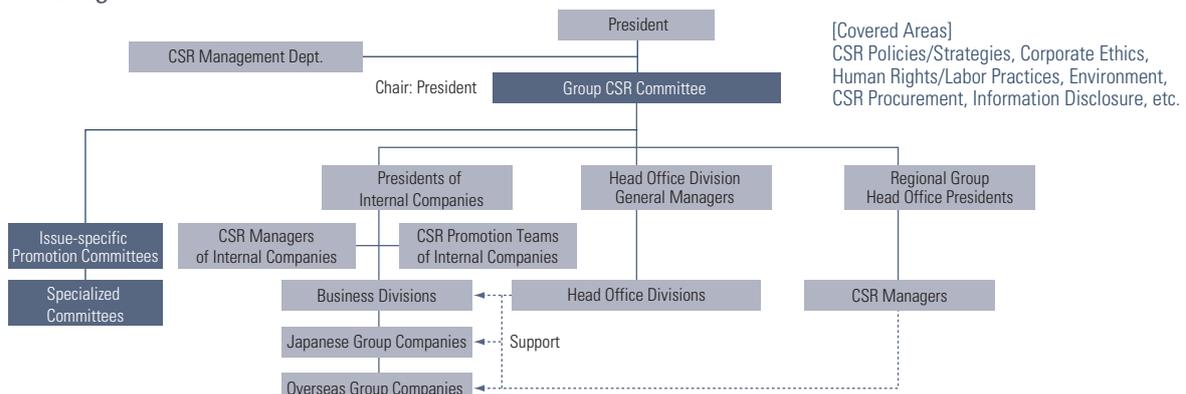
Assessment of CSR Performance Conditions at Global Production Bases

In fiscal 2008, Omron responded to society’s increasing demand for CSR by creating an assessment question sheet for self-analysis based on the assessment questions of the Electronics Industry Code of Conduct (EICC)* to assess the progress conditions of CSR at the Company’s production bases.

In fiscal 2010, CSR assessments were conducted at production bases and suppliers in Vietnam. The assessments found no significant areas of concern and, even when compared to other suppliers and similar companies in the local area, no specific points required improvement.

* Electronics Industry Code of Conduct (EICC): CSR practices of the world’s leading electronics companies and their suppliers

CSR Management Structure



[Special Feature 4] Disaster Response Report

We would like to express our deepest sympathy and condolences to the victims of the Great East Japan Earthquake and everyone affected by the disaster. As a Group, we are committed to providing ongoing support for relief and restoration efforts, with sincere hope for the earliest possible recovery of the affected communities in the region.

On March 11, 2011, a disaster of unprecedented proportions occurred in Japan following the Great East Japan Earthquake. The Omron Group's response includes monetary donations for disaster relief in the Tohoku region, as well as assistance provided through its business activities.



1. Disaster Response on the Medical Front

— Omron Healthcare and Omron Colin

Following the earthquake, Omron Healthcare Co., Ltd. and Omron Colin Co., Ltd. announced donations of medical equipment. Omron Colin, which supplies medical equipment to healthcare professionals, sent representatives to devastated areas to check equipment in hospitals and arrange for the supply of requested medical equipment.

Visits to Devastated Areas

Omron Colin has two sales offices in the Tohoku region, in the cities of Sendai and Morioka. After confirming the safety of all local employees and their families, the company sent teams comprising mainly management staff in shifts to the affected areas. They visited evacuation centers and local hospitals, which were overwhelmed with treating people injured in the disaster. The overall objective of these visits was to donate needed medical equipment and to check up on conditions in hospitals with which Omron Colin has a business relationship.

When visiting affected communities, the overwhelming impression these team members got was one of utter devastation in some areas and no damage at all in others. Unlike Kobe after the Great Hanshin-Awaji Earthquake in

1995, when damage consisted mostly of collapsed houses and fires, this time it was the tsunami generated by the earthquake and accidents at nuclear power plants that were the primary problems. The earthquake itself caused relatively few injuries, and people who managed to flee the tsunami suffered no physical harm. Most hospitals that were not swept away were also fortunate that their equipment escaped damage. However, the corridors of hospitals that survived the tsunami were jammed full of temporary beds. This was the result of the influx of patients from communities flattened by the tsunami, as well as patients sent from the evacuation zones around nuclear power plants.

With many people crammed into evacuation centers, the risk of the outbreak of infectious diseases contributed to high demand for nebulizers. Also, since there was no electricity due to power cuts, home-use blood pressure monitors and other battery-operated devices were far more useful than models used in a hospital setting.



Employee Safety and Our Mission to Support Healthcare Professionals

When responding to the disaster, management was also caught between the conflicting demands of ensuring the safety of employees and fulfilling our mission to help healthcare professionals. Medical treatment is a necessary part of daily life, and becomes especially important when a disaster strikes. However, it is also important to confirm the safety of employees. In addition, there were concerns about aftershocks, as well as the problem of radiation, which is invisible to the human eye. Consequently, guidelines were established for relief activities. Thorough safety management was implemented, including equipping employees dispatched to affected areas with Geiger counters and devices that measure accumulated radiation.

In order to confirm the safety of employees, Omron Colin adopted a system used for sales activities that ensures staff do not stay in a particular area for a long period of time in conjunction with safety guidelines issued by the Ministry of Education, Culture, Sports, Science and Technology. All sorts of arrangements were made, including arranging accommodation in other prefectures. Care was also taken to ensure the mental well-being of employees who went to affected areas, as well as those who worked there.



Omron Colin planned its activities based on information on where it was needed next in accordance with the requests of medical associations and government agencies. Each time, the teams received many appreciative comments from people in many evacuation centers and medical institutions. Actually, we are the ones who are grateful because it is through these initiatives that we at Omron Colin came to learn how our business activities could make a valuable contribution to society. With the long road to recovery still ahead, Omron Colin will continue providing assistance through its healthcare and medical businesses.

2. Protection of Customers' Property and Maintenance of Infrastructure

— Omron Field Engineering Co., Ltd. (OFE)*

The earthquake and tsunami caused enormous damage to the equipment and systems of mainly Tohoku and northern Kanto customers of Omron Field Engineering Co., Ltd., to whom it provides maintenance services. Even though there were virtually no power, gas, or water services, it was imperative that OFE's engineers fulfill their duty to provide social infrastructure maintenance services. They inspected damage caused to equipment, including traffic signals, ATMs, and parking lot machines, then made initial repairs and removed equipment where appropriate. While undertaking this work, they lived on emergency rations and slept in sleeping bags at the company's offices. OFE sent supplies of everyday commodities, and customer engineers from other parts of the country made a total of more than 1,000 visits to the disaster area. Many employees expressed a wish to participate in these unpleasant recovery activities. By Sunday, March 13, two days following the earthquake, OFE had established an emergency response headquarters, which enabled it to start providing assistance without delay. The Group found that its previous experience at the times of the Great Hanshin-Awaji Earthquake (1995) and Niigata-Chuetsu Earthquake (2004) proved invaluable for its response efforts. Examples of these efforts are described below.

Transportation-Related Business

The disaster caused damage over a wide area, mainly to coastal communities, where traffic signals and other transportation infrastructure were destroyed. Therefore, it was essential that no time be wasted in assessing damage, and making repairs where possible. In Iwate Prefecture, for example, 144 traffic signals were damaged, only 12 of which could be repaired. In Miyagi Prefecture, some 295 signals were damaged, but 60 were repaired. Working in the affected areas was extremely difficult. With working time restricted to daylight hours due to the lack of electricity supply, OFE's engineers set out early each morning. As a result of the huge amount of debris, engineers were unable to

Repairing Damage at Arahama Intersection, Sendai City

Before



Work in Progress



After



park their vehicles close to work sites and, in some cases, had to walk one or two kilometers.

Financial Business

OFE's second response relates to its financial business. OFE employees had to recover cash from machines, such as ATMs, sold by Hitachi-Omron Terminal Solutions, Corp. Banks and other financial institutions faced the urgent task of having to protect cash in their ATMs. This is not something they can do easily on their own. Rather, this process must be undertaken by OFE's customer engineers, who go directly to where their machines are located. Owing to the proliferation of ATMs in convenience stores in recent years, many ATMs can be found in coastal areas, and many of these had been damaged by the tsunami. The engineers' work consisted mainly of retrieving the water- and mud-soaked bills that remained in the ATMs. As of June 2011, 26 of the 111 damaged ATMs belonging to trust banks and regional banks had been restored, while 39 of the 92 damaged machines in convenience stores had been restored.

Working conditions for this work were difficult. First, there was a shortage of gasoline supplies. Then, even when engineers managed to get hold of gasoline and reach the devastated areas, the extent of the damage was severe, and means of communication were also restricted. Not only were we unable to meet with our customers at the site, in many cases the stores and ATM machines were nowhere to be found. The site was full of sludge, foul smells, dust, debris, salt



Retrieval of ATMs



damage, and collapsed buildings caused by the tsunami and aftershocks. Despite these horrendous conditions, the engineers completed all repair work.

The Pride and Joy of Contributing to Recovery through Business Activities

As shown above, although OFE faced numerous difficulties, employees felt joy on many an occasion while undertaking relief work. For example, customers praised OFE employees for being the first on the scene from any manufacturer. There was also the strengthening of bonds between all of OFE's employees. This was attributable to a collective company effort, in which many employees from throughout the country assembled in the disaster area to work together on recovery and restoration work. All are proud of being able to contribute to the earliest possible recovery through their work.



* Omron Field Engineering Co., Ltd.

Omron Field Engineering Co., Ltd. (OFE) installs and maintains social infrastructure systems, including automated ticket gates for railways, road traffic control systems, ATMs for financial institutions, parking lot equipment, POS systems for gas stations, credit card terminals for the distribution sector, and servers and network equipment used in information and communication technology domains. OFE, which also undertakes engineering in the manufacturing industries and environmental domains, is the only member of the Omron Group specializing in maintenance services. With its 140 service centers nationwide, a call center, and distribution network, OFE operates 24 hours a day, 365 days a year.

Directors, Corporate Auditors, and Executive Officers

As of June 21, 2011



Kazuhiko Toyama
Director (external)

Fumio Tateisi
Director and Executive
Vice Chairman

Yoshihito Yamada
President and CEO

Masamitsu Sakurai
Director (external)

Akio Sakumiya
Senior Managing Director

Hisao Sakuta
Chairman of the BOD

Yoshinobu Morishita
Director and Executive
Vice President

Directors

Chairman of the BOD
Hisao Sakuta

Director and
Executive Vice Chairman
Fumio Tateisi

President and CEO
Yoshihito Yamada

Director and Executive Vice
President
Yoshinobu Morishita

Senior Managing Director
Akio Sakumiya

Directors (external)
Kazuhiko Toyama
Masamitsu Sakurai

Corporate Auditors

Soichi Yukawa
Tokio Kawashima
Hidero Chimori (External)
Eisuke Nagatomo (External)

Honorary Chairman
Yoshio Tateisi

Executive Officers

Managing Officers
Yoshinori Suzuki
Shigeki Fujimoto
Masaki Arao
Kiichiro Kondo

Executive Officers
Tatsunosuke Goto
Koichi Tada
Masayuki Tsuda
Hideji Ejima
Masaki Teshigahara
Taiji Sogo
Masaki Haruta
Koji Doi
Hisato Takano
Takashi Ikezoe
Kiichiro Miyata
Kiyoshi Yoshikawa
Shizuto Yukumoto
Shinya Yamasaki
Yutaka Miyanaga
Satoshi Ando
Yoshihiro Taniguchi
Koji Nitto
Toshio Hosoi
Nigel Blakeway

Financial Section (U.S. GAAP)

Contents	63	Financial Highlights	75	Consolidated Statements of Comprehensive Income (Loss)
	64	Six-year Summary	76	Consolidated Statements of Shareholders' Equity
	65	Fiscal 2010 Management's Discussion and Analysis	77	Consolidated Statements of Cash Flows
	70	Business and Other Risks	78	Notes to Consolidated Financial Statements
	72	Consolidated Balance Sheets	106	Independent Auditors' Report
	74	Consolidated Statements of Operations		

Note: Financial Highlights, Six-year Financial Summary, Fiscal 2010 Management's Discussion and Analysis, and Business and Other Risks are unaudited.

Financial Highlights

Omron Corporation and Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of yen (except per share data)			Thousands of U.S. dollars (Note) 2 (except per share data)
	FY2010	FY2009	FY2008	FY2010
For the year:				
Net sales	¥ 617,825	¥ 524,694	¥ 627,190	\$ 7,443,675
Income (loss) before income taxes and equity in loss (earnings) of affiliates	41,693	10,195	(39,133)	502,326
Net income (loss)	27,016	3,621	(29,449)	325,495
Net income (loss) attributable to shareholders	26,782	3,518	(29,172)	322,676
Per share data (yen and U.S. dollars):				
Net income (loss) attributable to shareholders				
Basic	¥ 121.7	¥ 16.0	¥ (132.2)	\$ 1.47
Diluted	121.7	16.0	—	1.47
Cash dividends (Note) 1	30.0	17.0	25.0	0.36
Capital expenditures (cash basis)	¥ 21,647	¥ 20,792	¥ 37,477	\$ 260,807
Research and development expenses	41,300	37,842	48,899	497,590
At year end:				
Total assets	¥ 562,790	¥ 532,254	¥ 538,280	\$ 6,780,602
Total shareholders' equity	312,753	306,327	298,411	3,768,108

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, 2011 of ¥83 = \$1.

Six-year Summary

Omron Corporation and Subsidiaries

Years ended March 31

Millions of yen (except per share data)

	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005
Net sales (Notes) 3, 4:						
Industrial Automation Business	¥ 271,894	¥ 203,917	¥ 271,204	¥ 339,161	¥ 316,812	¥ 279,649
Electronic and Mechanical Components Business	81,216	70,717	76,494	100,668	96,240	89,607
Automotive Electronic Components Business	84,259	75,163	82,109	107,521	93,321	77,593
Social Systems, Solutions and Service Business	63,846	57,981	72,336	76,876	98,707	86,637
Healthcare Business	60,629	63,359	63,592	71,706	65,731	63,029
Other	55,981	53,557	61,455	67,053	53,055	19,487
	617,825	524,694	627,190	762,985	723,866	616,002
Costs and expenses:						
Cost of sales	386,123	340,352	408,668	469,643	445,625	383,335
Selling, general and administrative expenses	142,365	133,426	164,284	176,569	164,167	157,909
Research and development expenses	41,300	37,842	48,899	51,520	52,028	55,315
Subsidy from the government	—	—	—	—	—	(41,339)
Other expenses (income), net	6,344	2,879	44,472	1,087	(2,233)	(2,724)
	576,132	514,499	666,323	698,819	659,587	552,496
Income (loss) from continuing operations before income taxes and equity in loss (earnings) of affiliates	41,693	10,195	(39,133)	64,166	64,279	63,506
Income taxes	14,487	3,782	(10,495)	24,272	25,595	26,701
Equity in loss (earnings) of affiliates	190	2,792	811	348	1,352	493
Income (loss) from continuing operations	27,016	3,621	(29,449)	39,546	37,332	36,312
Income from discontinued operations, net of tax (Note) 2	—	—	—	3,054	1,186	802
Cumulative effect of accounting change, net of tax	—	—	—	—	—	(1,201)
Net income (loss)	27,016	3,621	(29,449)	42,600	38,518	35,913
Net income (loss) attributable to noncontrolling interests	234	103	(277)	217	238	150
Net income (loss) attributable to shareholders	26,782	3,518	(29,172)	42,383	38,280	35,763
Per share data (yen):						
Income (loss) from continuing operations						
Basic	¥ 121.7	¥ 16.0	¥ (132.2)	¥ 172.5	¥ 159.8	¥ 152.8
Diluted	121.7	16.0	—	172.4	159.7	152.7
Net income (loss) attributable to shareholders						
Basic	121.7	16.0	(132.2)	185.9	165.0	151.1
Diluted	121.7	16.0	—	185.8	164.9	151.1
Cash dividends (Note) 1	30.0	17.0	25.0	42.0	34.0	30.0
Capital expenditures (cash basis)	¥ 21,647	¥ 20,792	¥ 37,477	¥ 37,848	¥ 44,689	¥ 40,560
Total assets	562,790	532,254	538,280	617,367	630,337	589,061
Total shareholders' equity	312,753	306,327	298,411	368,502	382,822	362,937
Value indicators:						
Gross profit margin (%)	37.5	35.1	34.8	38.4	38.4	37.8
Income (loss) before tax/Net sales (%)	6.7	1.9	(6.2)	8.4	8.9	10.3
Return on sales (%)	4.4	0.7	(4.7)	5.6	5.3	5.8
Return on assets (%)	7.6	1.9	(6.8)	10.3	10.5	10.8
Return on equity (%)	8.7	1.2	(8.7)	11.3	10.3	10.7
Inventory turnover (times)	4.71	4.19	4.54	4.96	5.27	5.34
Price/earning ratio (times)	19.2	135.8	(8.7)	10.7	19.1	22.2
Assets turnover (times)	1.13	0.98	1.09	1.22	1.19	1.05
Debt/equity ratio (times)	0.799	0.738	0.804	0.675	0.647	0.623
Interest coverage ratio (times)	101.96	22.15	6.01	44.34	57.82	69.95

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. In accordance with Accounting Standards Codification No. 360, "Property, Plant and Equipment," the figures of the consolidated statements of operations 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.

3. Starting with the fiscal year ended March 31, 2010, the Companies adopted Accounting Standards Codification No. 280, "Segment Reporting" (previously Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information"). The figures of the segment information for the prior years have been restated to conform with the current year presentation.

4. Starting with the fiscal year ended March 31, 2011, the solar power conditioner business in the "Industrial Automation Business" was transferred to "Other." The figures of the segment information for the prior years have been restated to conform with the current year presentation.

Fiscal 2010 Management's Discussion and Analysis

Note: The business divisions are presented using their abbreviated names. Industrial Automation Business (IAB), Electronic and Mechanical Components Business (EMC), Automotive Electronic Components Business (AEC), Social Systems, Solutions and Service Business (SSB), Healthcare Business (HCB).

Market Environment

1. Macroeconomic Environment

The macroeconomic environment in fiscal 2010 included ongoing rapid growth in emerging economies and gradual recovery trends in Japan and other advanced countries.

In these conditions, Japan recorded real domestic GDP growth of 4.0% on a calendar-year basis. The Great East Japan Earthquake that struck Japan on March 11, 2011, had a massive impact on corporate production activity and distribution. Nevertheless, the ongoing rapid economic expansion in emerging economies and government measures to stimulate consumption had been supporting

a recovery trend in the domestic economy, particularly in capital investment demand, from the start of the fiscal year, and the GDP growth on a fiscal year basis was 2.3%. Conditions overseas included the rapid growth in the emerging economies and a gradual recovery trend in the U.S. economy despite a persistently high unemployment rate. In Europe, although the fiscal circumstances deteriorated in some countries, the overall trend was for improving business conditions.

Growth Rates of Real GDP for Each Country/Region (Calendar-year basis)

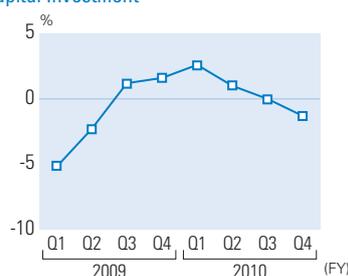
	Japan		U.S.	EU	China	India	Brazil	Total
2009	-6.3	-2.4*	-2.6	-4.1	9.2	6.8	-0.6	-0.5
2010	4.0	2.3*	2.9	1.8	10.3	10.4	7.5	5.0
2011 Estimates	1.4		2.8	1.6	9.6	8.2	4.5	4.4

Source: IMF "World Economic Outlook," April 2011

Note: Fiscal-year basis for figures marked with an asterisk (*)

Domestic Macroeconomic Environment

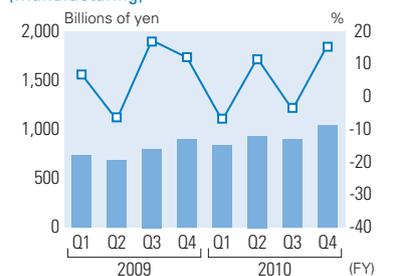
Growth Rate of Real Private Capital Investment



Note: Seasonally adjusted

Source: Cabinet Office, Government of Japan

Growth Rate of Machinery Orders (Manufacturing)



Note: Seasonally adjusted

Source: Cabinet Office, Government of Japan

2. The Omron Group Market Environment

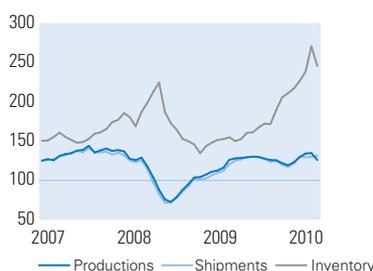
In the Omron Group's business markets, demand improved both in Japan and overseas during the year for control equipment for the manufacturing industry and electronic components for the consumer electronics and automobile industries. At the same time, however, profits were squeezed during the year by the strong yen, for which the average exchange rates appreciated to ¥85.8 versus the U.S. dollar, up ¥7.1 from the previous fiscal year, and to

¥113.5 versus the euro, a ¥16.8 year-on-year rise.

Although the Great East Japan Earthquake had only a slight direct impact on the Omron Group, whose main production sites are located outside the affected areas, the Group was forced to halt production of some products and lower capacity utilization rates due to difficulties in the procurement of raw materials and components.

Indices of Electronic Parts and Devices

(Seasonally adjusted indices, 2005 average = 100)



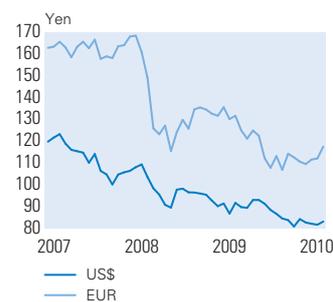
Source: Ministry of Economy, Trade and Industry

Silver and Copper Prices



Source: Ministry of Economy, Trade and Industry

Exchange Rates



Overview of Consolidated Results and Financial Condition

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

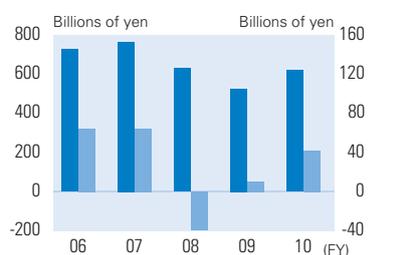
In this market environment, the improvement in capital investment demand from the manufacturing industry, coupled with the rapid growth in emerging economies, supported a 17.7% year-on-year rise in consolidated net sales to ¥617.8 billion in fiscal 2010. The net sales growth in the core businesses along with the structural reform and cost reduction efforts generated a 267.4% year-on-year increase in operating income to ¥48.0 billion. As a result, income before income taxes amounted to ¥41.7 billion, and net income attributable to shareholders amounted to ¥26.8 billion. Meanwhile, the Great East Japan Earthquake had an approximately ¥2.1 billion impact on the Group's net

sales for the year.

Total assets increased 5.7% from the end of the previous fiscal year, primarily due to increases in loans and cash and time deposits in anticipation of cash needs associated with the disaster. The improvement in net income raised total shareholders' equity by 2.1% year on year; however, the increase in loans caused the equity ratio to decline to 55.6% from 57.5% at the end of the previous fiscal year.

Return on equity (ROE) amounted to 8.7%, and the return on investment capital (ROIC) was 9.3%, both up from 1.2% and 2.2%, respectively, in the previous fiscal year.

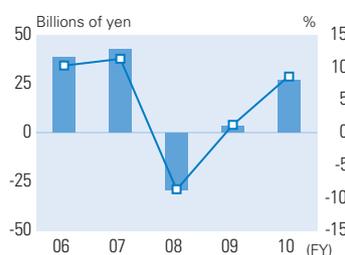
Net Sales & Income before Income Taxes



■ Net sales [left axis]
■ Income (loss) before income taxes [right axis]

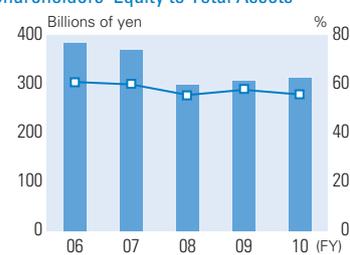
* Figures have been restated to account for businesses discontinued in FY2007.

Net Income Attributable to Shareholders & ROE



■ Net income (loss) attributable to shareholders [left axis]
□ ROE [right axis]

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



■ Shareholders' equity [left axis]
□ Ratio of shareholders' equity to total assets [right axis]

Review and Analysis of the Statements of Income

Net Sales

Consolidated net sales amounted to ¥617.8 billion, a year-on-year increase of ¥93.1 billion, or 17.7%. The result was largely due to a substantial recovery in demand for electronic components for consumer electronics and automobiles and for control equipment in Japan, marking a rebound from the immediate sharp decline in demand that followed the 2008 global financial crisis.

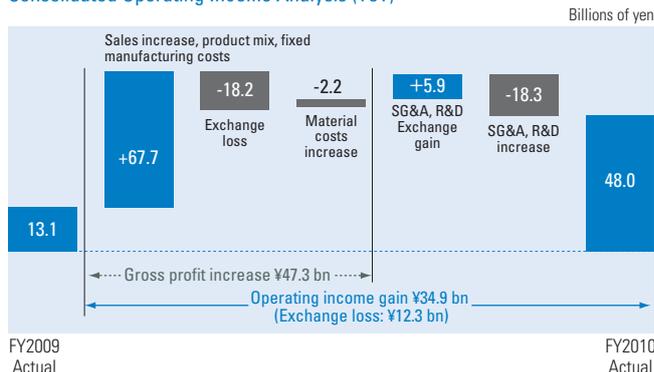
By region, sales rose 15.9% in Japan (including direct exports) and also increased in each of the overseas segments: 21.7% in North America, 25.8% in the Greater China region, 26.1% in the Asia Pacific, and 8.9% in Europe. The growth in the Greater China region was exceptional, with both sales and operating income leading the overseas segments.

Cost of Sales and SG&A Expenses

The increase in sales led to a 13.4% year-on-year rise in cost of sales. However, the cost to sales ratio decreased 2.4 percentage points to 62.5%. The strong yen had a substantial negative impact on the sales result and rising prices for silver, copper, and other raw materials created a severe revenue environment, but the Group improved its profitability by constraining manufacturing fixed costs, introducing low-cost products, and other measures.

SG&A expenses were increased by ¥8.9 billion, or 6.7%, from the previous fiscal year in association with the rise in sales. The Company raised R&D expenses by ¥3.5 billion, or 9.1%. At the same time, the SG&A expense-to-sales ratio decreased by 2.4 percentage points to 23%, and the R&D expense-to-sales ratio declined 0.5 percentage point to 6.7%.

Consolidated Operating Income Analysis (YoY)



Other Expenses (Income) * See Note 12 on page 92

The amount of other expenses, net was a net loss of ¥6.3 billion, largely attributable to the strong yen, representing a ¥3.5 billion increase in the loss in this category from the previous fiscal year.

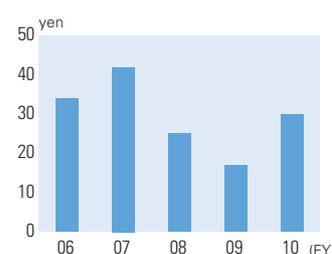
Income before Income Taxes, Net Income Attributable to Shareholders, and Profit Distribution

As a result of the above, income before income taxes amounted to ¥41.7 billion in fiscal 2010, an increase of ¥31.5 billion from the ¥10.2 billion in the previous fiscal year. Net income attributable to shareholders

amounted to ¥26.8 billion, an increase of ¥23.3 billion from the ¥3.5 billion in the previous fiscal year. Basic net income attributable to shareholders per share improved from ¥16.0 in the previous fiscal year to ¥121.7 in fiscal 2010.

The Company distributed an annual cash dividend of ¥30 per share in fiscal 2010, representing a ¥13 increase over the previous fiscal year payment. The dividend payment was determined based on the Company's basic policy of maintaining a minimum 20% dividend payout ratio and targeting a 2% dividend on equity ratio (DOE). The consolidated dividend payout ratio was 24.7% and the DOE ratio was 2.1% in fiscal 2010.

Dividends per Share



Costs, Expenses, and Income as Percentages of Net Sales

	FY2010	FY2009	FY2008
Net sales	100.0%	100.0%	100.0%
Cost of sales	62.5	64.9	65.2
Gross profit	37.5	35.1	34.8
Selling, general and administrative expenses	23.0	25.4	26.2
Research and development expenses	6.7	7.2	7.7
Other expenses, net	1.1	0.6	7.1
Income (loss) before income taxes and equity in loss (earnings) of affiliates	6.7	1.9	(6.2)
Income taxes	2.3	0.7	(1.6)
Net income (loss)	4.3	0.7	(4.7)

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 companies, operating income represents gross profit minus SG&A expenses and R&D expenses.

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

Please refer to pages 36–47 for detailed segment business results, fiscal 2011 outlook, and strategy.

1. Review of Operations by Business Segment

IAB (Industrial Automation Business)

IAB net sales increased 33.3% year on year to ¥271.9 billion, and operating income rose 201.2% to ¥38.2 billion. In Japan, the government policies to create demand (which included subsidies for eco-friendly vehicles), the expanding smartphone market, and other factors supported strong growth in sales centered on sensors and control equipment. Overseas, demand surged for low-cost programmable logic controllers and other products in the Greater China region. Sales were also supported by a recovery in automobile production in North America and increasing demand for capital investment in India, Brazil, and other emerging economies accompanying their economic growth.

EMC (Electronic & Mechanical Components Business)

EMC net sales increased 14.8% year on year to ¥81.2 billion, and operating income rose 76.8% to ¥11.9 billion. Domestic sales were strong, boosted largely by the Eco Point program for consumer electronics and special demand for air conditioners triggered by the extremely hot weather. Sales also expanded overseas, particularly for relays and switches for consumer electronics on growing demand for high-performance and energy-saving consumer electronics in Europe and the United States along with special demand for air conditioners during the exceptionally hot weather.

AEC (Automotive Electronic Components Business)

AEC net sales rose 12.1% year on year to ¥84.3 billion, and operating income increased 140.4% to ¥4.2 billion. Domestic sales were boosted in the first half due to the government policies to offer subsidies and preferential tax treatment for eco-friendly vehicles. There were concerns about the impact of the end of these programs in the second half, but sales ultimately were supported by factors that included increased production of completed and knock-down vehicles for overseas markets. Automobile production also expanded in China, India, and other emerging economies, and production volume steadily recovered among the Omron Group's main customers in North America.

SSB (Social Systems, Solutions and Service Business)

SSB net sales increased 10.1% year on year to ¥63.8 billion, while operating income amounted to ¥1.7 billion, a decline of 37.7%, which was due to the introduction of management guidance fees in fiscal 2010. Railway infrastructure business sales rose substantially with the introduction of new equipment (ticket vending machines and automatic ticket gates) by railway companies and a trend toward expanded investment in safety and security solutions for railway stations. The traffic control and road control systems business also generated solid sales by promoting the

Fiscal 2010 Management's Discussion and Analysis

projects of safety and security-related solutions. The related maintenance business, supported by government subsidy policies, attracted increased demand for products related to solar power generation and accompanying installation services.

HCB (Healthcare Business)

HCB net sales decreased 4.3% year on year to ¥60.6 billion, and operating income amounted to ¥4.1 billion, a 42.2% decline caused by the introduction of management guidance fees in fiscal 2010. In Japan, sales of medical equipment for hospital-use were strong on the successful introduction of new products and other factors. However, sales of home-use healthcare devices fell sharply due to the non-repetition of the strong demand for digital thermometers that resulted from the outbreak of H1N1 influenza virus in the previous fiscal year, as well as the trend among customers to select low-priced items, and the reduced customer traffic at stores in the exceptionally hot weather. Overseas, demand for Omron products expanded on rising awareness of healthcare management in areas such as Russia, the

Middle East, Southeast Asia, Central and South America, and other emerging economies. However, the strong yen substantially reduced sales and profits.

Other

The Other segment's net sales increased 13.9% year on year to ¥49.7 billion. The segment's forward investment associated with search and cultivation of new businesses led to an operating loss of ¥4.7 billion, compared with the ¥5.8 billion loss in the previous fiscal year. The Environmental Solutions Business HQ posted solid sales for its CO₂ reduction solutions and solar power conditioners. The Electronic Systems & Equipments Business HQ recorded brisk activity for its industrial embedded computer, contract production and development of electronic device, and uninterruptible power supply unit businesses. The Micro Devices Business HQ saw a decline in demand for certain types of contract production orders for semiconductors but attracted growing demand for custom integrated circuits (ICs) in emerging markets. Backlight Business sales were strong, supported by the expanding smartphone market overseas.

Growth in Net Sales by Business Segment

	FY2010	FY2009	FY2008
IAB	33.3%	(24.8)%	(20.0)%
EMC	14.8	(7.6)	(24.0)
AEC	12.1	(8.5)	(23.6)
SSB	10.1	(19.8)	(5.9)
HCB	(4.3)	(0.4)	(11.3)
Other	4.5	(12.9)	(8.3)

Note: The Other segment includes "Eliminations and Corporate."

Composition of Net Sales by Business Segment

	FY2010	FY2009	FY2008
IAB	44.0%	38.9%	43.2%
EMC	13.2	13.5	12.2
AEC	13.6	14.3	13.1
SSB	10.3	11.0	11.5
HCB	9.8	12.1	10.1
Other	9.1	10.2	9.9

Note: The composition of net sales is based on the classifications reported in the Six-year Summary (page 64).

2. Review of Operations by Region

Japan

A recovery in the production activity of the domestic automotive and electronic components industries, spurred by the government policies to offer subsidies and preferential tax treatment for eco-friendly vehicles, resulted in substantial year-on-year growth in domestic sales (excluding direct exports) in IAB (35.9%), EMC (11.5%), and AEC (18.8%). Domestic sales also rose 9.8% for SSB. Net sales (including direct exports) in Japan rose 15.9% year on year to ¥311.9 billion, and operating income increased 158.4% to ¥29.8 billion.

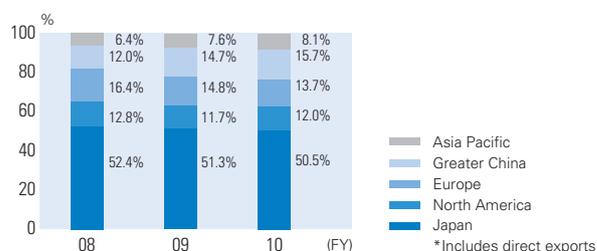
North America

North America sales in IAB expanded 41.7% year on year on recovering capital investment in the automotive and other industries. Sales in EMC, which manufactures the Group's relays and switches, surged 88.0%. AEC saw sales decline 0.6% for the year, as a result of the transfer of the Japan and North American relay businesses to EMC. Consequently, net sales in North America rose 21.7% year on year to ¥74.4 billion, and the operating income improved to ¥2.8 billion from a ¥0.5 billion operating loss in the previous fiscal year.

Europe

Improving export environments for the Group's customers from a weakened euro and increasing demand for high-performance and energy-saving consumer electronics supported year-on-year segment sales growth for IAB (10.7%), EMC (10.5%), and AEC (27.3%). As a result, net sales in Europe rose 8.9% year on year to ¥84.5 billion, and operating income increased 75.9% to ¥3.4 billion.

Sales Breakdown by Region



Greater China

IAB sales in the Greater China region rose 52.1% year on year on growing demand for capital investment. AEC sales increased 45.1% from the region's rapidly expanding auto market, and HCB sales rose 8.0% amid growing awareness of healthcare management. Net sales in the Greater China region rose 25.8% year on year to ¥97.0 billion, and operating income increased 27.0% to ¥11.4 billion.

Asia Pacific

The expanding economies of the emerging markets in the Asia Pacific region supported a dramatic 48.9% increase in IAB sales from the previous fiscal year along with rises of 10.3% in EMC and 8.4% in AEC. As in the Greater China region, growing awareness of healthcare management supported a 9.3% increase in the sales of HCB. Net sales in the Asia Pacific region rose 26.1% to ¥50.0 billion, and operating income grew by 60.3% to ¥3.5 billion.

Financial Condition

Assets

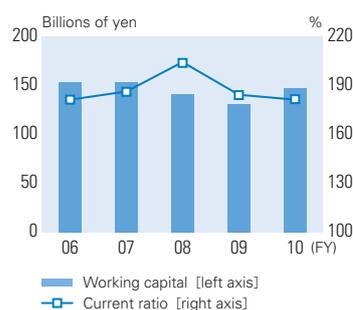
Total assets amounted to ¥562.8 billion in fiscal 2010, representing an increase of ¥30.5 billion, or 5.7%, from the end of the previous fiscal year. This was largely due to a rise in notes and accounts receivable as a result of the growth in sales, and an increase in cash and time deposits accompanying the additional loans arranged in anticipation of cash needs associated with the disaster.

Liabilities and Shareholders' Equity

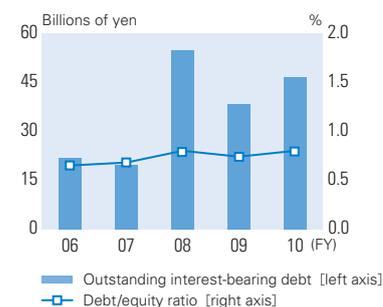
Total liabilities amounted to ¥249.1 billion, up ¥24.0 billion from the end of the previous fiscal year, as increases in short-term debt and notes and accounts payable offset a decrease in termination and retirement benefits.

Total shareholders' equity amounted to ¥312.8 billion, an increase of ¥6.4 billion from the end of the previous fiscal year. The shareholders' equity ratio declined 1.9 percentage points from 57.5% to 55.6% at the previous fiscal year-end, and the debt/equity ratio rose from 0.738 to 0.799. Shareholders' equity per share was ¥1,421.03 at the end of the fiscal year, compared with ¥1,391.41 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 ¥74.7 billion, a ¥23.0 billion increase from the end of the previous fiscal year.

Cash Flow from Operating Activities

Net cash provided by operating activities amounted to ¥42.0 billion, a decrease of ¥0.8 billion from the previous fiscal year, primarily because increases in notes and accounts receivable and inventories more than offset a posting of net income before the deduction of noncontrolling interests.

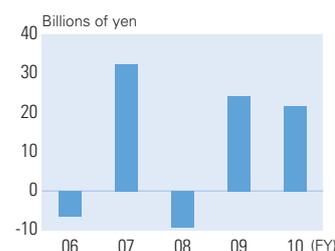
Cash Flow from Investing Activities

Cash flow used in investing activities amounted to ¥20.2 billion, a ¥1.6 billion increase in outflow from the previous fiscal year, due mainly to investing activity in such areas as the expansion of production sites and production facilities.

Cash Flow from Financing Activities

Net cash provided by financing activities amounted to ¥3.3 billion, an increase of ¥23.7 billion from the previous fiscal year, due to dividend distributions and the net borrowings of short-term debt.

Free Cash Flow



Business and Other Risks

Regarding a number of items described in the Status of Business and the Status of Accounting of this report, some items may pose risks and 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 22, 2011.

(1) Risks Associated with the Great East Japan Earthquake

The Great East Japan Earthquake that struck on March 11, 2011, had an immense impact on the economy of Japan, and has resulted in numerous lingering concerns, such as large aftershocks, electricity supply shortages caused by earthquake damage, the prolongation of the Fukushima nuclear crisis, and widespread radiation contamination.

These factors could lead to supply shortages, such as of raw materials from suppliers, or reduced production volumes caused by power shortages, delays in the recovery of domestic markets, radiation contamination leading to restrictions on exports to foreign countries, or harmful rumors that could result in reduced production capacity utilization rates or a decline in sales for the Group, which could potentially have a negative impact on the Group's operating results and financial condition.

(2) 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.

Both in Japan and overseas, therefore, market forces affecting the product markets in which the Omron Group conducts business 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.

(3) 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 countries outside Japan 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, 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.

(4) Exchange Rate Fluctuation

The Omron Group has 115 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 2010 was 51.4%, 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, for example by 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.

(5) Product Defects

The Omron Group seeks to provide "maximum customer satisfaction" by providing the best quality products and services based on its motto of "Quality first." Regarding quality, the Group has established an ISO-certified quality control system, and develops and manufactures its products in accordance with this system. 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.

While Omron takes every precaution against the occurrence of defects, it has become extremely difficult to guarantee that defects will not occur (including defects that arise due to the changing environments in which the products are used) or that recalls will not occur.

Changing conditions in Japan, such as the establishment of the Consumer Affairs Agency, have necessitated corporate responses that pay more attention to consumer protection. Product quality is also increasingly a major issue overseas. For this reason, product defects that require large-scale product recalls or that carry damage beyond the coverage capability of liability insurance could not only incur substantial losses for the Group, but could also seriously damage trust in the Company and the Omron brand. Such a situation could lead to declining sales for the Group and has the potential to negatively impact the Group's financial condition.

The Group also strives to provide "Environmental Assurance Products" that do not include banned substances designated in the Restriction of Hazardous Substances (RoHS) Directive enforced by the European Union in July 2006. The Group is investigating the status of regulated chemical substances in components and mate-

rials, and is seeking to use components and materials that do not contain banned substances. Since 2009, the Group adheres to the European Union's Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) Regulation concerning the identification of contained substances. Despite the Group's efforts, the frequent modifications of the regulations on controlled substances complicate the supervisory efforts, and it is possible that infractions could incur, such as from failure to comply with modified regulations.

(6) Research and Development Activities

The Omron Group invests aggressively in R&D as part of its technology-centered business operations for the realization of sustainable growth. As a result, the R&D expenses ratio remains at approximately 7%.

The Omron Group strives to increase the new product contribution ratio by reflecting such considerations as market needs in its R&D projects and goals. However, factors such as delays in R&D or insufficient technological capabilities that result in a decrease in the R&D new product contribution ratio could have a negative impact on the Omron Group's operating results and financial condition.

(7) Information Leakage

The Omron Group acquires personal information and classified customer information 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.

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

The Omron Group conducts research on technology developed by other companies and in the public domain in the course of its R&D and design activities. A very large number of intellectual property rights exist within the Group's range of business and products, and new intellectual property rights are declared on a daily basis. The potential therefore exists that a third party could present a claim regarding one of the Group's specific products or components, which could have a negative impact on the Group's operating results and financial condition.

When exercising our intellectual property rights during

efforts to resolve issues related to the intellectual property rights of the Group, disputes with third parties could arise, such as oppositional tactics from the third party subject to the exercise of rights.

The Omron Group takes appropriate measures to recognize and compensate employees for inventions, such as through the Employee Invention Compensation Program and the Invention Commendation Program. Disputes regarding the value of an invention can arise with inventors, including inventors who have retired from the Group.

The Omron Group has accumulated technology and expertise allowing it to differentiate its products from those of its competitors. However, the ever-increasing sophistication of counterfeit product manufacturing and sales methods and other factors make it virtually impossible to completely protect all of the Group's proprietary technology and expertise in certain regions, including China. The Group implements strategic measures to protect its intellectual property rights, but the circulation of low-quality counterfeit items fraudulently bearing the Omron brand has the potential to damage the trust in the Group's products and the Group's brand image and could have a negative impact on the Group's operating activities.

Omron has focused on brand management since its inception and in recent years has initiated prompt and appropriate countermeasures to the use of domain names similar to "Omron" that have appeared overseas. Identifying and taking action against all such fraudulent domain names that have been registered is virtually impossible. The danger exists that the same or a similar name to "Omron" could be used in a fraudulent business transaction that could damage the trust in the Group.

(9) Natural Disasters

The Omron Group has implemented the necessary safety measures and taken steps to facilitate the continuity and early restoration of business operations in the case of a natural disaster, fire, or other calamity, including a large-scale earthquake in Japan's Tokai, Tonankai, or Tokyo metropolitan areas, and has implemented preventive measures for other types of emergency situations, such as a worldwide outbreak of a new form of influenza virus.

The Group and its business clients maintain operating bases in Japan and around the world, making it virtually impossible to completely avoid the risks that would arise from an unforeseen natural disaster, fire, or other calamity. A major event of an unforeseen scale could impact Group operations, such as limiting its ability to carry out production and business activities. Events such as the above could have a negative impact on the Group's operating results and financial condition.

Consolidated Balance Sheets

Omron Corporation and Subsidiaries
March 31, 2011 and 2010

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	FY2010	FY2009	FY2010
Current assets:			
Cash and cash equivalents	¥ 74,735	¥ 51,726	\$ 900,422
Notes and accounts receivable – trade	137,531	126,250	1,657,000
Allowance for doubtful receivables	(2,230)	(2,531)	(26,867)
Inventories (Note 3)	86,151	77,655	1,037,964
Deferred income taxes (Note 13)	20,183	19,988	243,169
Other current assets	11,520	12,670	138,795
Total current assets	327,890	285,758	3,950,483
Property, plant and equipment:			
Land	27,875	26,376	335,843
Buildings	125,686	127,344	1,514,289
Machinery and equipment	136,792	140,200	1,648,096
Construction in progress	6,836	2,733	82,361
Total	297,189	296,653	3,580,589
Accumulated depreciation	(177,191)	(173,659)	(2,134,831)
Net property, plant and equipment	119,998	122,994	1,445,758
Investments and other assets:			
Investments in and advances to affiliates	13,521	13,637	162,904
Investment securities (Note 4)	35,694	38,556	430,048
Leasehold deposits	7,126	7,452	85,855
Deferred income taxes (Note 13)	42,190	45,737	508,313
Other assets (Note 6)	16,371	18,120	197,241
Total investments and other assets	114,902	123,502	1,384,361
Total	¥ 562,790	¥ 532,254	\$ 6,780,602

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 2)
	FY2010	FY2009	FY2010
Current liabilities:			
Short-term debt (Note 8)	¥ 45,519	¥ 16,612	\$ 548,422
Notes and accounts payable – trade	77,836	68,874	937,783
Accrued expenses	29,414	25,891	354,386
Income taxes payable	2,188	2,710	26,361
Other current liabilities (Note 13)	26,244	21,160	316,193
Current portion of long-term debt (Note 8)	231	20,315	2,783
Total current liabilities	181,432	155,562	2,185,928
Long-term debt (Note 8)	849	1,290	10,229
Deferred income taxes (Note 13)	697	886	8,398
Termination and retirement benefits (Note 10)	65,485	66,964	788,976
Other long-term liabilities	675	417	8,133
Shareholders' equity (Note 11):			
Common stock, no par value:			
Authorized: 487,000,000 shares in 2011 and 2010, respectively			
Issued: 239,121,372 shares in 2011 and 2010, respectively	64,100	64,100	772,289
Capital surplus	99,081	99,081	1,193,747
Legal reserve	9,574	9,363	115,349
Retained earnings	250,824	230,859	3,021,977
Accumulated other comprehensive income (loss) (Note 16)	(66,227)	(52,614)	(797,916)
Treasury stock, at cost — 19,032,544 shares in 2011 and 18,966,294 shares in 2010	(44,599)	(44,462)	(537,338)
Total shareholders' equity	312,753	306,327	3,768,108
Noncontrolling interests	899	808	10,830
Total net assets	313,652	307,135	3,778,938
Total	¥ 562,790	¥ 532,254	\$ 6,780,602

See notes to consolidated financial statements.

Consolidated Statements of Operations

Omron Corporation and Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 2)
	FY2010	FY2009	FY2008	FY2010
Net sales	¥ 617,825	¥ 524,694	¥ 627,190	\$ 7,443,675
Costs and expenses:				
Cost of sales	386,123	340,352	408,668	4,652,084
Selling, general and administrative expenses	142,365	133,426	164,284	1,715,241
Research and development expenses	41,300	37,842	48,899	497,590
Other expenses, net (Note 12)	6,344	2,879	44,472	76,434
Total	576,132	514,499	666,323	6,941,349
Income (loss) before income taxes and equity in loss (earnings) of affiliates	41,693	10,195	(39,133)	502,326
Income taxes (Note 13)	14,487	3,782	(10,495)	174,542
Equity in loss (earnings) of affiliates	190	2,792	811	2,289
Net income (loss)	27,016	3,621	(29,449)	325,495
Net loss (income) attributable to noncontrolling interests	234	103	(277)	2,819
Net income (loss) attributable to shareholders	¥ 26,782	¥ 3,518	¥ (29,172)	\$ 322,676
		Yen		U.S. dollars (Note 2)
	FY2010	FY2009	FY2008	FY2010
Per share data (Note 14):				
Net income (loss) attributable to shareholders				
Basic	121.7	16.0	(132.2)	1.47
Diluted	121.7	16.0	—	1.47

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

Omron Corporation and Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 2)
	FY2010	FY2009	FY2008	FY2010
Net income (loss)	¥ 27,016	¥ 3,621	¥ (29,449)	\$ 325,495
Other comprehensive income (loss), net of tax (Note 16):				
Foreign currency translation adjustments:				
Foreign currency translation adjustments arising during the year	(10,390)	(1,400)	(16,708)	(125,181)
Pension liability adjustments:				
Pension liability adjustments arising during the year	(1,534)	4,531	(10,838)	(18,482)
Reclassification adjustment for the portion realized in net income	(649)	(514)	(487)	(7,819)
Net change in pension liability adjustments during the year	(2,183)	4,017	(11,325)	(26,301)
Unrealized gains (losses) on available-for-sale securities:				
Unrealized holding gains (losses) arising during the year	(1,566)	4,966	(6,722)	(18,867)
Reclassification adjustment for losses on impairment realized in net income	466	305	2,987	5,614
Reclassification adjustment for net gains on sale realized in net income	(10)	(350)	(3)	(120)
Reclassification adjustment for net gains on share exchange in net income	(4)	—	—	(48)
Net unrealized gains (losses)	(1,114)	4,921	(3,738)	(13,421)
Net gains (losses) on derivative instruments:				
Net gains (losses) on derivative instruments designated as cash flow hedges during the year	893	737	787	10,759
Reclassification adjustment for net gains (losses) realized in net income	(841)	(186)	(1,714)	(10,133)
Net gains (losses)	52	551	(927)	626
Other comprehensive income (loss)	(13,635)	8,089	(32,698)	(164,277)
Comprehensive income (loss)	13,381	11,710	(62,147)	161,218
Comprehensive income (loss) attributable to noncontrolling interests	212	62	(448)	2,554
Comprehensive income (loss) attributable to shareholders	¥ 13,169	¥ 11,648	¥ (61,699)	\$ 158,664

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Omron Corporation and Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of yen									
	Number of common shares issued	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total Shareholders' Equity	Noncontrolling interests	Total Net Assets
Balance, March 31, 2008	239,121,372	¥ 64,100	¥ 98,961	¥ 8,673	¥ 266,451	¥ (28,217)	¥ (41,466)	¥ 368,502	¥ 2,018	¥ 370,520
Net loss					(29,172)			(29,172)	(277)	(29,449)
Cash dividends, ¥25 per share					(5,505)			(5,505)		(5,505)
Transfer to legal reserve				386	(386)			—		—
Other comprehensive income (loss)						(32,527)		(32,527)	(171)	(32,698)
Acquisition of treasury stock							(2,995)	(2,995)		(2,995)
Sale of treasury stock			(3)				10	7		7
Grant of stock options			101					101		101
Balance, March 31, 2009	239,121,372	64,100	99,059	9,059	231,388	(60,744)	(44,451)	298,411	1,570	299,981
Net income					3,518			3,518	103	3,621
Cash dividends paid to OMRON Corporation shareholders, ¥17 per share					(3,743)			(3,743)		(3,743)
Cash dividends paid to noncontrolling interests, ¥17 per share									(762)	(762)
Equity transactions with noncontrolling interests and other									(62)	(62)
Transfer to legal reserve				304	(304)			—		—
Other comprehensive income (loss)						8,130		8,130	(41)	8,089
Acquisition of treasury stock							(13)	(13)		(13)
Sale of treasury stock			(0)				2	2		2
Grant of stock options			22					22		22
Balance, March 31, 2010	239,121,372	64,100	99,081	9,363	230,859	(52,614)	(44,462)	306,327	808	307,135
Net income					26,782			26,782	234	27,016
Cash dividends paid to OMRON Corporation shareholders, ¥30 per share					(6,605)			(6,605)		(6,605)
Cash dividends paid to noncontrolling interests, ¥30 per share									(0)	(0)
Equity transactions with noncontrolling interests and other									(121)	(121)
Transfer to legal reserve				211	(211)			—		—
Other comprehensive income (loss)						(13,613)		(13,613)	(22)	(13,635)
Acquisition of treasury stock							(140)	(140)		(140)
Sale of treasury stock			(0)		(1)		3	2		2
Balance, March 31, 2011	239,121,372	¥ 64,100	¥ 99,081	¥ 9,574	¥ 250,824	¥ (66,227)	¥ (44,599)	¥ 312,753	¥ 899	¥ 313,652

	Thousands of U.S. dollars (Note 2)									
	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total Shareholders' Equity	Noncontrolling interests	Total Net Assets	
Balance, March 31, 2010	\$ 772,289	\$ 1,193,747	\$ 112,807	\$ 2,781,434	\$ (633,904)	\$(535,687)	\$ 3,690,686	\$ 9,734	\$ 3,700,420	
Net income				322,676			322,676	2,819	325,495	
Cash dividends paid to OMRON Corporation shareholders, \$0.36 per share				(79,578)			(79,578)		(79,578)	
Cash dividends paid to noncontrolling interests, \$0.36 per share								(0)	(0)	
Equity transactions with noncontrolling interests and other								(1,458)	(1,458)	
Transfer to legal reserve			2,542	(2,542)			—		—	
Other comprehensive income (loss)					(164,012)		(164,012)	(265)	(164,277)	
Acquisition of treasury stock						(1,687)	(1,687)		(1,687)	
Sale of treasury stock			(0)	(13)		36	23		23	
Balance, March 31, 2011	\$ 772,289	\$ 1,193,747	\$ 115,349	\$ 3,021,977	\$ (797,916)	\$(537,338)	\$ 3,768,108	\$ 10,830	\$ 3,778,938	

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Omron Corporation and Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 2)
	FY2010	FY2009	FY2008	FY2010
Operating activities:				
Net income (loss)	¥ 27,016	¥ 3,621	¥ (29,449)	\$ 325,495
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	22,984	27,014	33,496	276,916
Net loss on sale and disposal of property, plant and equipment	606	558	1,983	7,301
Loss on impairment of property, plant and equipment	413	217	21,203	4,976
Net gain on sale of investment securities	(7)	(636)	(64)	(84)
Loss on impairment of investment securities and other assets	805	632	5,401	9,699
Loss on impairment of goodwill	—	—	16,813	—
Termination and retirement benefits	(4,785)	(5,110)	(1,390)	(57,651)
Deferred income taxes	5,374	(1,031)	(13,895)	64,747
Equity in loss of affiliates	190	2,792	811	2,289
Changes in assets and liabilities:				
Notes and accounts receivable – trade, net	(16,227)	(14,440)	47,526	(195,506)
Inventories	(12,174)	4,977	5,776	(146,675)
Other assets	1,048	4,457	(7,689)	12,627
Notes and accounts payable – trade	9,301	13,298	(34,046)	112,060
Income taxes payable	(453)	1,995	(8,044)	(5,458)
Accrued expenses and other current liabilities	8,383	4,554	(8,290)	101,000
Other, net	(518)	(139)	1,266	(6,241)
Total adjustments	14,940	39,138	60,857	180,000
Net cash provided by operating activities	41,956	42,759	31,408	505,495
Investing activities:				
Proceeds from sale or maturities of investment securities	109	1,004	1,742	1,313
Purchase of investment securities	—	(15)	(6,151)	—
Capital expenditures	(21,647)	(20,792)	(37,477)	(260,807)
Decrease (increase) in leasehold deposits	276	335	228	3,325
Proceeds from sale of property, plant and equipment	1,066	1,490	1,046	12,843
Equity transaction with noncontrolling interests	—	(106)	—	—
Decrease (increase) in investment in and loans to affiliates	20	(931)	(16)	241
Proceeds from sale of business, net	(34)	431	—	(410)
Net cash used in investing activities	(20,210)	(18,584)	(40,628)	(243,495)
Financing activities:				
Net borrowings (repayments) of short-term debt	29,052	(16,282)	15,291	350,024
Proceeds from issuance of long-term debt	2	305	20,000	24
Repayments of long-term debt	(20,299)	(524)	(916)	(244,566)
Dividends paid by the Company	(5,285)	(3,083)	(9,507)	(63,675)
Dividends paid to noncontrolling interests	(0)	(762)	(13)	(0)
Acquisition of treasury stock	(140)	(13)	(2,995)	(1,687)
Sale of treasury stock	3	1	7	36
Net cash provided by (used in) financing activities	3,333	(20,358)	21,867	40,157
Effect of exchange rate changes on cash and cash equivalents	(2,070)	1,278	(6,640)	(24,940)
Net increase (decrease) in cash and cash equivalents	23,009	5,095	6,007	277,217
Cash and cash equivalents at beginning of the year	51,726	46,631	40,624	623,205
Cash and cash equivalents at end of the year	¥ 74,735	¥ 51,726	¥ 46,631	\$ 900,422

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Omron Corporation and Subsidiaries

Note 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 4 regional management centers in the United States of America, the Netherlands, China and Singapore. Products, classified by type and market, are organized into business segments as described below.

Industrial Automation Business manufactures and sells control components and systems for factory automation and industrial equipment including sensors, programmable logic controllers, timers, vision sensors, automated optical inspection devices, safety components, temperature controllers, and motion controllers. Industrial Automation Business provides the solutions business which solves management problems with laborsaving, automation, the environment, safety and automated testing on advanced production sites.

Electronic and Mechanical Components Business manufactures and sells electric and electronic components including relays, switches, components and units for amusement devices, connectors, and combination jogs.

Automotive Electronic Components Business manufactures and sells automotive electronic components and other components including passive entry devices, power window switches and electric power steering.

Social Systems Solution and Service Business manufactures and sells card authorization terminals, railway infrastructure systems such as passing gates and automated ticket machines, traffic and road control systems with traffic information and monitoring purposes, security systems and payment systems mainly for the domestic markets.

Healthcare Business manufactures and sells products such as digital blood pressure monitors, digital thermometers, body composition monitors, pedometers, patient monitors and nebulizers.

Other handles search and cultivation of new businesses, and as a headquarters' direct control business, has cultivation and enhancement of businesses other than the above five Business Companies. The group manufactures and sells products such as solar power conditioner equipments, computer peripheral equipments, MEMS microphone chips, LCD backlight.

Basis of Financial Statements

The accompanying consolidated financial statements are stated in Japanese yen. Based upon requirements for depositary receipts issued in Europe, they are presented in accordance with accounting principles generally accepted in the United States of America. Certain reclassifications have been made to amounts previously reported in order

to conform to classifications at March 31, 2011 and for the year ended March 31, 2011.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries (collectively 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.

The consolidated financial statements include all the Company's subsidiaries (152 and 154 companies at March 31, 2011 and 2010, respectively).

Application of Equity Method

Investments in the Company's affiliated companies are accounted for using the equity method.

Affiliated companies recorded on the equity method as of March 31:

2011

— Hitachi-Omron Terminal Solutions, Corp. and others.

Total: 14 companies

2010

— Hitachi-Omron Terminal Solutions, Corp. and others.

Total: 16 companies

Differing Fiscal Year-ends

Certain subsidiaries have different fiscal year ends from that of the Company, and respective fiscal year-end financial statements of those subsidiaries were used for the purpose of the Company's consolidation. For the years ended March 31, 2011 and 2010, difference in fiscal year ends between certain subsidiaries and the Company did not have a material effect on the Company's consolidated financial statements.

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 within the outstanding receivables.

Marketable Securities and Investments

The Companies classify all of their marketable equity and debt 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. Available-for-sale securities are reviewed for other-than-temporary declines in the carrying amount based on criteria that include the length of time and the extent to which the market value has been less than cost, the financial condition and near-term prospects of the issuer and the Company's intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market 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. However, certain of the Company's subsidiaries located outside Japan have computed depreciation on a straight-line 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 their goodwill and other intangible assets in accordance with the Accounting Standards Codification (hereinafter "ASC") No. 350, "Intangibles-Goodwill and Other" which requires that goodwill no longer be amortized, but instead tested for impairment at least annually. ASC No. 350, 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 might be unrecoverable. 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. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less selling costs.

Advertising Costs

Advertising costs are charged to earnings as incurred. Advertising expense was ¥5,701 million (\$68,687 thousand), ¥4,957 million and ¥7,146 million for the years ended March 31, 2011, 2010 and 2009, respectively, and are included in selling, general and administrative expenses in the consolidated statements of operations.

Shipping and Handling Charges

Shipping and handling charges were ¥7,125 million (\$85,843 thousand), ¥6,005 million and ¥7,399 million for the years ended March 31, 2011, 2010 and 2009, respectively, and are included in selling, general and administrative expenses in the consolidated statements of operations.

Termination and Retirement Benefits

Termination and retirement benefits are accounted for and are disclosed in accordance with ASC No. 715, "Compensation-Retirement Benefits" based on the fiscal year-end fair value of plan assets and the projected benefit obligations of employees. The provision for termination and retirement benefits includes amounts for directors and corporate auditors of the Companies.

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.

Based on available information at the reporting date, and considering a more likely than not threshold, tax benefit related to tax position was recognized.

Notes to Consolidated Financial Statements

Omron Corporation and Subsidiaries

The Company and certain domestic subsidiaries compute current income taxes based on consolidated taxable income as permitted by Japanese tax regulations.

Product Warranties

Liability for 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 ASC No. 815, "Derivatives and Hedging." This standard establishes accounting and reporting standards for derivative instruments and for hedging activities, and requires that an entity recognize all derivatives as either assets or liabilities on the balance sheet and measure those instruments at fair value.

For foreign exchange forward contracts, foreign currency swaps, interest rate swaps and commodities 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). 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 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, foreign currency swaps, interest rate swaps and commodities 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 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 have transferred, the sales price is fixed or determinable, and collectibility is probable.

Stock-Based Compensation

The Companies apply ASC No. 718, "Compensation-Stock Compensation", and recognize stock-based compensation cost measured by the fair value method.

Translation of Financial Statement Items of the Company's Subsidiaries Located Outside Japan into Japanese Yen

Financial statements of the Company's subsidiaries located outside Japan are translated based upon ASC No.830, "Foreign Currency Matters." Assets and liabilities of the subsidiaries are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the year. Gains and losses resulting from translation of financial statements are reported in Accumulated other comprehensive income (loss) as Foreign currency translation adjustments.

Comprehensive Income (Loss)

The Companies apply ASC No. 220, "Comprehensive Income." Comprehensive Income (Loss) is composed of Net Income (Loss) attributable to shareholders, changes in Foreign currency translation adjustments, changes in Pension liability adjustments, changes in Unrealized gains (losses) on available-for-sale securities and changes in Net gains (losses) on derivative instruments. Comprehensive Income (Loss) is disclosed within the Consolidated Statements of Comprehensive Income (Loss).

New Accounting Standards

In October 2009, the FASB issued ASU No.2009-13, "Multiple-Deliverable Revenue Arrangements-a consensus of the FASB Emerging Issues Task Force (hereinafter EITF)." ASU No.2009-13 modifies the criteria for separating consideration under multiple-deliverable arrangements and requires allocation of the overall consideration to each deliverable using the estimated selling price in the absence of vendor-specific objective evidence or third-party evidence of selling price for deliverables. As a result, the residual method of allocating arrangement consideration will no longer be permitted. The guidance also requires additional disclosures about how a vendor allocates revenue in its arrangements and about the significant judgments made and their impact on revenue recognition. ASU No.2009-13 is effective for fiscal years beginning on or after June 15, 2010 and is required to be adopted by the Companies no later than the first quarter beginning April 1, 2011(with early adoption permitted). The provisions are effective prospectively for revenue arrangements entered into or materially modified after the effective date, or retrospectively for all

prior periods. The Companies are currently evaluating the effect that the adoption of this guidance will have on their consolidated financial statements.

In October 2009, the FASB issued ASU No.2009-14, "Certain Revenue Arrangements That Include Software Elements-a consensus of the FASB EITF, ASU No.2009-14 modifies the scope of the software revenue recognition guidance to exclude from its requirements non-software components of tangible products and software components of tangible products that are sold, licensed, or leased with tangible products when the software components and non-software components of the tangible product function

together to deliver the tangible product's essential functionality. ASU No.2009-14 is effective for fiscal years beginning on or after June 15, 2010 using the same effective date and the same transition method used to adopt the guidance for revenue recognition under multiple-deliverable arrangements. The adoption of ASU No.2009-14 will not have a material impact on the Companies' consolidated financial statements.

Note 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 ¥83 to \$1, the approximate rate of exchange at March 31, 2011. 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.

Note 3. Inventories

Inventories at March 31, 2011 and 2010 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Finished products	¥ 48,945	¥ 43,228	\$ 589,699
Work-in-process	11,644	12,129	140,289
Materials and supplies	25,562	22,298	307,976
Total	¥ 86,151	¥ 77,655	\$ 1,037,964

Note 4. Marketable Securities and Investments

Cost, gross unrealized holding gains and losses and fair value of available-for-sale and held-to-maturity securities at March 31, 2011 and 2010 were as follows:

	Millions of yen							
	2011				2010			
	Cost (*)	Gross unrealized gains	Gross unrealized losses	Fair value	Cost (*)	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale securities								
Debt securities	¥ 10	¥ —	¥ —	¥ 10	¥ 58	¥ —	¥ —	¥ 58
Equity securities	19,173	12,126	(254)	31,045	19,723	13,846	(85)	33,484
Total	¥ 19,183	¥ 12,126	¥ (254)	¥ 31,055	¥ 19,781	¥ 13,846	¥ (85)	¥ 33,542

Notes to Consolidated Financial Statements

Omron Corporation and Subsidiaries

Thousands of U.S. dollars

	2011			
	Cost (*)	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale securities				
Debt securities	\$ 120	\$ —	\$ —	\$ 120
Equity securities	231,000	146,096	(3,060)	374,036
Total	\$ 231,120	\$ 146,096	\$ (3,060)	\$ 374,156

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

Millions of yen

	2011				2010			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Held-to-maturity securities								
Debt securities	¥ 175	¥ —	¥ —	¥ 175	¥ 200	¥ —	¥ —	¥ 200

Thousands of U.S. dollars

	2011			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Held-to-maturity securities				
Debt securities	\$ 2,108	\$ —	\$ —	\$ 2,108

Maturities of debt securities classified as available-for-sale and held-to-maturity securities at March 31, 2011 and 2010 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2011		2010		2011	
	Cost	Fair value	Cost	Fair value	Cost	Fair value
Due within one year	¥ 25	¥ 25	¥ 25	¥ 25	\$ 301	\$ 301
Due after one year through five years	¥ 110	¥ 110	¥ 158	¥ 158	\$ 1,325	\$ 1,325
Due over five years	¥ 50	¥ 50	¥ 75	¥ 75	\$ 602	\$ 602
Total	¥ 185	¥ 185	¥ 258	¥ 258	\$ 2,228	\$ 2,228

Gross unrealized holding losses and fair value of certain available-for-sale equity securities, aggregated by the length of time, that they have been in a continuous unrealized loss position at March 31, 2011 and 2010 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2011		2010		2011	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
Less than 12 months						
Equity securities	¥ 862	¥ (254)	¥ 486	¥ (85)	\$ 10,386	\$ (3,060)

(*) In regards to the gross unrealized holding losses of available-for-sale securities, the related securities have been at a loss position for a relatively short period of time. Based on this fact and other relevant factors, management has determined that these investments are not considered other-than-temporarily impaired.

Proceeds from sales of available-for-sale securities were ¥106 million (\$1,277 thousand), ¥938 million and ¥26 million for the years ended March 31, 2011, 2010 and 2009, respectively.

Gross realized gains on sales were ¥20 million (\$241 thousand), ¥592 million and ¥7 million for the years ended March 31, 2011, 2010 and 2009, respectively.

Realized losses on sales were ¥3 million (\$4 thousand) and ¥1 million for the years ended March 31, 2011 and 2009. There were no realized losses on sales for the year ended March 31, 2010.

Losses on impairment of available-for-sale securities recognized to reflect declines in market value considered

to be other than temporary were ¥790 million (\$9,518 thousand), ¥517 million and ¥5,062 million for the years ended March 31, 2011, 2010 and 2009, respectively.

Aggregate cost of non-marketable equity securities accounted for under the cost method totaled ¥4,489 million (\$54,084 thousand) and ¥4,839 million at March 31, 2011 and 2010, respectively. Investments with an aggregate cost of ¥4,489 million (\$54,084 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.

Note 5. Acquisition

There have not been any significant acquisitions for the years ended 2011, 2010 and 2009.

Note 6. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill at March 31, 2011 and 2010 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2011		2010		2011	
	Gross amount	Accumulated amortization	Gross amount	Accumulated amortization	Gross amount	Accumulated amortization
Intangible assets subject to amortization:						
Software	¥ 35,060	¥ 26,771	¥ 34,000	¥ 24,547	\$ 422,410	\$ 322,542
Other	2,554	1,622	3,274	2,502	30,771	19,542
Total	¥ 37,614	¥ 28,393	¥ 37,274	¥ 27,049	\$ 453,181	\$ 342,084

Aggregate amortization expense related to intangible assets was ¥3,889 million (\$46,855 thousand), ¥4,775 million and ¥6,462 million for the years ended March 31, 2011, 2010 and 2009, 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		
2012	¥ 3,199	\$ 38,542
2013	2,443	29,434
2014	1,833	22,084
2015	934	11,253
2016	262	3,157

Intangible assets, not subject to amortization, at March 31, 2011 and 2010 were immaterial.

Notes to Consolidated Financial Statements

Omron Corporation and Subsidiaries

The carrying amount of goodwill in each segment at March 31, 2011 and 2010 and changes in its carrying amount in each segment for the year ended March 31, 2011 and 2010 were as follows:

	Millions of yen						
	2011						
	IAB	EMC	AEC	SSB	HCB	Other	Total
Balance at beginning of year							
Goodwill	¥ 10,361	¥ 343	¥ 588	¥ —	¥ 6,554	¥ 1,938	¥ 19,784
Accumulated impairment loss	(9,406)	(265)	(588)	—	(6,554)	—	(16,813)
Total	955	78	—	—	—	1,938	2,971
Acquisition	—	—	—	—	—	—	—
Impairment	—	—	—	—	—	—	—
Sales of business entity	—	—	—	—	—	—	—
Foreign currency translation adjustments and other	(63)	(5)	—	—	—	—	(68)
Balance at end of year							
Goodwill	10,298	338	588	—	6,554	1,938	19,716
Accumulated impairment loss	(9,406)	(265)	(588)	—	(6,554)	—	(16,813)
Total	¥ 892	¥ 73	¥ —	¥ —	¥ —	¥ 1,938	¥ 2,903

	Millions of yen						
	2010						
	IAB	EMC	AEC	SSB	HCB	Other	Total
Balance at beginning of year							
Goodwill	¥ 10,381	¥ 1,277	¥ 588	¥ —	¥ 6,554	¥ 1,981	¥ 20,781
Accumulated impairment loss	(9,406)	(265)	(588)	—	(6,554)	—	(16,813)
Total	975	1,012	—	—	—	1,981	3,968
Acquisition	—	—	—	—	—	—	—
Impairment	—	—	—	—	—	—	—
Sales of business entity	—	(743)	—	—	—	(43)	(786)
Foreign currency translation adjustments and other	(20)	(191)	—	—	—	—	(211)
Balance at end of year							
Goodwill	10,361	343	588	—	6,554	1,938	19,784
Accumulated impairment loss	(9,406)	(265)	(588)	—	(6,554)	—	(16,813)
Total	¥ 955	¥ 78	¥ —	¥ —	¥ —	¥ 1,938	¥ 2,971

	Thousands of U.S. dollars						
	2011						
	IAB	EMC	AEC	SSB	HCB	Other	Total
Balance at beginning of year							
Goodwill	\$ 124,831	\$ 4,133	\$ 7,084	\$ —	\$ 78,964	\$ 23,349	\$ 238,361
Accumulated impairment loss	(113,325)	(3,193)	(7,084)	—	(78,964)	—	(202,566)
Total	11,506	940	—	—	—	23,349	35,795
Acquisition	—	—	—	—	—	—	—
Impairment	—	—	—	—	—	—	—
Sales of business entity	—	—	—	—	—	—	—
Foreign currency translation adjustments and other	(759)	(60)	—	—	—	—	(819)
Balance at end of year							
Goodwill	124,072	4,073	7,084	—	78,964	23,349	237,542
Accumulated impairment loss	(113,325)	(3,193)	(7,084)	—	(78,964)	—	(202,566)
Total	\$ 10,747	\$ 880	\$ —	\$ —	\$ —	\$ 23,349	\$ 34,976

Note 7. Impairment Loss on Long-Lived Assets

In accordance with ASC No. 360, "Property, Plant and Equipment", the Companies recognize or impairment losses for the fiscal year ended March 31, 2011 on long-lived assets of ¥96 million (\$1,157 thousand), ¥317 million

(\$3,819 thousand) in Automotive Electronic Component Business and Other Business, respectively.

There was no material impairment loss for the year ended March 31, 2010.

Note 8. Short-Term Debt and Long-Term Debt

Short-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Commercial Paper			
The weighted average annual interest rates			
2011 0.2%	¥ 45,000	¥ 16,000	\$ 542,169
2010 0.1%			
Unsecured debt:			
The weighted average annual interest rates			
2011 3.1%	519	612	6,253
2010 1.8%			
Total	¥ 45,519	¥ 16,612	\$ 548,422

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Unsecured debt:			
The weighted average annual interest rates			
2011 —	¥ —	¥ 20,000	\$ —
2010 1.3%			
Other	1,080	1,605	13,012
Total	1,080	21,605	13,012
Less portion due within one year	231	20,315	2,783
Long-term debt, less current portion	¥ 849	¥ 1,290	\$ 10,229

The annual maturities of long-term debt outstanding at March 31, 2011 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2012	¥ 231	\$ 2,783
2013	48	578
2014	49	590
2015	50	602
2016	52	627
Thereafter	650	7,832
Total	¥ 1,080	\$ 13,012

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-term 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, 2011, 2010 and 2009 amounted to ¥481 million (\$5,795 thousand), ¥650 million and ¥1,257 million, respectively.

Notes to Consolidated Financial Statements

Omron Corporation and Subsidiaries

Note 9. 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, 2011, 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		
2012	¥ 3,468	\$ 41,783
2013	2,876	34,651
2014	2,447	29,482
2015	2,376	28,627
2016	2,306	27,783
Thereafter	6,100	73,493
Total	¥ 19,573	\$ 235,819

Rental expense amounted to ¥12,425 million (\$149,699 thousand), ¥12,507 million and ¥13,787 million for the years ended March 31, 2011, 2010 and 2009, respectively.

Note 10. Termination and Retirement Benefits

The Company and its domestic subsidiaries sponsor termination and retirement benefit plans which cover substantially all domestic employees (hereinafter, "the funded contributory termination and retirement plan in Japan"). Benefits were based on a "point-based benefits system," under which benefits are calculated based on accumulated points awarded 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.

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, 2011 and 2010:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Change in benefit obligation:			
Benefit obligation at beginning of year	¥ 164,857	¥ 162,952	\$ 1,986,229
Service cost, less employees' contributions	4,090	3,978	49,277
Interest cost	3,297	3,259	39,723
Actuarial loss	906	1,267	10,915
Benefits paid	(5,562)	(5,701)	(67,012)
Settlement paid	(714)	(898)	(8,602)
Benefit obligation at end of year	¥ 166,874	¥ 164,857	\$ 2,010,530
Change in plan assets:			
Fair value of plan assets at beginning of year	¥ 93,922	¥ 80,245	\$ 1,131,590
Actual return on plan assets	305	10,533	3,675
Employers' contributions	9,262	8,616	111,590
Benefits paid	(4,885)	(4,574)	(58,855)
Settlement paid	(714)	(898)	(8,602)
Fair value of plan assets at end of year	¥ 97,890	¥ 93,922	\$ 1,179,398
Fair value of assets in retirement benefit trust at beginning of year	¥ 7,356	¥ 7,040	\$ 88,627
Actual return on assets in retirement benefit trust	(1,077)	316	(12,977)
Fair value of assets in retirement benefit trust at end of year	¥ 6,279	¥ 7,356	\$ 75,650
Funded status at end of year	¥ (62,705)	¥ (63,579)	\$ (755,482)

Other Current Liabilities

Amounts recognized in the consolidated balance sheet at March 31, 2011 and 2010 consist of:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Other current liability	¥ (902)	¥ (1,048)	\$ (10,867)
Termination and retirement benefit	(61,803)	(62,531)	(744,615)
Total	¥ (62,705)	¥ (63,579)	\$ (755,482)

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2011 and 2010 consist of:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Net actuarial loss	¥ 80,558	¥ 78,485	\$ 970,578
Prior service cost	(14,149)	(16,002)	(170,470)
	¥ 66,409	¥ 62,483	\$ 800,108

The accumulated benefit obligation at March 31, 2011 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Accumulated benefit obligation	¥ 163,061	¥ 160,077	\$ 1,964,590

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, 2011, 2010 and 2009:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Service cost, less employees' contributions	¥ 4,090	¥ 3,978	¥ 3,976	\$ 49,277
Interest cost on projected benefit obligation	3,297	3,259	3,180	39,723
Expected return on plan assets	(3,349)	(3,316)	(3,128)	(40,349)
Amortization	1,100	873	826	13,253
Net periodic benefit cost	¥ 5,138	¥ 4,794	¥ 4,854	\$ 61,904

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, 2012 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Net actuarial loss	¥ 3,046	\$ 36,699
Prior service cost	¥ (1,853)	\$ (22,325)

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.

Assumptions

Weighted-average assumptions used to determine benefit obligations at March 31, 2011 and 2010 are as follows:

	2011	2010
Discount rate	2.0%	2.0%
Compensation increase rate	2.0%	2.0%

Notes to Consolidated Financial Statements

Omron Corporation and Subsidiaries

Weighted-average assumptions used to determine termination and retirement benefit costs for the years ended March 31, 2011, 2010 and 2009 are as follows:

	2011	2010	2009
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 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 yield a total return that will match the expected return on a mid-term to long-term basis.

The Company evaluates the gap between long-term expected return and actual return of invested plan assets to determine if such differences necessitate a revision in the formulation of the model portfolio. In the event that the Company determines the need for a revision of the model portfolio to accomplish the expected long-term rate of return on plan assets, the Company revises the model portfolio to the extent necessary.

Target allocation of plan assets is 20% equity securities, 69% debt securities and life insurance general account assets and 11% other. Equity securities are mainly composed of stocks that are listed on various securities exchanges. The Company has investigated the business condition of investee companies and appropriately diversified the equity investments by type of industry, brand and other relevant factors. Debt securities are primarily composed of government bonds, public debt instruments, and corporate bonds. The Company has investigated the quality of the debt issue, including rating, interest rate, and repayment dates and appropriately diversified the debt investments. For investments in life insurance general account assets, contracts with the insurance companies include a guaranteed interest and return of capital.

The Company's fair value of pension plan assets (except for assets in retirement benefit trust) by asset category as of March 31, 2011 and 2010 are as follows:

	Millions of yen				Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	2011							
Equity securities								
Domestic stocks (*)1	¥ 2,297	¥ —	¥ —	¥ 2,297	\$ 27,675	\$ —	\$ —	\$ 27,675
Overseas stocks	1,873	—	—	1,873	22,566	—	—	22,566
Joint trusts (*)2	—	17,539	—	17,539	—	211,313	—	211,313
Debt securities								
Joint trusts (*)3	—	56,560	—	56,560	—	681,446	—	681,446
Other assets								
Life insurance general account assets	—	14,097	—	14,097	—	169,843	—	169,843
Joint trusts	—	5,102	367	5,469	—	61,470	4,422	65,892
Others	55	—	—	55	663	—	—	663
Total	¥ 4,225	¥ 93,298	¥ 367	¥ 97,890	\$ 50,904	\$ 1,124,072	\$ 4,422	\$ 1,179,398

- (*) 1 Domestic stocks of Equity securities include ¥16 million (\$193 thousand) of common stock of the Company as of March 31, 2011.
 2 Joint trusts of Equity securities invest in listed equity securities consisting of approximately 20% Japanese companies and 80% foreign companies.
 3 Joint trusts of Debt securities invest in approximately 60% Japanese government bonds and 40% foreign government bonds.
 4 Retirement benefit trust includes domestic marketable securities of ¥5,750 million (\$69,277 thousand) and cash and cash equivalents of ¥529 million (\$6,373 thousand), and is classified as Level 1.

	Millions of yen			
	2010			
	Level 1	Level 2	Level 3	Total
Equity securities				
Domestic stocks	¥ 2,533	¥ —	¥ —	¥ 2,533
Overseas stocks	1,945	—	—	1,945
Joint trusts (*)1,2	—	16,939	—	16,939
Debt securities				
Joint trusts (*)3	—	46,128	—	46,128
Other assets				
Life insurance general account assets	—	13,899	—	13,899
Joint trusts	—	11,580	855	12,435
Others	43	—	—	43
Total	¥ 4,521	¥ 88,546	¥ 855	¥ 93,922

(*) 1 Joint trusts of Equity securities include ¥ 11 million of common stock of the Company as of March 31, 2010.

2 Joint trusts of Equity securities invest in publicly traded equity securities consisting of approximately 50% Japanese companies and 50% foreign companies.

3 Joint trusts of Debt securities invest in approximately 50% Japanese government bonds and 50% foreign government bonds.

4 Retirement benefit trust includes domestic marketable securities of ¥6,931 million and cash and cash equivalents of ¥425 million, and is classified as Level 1.

Level 1 assets are comprised principally of equity securities, which are valued using unadjusted quoted market prices in active markets with sufficient volume and frequency of transactions.

Level 2 assets are comprised principally of joint trusts

and life insurance general account assets that invest in equity and debt securities. These joint trusts and insurance general account assets are valued at their net asset values.

Level 3 assets are comprised of private equities and hedge funds, which are valued at net asset value.

The Company's pension plan assets classified as Level 3 (except for assets in retirement benefit trust) as of March 31, 2011 and 2010 are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2011			2010			2011		
	Private equity	Hedge fund	Total	Private equity	Hedge fund	Total	Private equity	Hedge fund	Total
Balance at beginning of year	¥ 347	¥ 508	¥ 855	¥ 1,025	¥ 1,408	¥ 2,433	\$ 4,181	\$ 6,120	\$ 10,301
Total gain and loss (realized or unrealized)									
Current period's holding	1	—	1	122	5	127	12	—	12
Current period's sale	—	(140)	(140)	—	—	—	—	(1,687)	(1,687)
Purchase, issuance and settlement	19	(368)	(349)	(800)	(905)	(1,705)	229	(4,433)	(4,204)
Current period's transfer to (from) Level 3	—	—	—	—	—	—	—	—	—
Balance at end of year	¥ 367	¥ —	¥ 367	¥ 347	¥ 508	¥ 855	\$ 4,422	\$ —	\$ 4,422

Notes to Consolidated Financial Statements

Omron Corporation and Subsidiaries

Cash Flows

Contributions

The Companies expect to contribute ¥9,262 million (\$111,590 thousand) to their domestic termination and retirement benefit plans in the year ending March 31, 2012.

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		
2012	¥ 6,599	\$ 79,506
2013	7,363	88,711
2014	7,116	85,735
2015	7,417	89,361
2016	7,231	87,120
2017–2021	38,781	467,241

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 ¥3,424 million (\$41,253 thousand) and ¥2,872 million (\$34,602 thousand), respectively, at March 31, 2011 and ¥3,401 million and ¥2,801 million, respectively, at March 31, 2010.

The Companies also have unfunded noncontributory termination plans administered by the Companies. These plans provide lump-sum termination benefits which 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' projected benefit obligations.

The aggregate liability for the termination plans excluding the funded contributory termination and retirement plan in Japan, as of March 31, 2011 and 2010 was ¥4,450 million (\$53,614 thousand) and ¥4,546 million, respectively. The aggregate net periodic benefit cost for such plans for the years ended March 31, 2011, 2010 and 2009 was ¥346 million (\$4,169 thousand), ¥515 million and ¥702 million, respectively.

Note 11. Shareholders' Equity

Japanese companies are subject to Japanese Corporate Law ("the Corporate Law").

The Corporate Law requires that all shares of common stock be issued with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock while 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 a specific formula.

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 of the Board of Directors if it is stipulated by the articles of incorporation of the company. 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 ¥55,934 million (\$673,904 thousand) at March 31, 2011, based on the amount recorded on the Company's general book of accounts.

Stock Options

The Company has authorized the granted 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 for the year ended March 31, 2011 are as follows:

Fixed options	Shares (number)	Yen	
		Weighted-average exercise price	Weighted-average fair value of options granted during the year
Options outstanding at March 31, 2008	958,000	¥ 2,868	
Granted	—	—	¥ —
Exercised	—	—	
Expired	(120,000)	2,435	
Options outstanding at March 31, 2009	838,000	¥ 2,930	
Granted	—	—	¥ —
Exercised	—	—	
Expired	(179,000)	2,580	
Options outstanding at March 31, 2010	659,000	¥ 3,026	
Granted	—	—	¥ —
Exercised	—	—	
Expired	(205,000)	2,550	
Options outstanding at March 31, 2011	454,000	¥ 3,240	
Options exercisable at March 31, 2011	454,000	¥ 3,240	

Fixed options	Shares (number)	U.S. dollars	
		Weighted-average exercise price	Weighted-average fair value of options granted during the year
Options outstanding at March 31, 2010	659,000	\$ 36.46	
Granted	—	—	\$ —
Exercised	—	—	
Expired	(205,000)	30.72	
Options outstanding at March 31, 2011	454,000	\$ 39.04	
Options exercisable at March 31, 2011	454,000	\$ 39.04	

Notes to Consolidated Financial Statements

Omron Corporation and Subsidiaries

The following summarizes information about fixed stock options at March 31, 2011:

	Shares (number)	Weighted-average remaining contractual life	Range of exercise prices		Weighted-average exercise price	
			Yen	U.S. dollars	Yen	U.S. dollars
Options outstanding	454,000	0.77 years	¥ 3,031 to ¥ 3,432	\$ 36.52 to \$ 41.35	¥ 3,240	\$ 39.04
Options exercisable	454,000	0.77 years	¥ 3,031 to ¥ 3,432	\$ 36.52 to \$ 41.35	¥ 3,240	\$ 39.04

No fixed stock options were granted for the years ended March 31, 2011, 2010 and 2009.

The Black-Scholes option-pricing 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. Additionally, 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.

For the year ended March 31, 2011, there was no stock-based compensation expense, or any unrecognized compensation expense. There was no cash received from exercise of options under the plan for the year ended March 31, 2011.

When options are exercised, the Company reissues its treasury stock.

Note 12. Other Expenses, Net

Other expenses, net for the years ended March 31, 2011, 2010 and 2009 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Net loss on sales and disposals of property, plant and equipment	¥ 606	¥ 558	¥ 1,983	\$ 7,301
Loss on impairment of property, plant and equipment	413	217	21,203	4,976
Cost for quality control	2,874	—	—	34,627
Loss on impairment of goodwill	—	—	16,813	—
Loss on impairment of investment securities and other assets	805	632	5,401	9,699
Net gain on sales of investment securities	(7)	(636)	(64)	(84)
Interest income, net	47	(72)	(173)	566
Foreign exchange loss, net	2,102	723	(1,060)	25,325
Dividend income	(538)	(609)	(786)	(6,482)
Net loss on sales of business entity	—	966	—	—
Other, net	42	1,100	1,155	506
Total	¥ 6,344	¥ 2,879	¥ 44,472	\$ 76,434

Note 13. Income Taxes

The provision for income taxes for the years ended March 31, 2011, 2010 and 2009 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Current income tax expense	¥ 9,113	¥ 4,813	¥ 3,400	\$ 109,795
Deferred income tax expenses, exclusive of the following	5,640	(904)	(14,866)	67,952
Change in the valuation allowance	(266)	(127)	971	(3,205)
Total	¥ 14,487	¥ 3,782	¥ (10,495)	\$ 174,542

Total amount of income taxes for the years ended March 31, 2011, 2010 and 2009 are respectively allocated to the following items:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
"Income Taxes" in consolidated statement of operations	¥ 14,487	¥ 3,782	¥ (10,495)	\$ 174,542
Accumulated other comprehensive income (loss)				
Foreign currency translation adjustments	(88)	72	(517)	(1,060)
Pension liability adjustments	(94)	2,792	(7,869)	(1,133)
Unrealized gains (losses) on available-for-sale securities	(2,496)	3,420	(2,598)	(30,072)
Net gains (losses) on derivative instruments	36	383	(645)	434
Total	¥ 11,845	¥ 10,449	¥ (22,124)	\$ 142,711

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 2011, 2010 and 2009.

The effective income tax rates of the Companies differ from the normal Japanese statutory rates as follows for the years ended March 31, 2011, 2010 and 2009:

	2011	2010	2009
Japanese statutory effective tax rates	41.0%	41.0%	41.0%
Increase (decrease) in taxes resulting from			
Permanently non-deductible items	2.0	1.1	(1.6)
Tax credit for research and development expenses	(0.4)	(3.5)	1.2
Losses of subsidiaries for which no tax benefit was provided	1.1	2.3	(11.9)
Difference in subsidiaries' tax rates	(10.2)	(3.6)	6.7
Change in the valuation allowance	(0.6)	(0.9)	(7.1)
Other, net	1.8	0.7	(1.5)
Income taxes burden rates after the application of tax effect accounting	34.7	37.1	26.8

Notes to Consolidated Financial Statements

Omron Corporation and Subsidiaries

The approximate effect of temporary differences and tax credit and loss carry forwards that gave rise to deferred tax balances at March 31, 2011 and 2010 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2011		2010		2011	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Inventory valuation	¥ 5,687	¥ —	¥ 5,933	¥ —	\$ 68,518	\$ —
Accrued bonuses and vacations	5,990	—	4,871	—	72,169	—
Termination and retirement benefits	2,418	—	4,338	—	29,133	—
Enterprise taxes	410	—	499	—	4,940	—
Marketable securities	—	3,490	—	4,056	—	42,048
Property, plant and equipment	2,122	—	3,360	—	25,566	—
Allowance for doubtful receivables	66	—	2,034	—	795	—
Pension liability adjustment	27,228	—	25,619	—	328,048	—
Other temporary differences	17,182	807	15,538	884	207,012	9,723
Tax credit carryforwards	4,990	—	4,370	—	60,120	—
Operating loss carryforwards	9,352	—	12,982	—	112,675	—
Subtotal	¥ 75,445	¥ 4,297	¥ 79,544	¥ 4,940	\$ 908,976	\$ 51,771
Valuation allowance	(9,639)	—	(9,776)	—	(116,133)	—
Total	¥ 65,806	¥ 4,297	¥ 69,768	¥ 4,940	\$ 792,843	\$ 51,771

The total valuation allowance decreased by ¥137 million (\$1,651 thousand) and ¥567 million in 2011, 2010, respectively.

As of March 31, 2011, the Companies had operating loss carryforwards approximating ¥21,117 million (\$254,422 thousand) available for reduction of future taxable income, the majority of which expire by 2016.

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 the Company has not recognized deferred tax liabilities were ¥78,769 million (\$949,024 thousand) and ¥66,522 million at March 31, 2011 and 2010, respectively. Dividends received from domestic subsidiaries

are expected to be substantially free of tax.

The Companies have adopted ASC No. 740, "Accounting for Uncertainty in Income Taxes." The Companies believe that the total amount of unrecognized tax benefits as of March 31, 2011 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 operations.

The Companies file income tax returns in Japanese and foreign jurisdictions. With few exceptions, tax examinations in Japan years prior to March 31, 2009 have been finished. With few exceptions, tax examinations in foreign countries for years prior to March 31, 2003 have been finished.

Note 14. Per Share Data

The Company accounts for its net income per share in accordance with ASC No. 260, "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 as of March 31, 2011, 2010 and 2009 was as follows:

Numerator	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Net income (loss) attributable to shareholders	¥ 26,782	¥ 3,518	¥ (29,172)	\$ 322,676
Diluted net income (loss) attributable to shareholders	¥ 26,782	¥ 3,518	¥ (29,172)	\$ 322,676
Denominator	2011	2010	2009	
Weighted average common shares outstanding	220,131,599	220,158,389	220,747,962	
Dilutive effect of:				
Stock options	—	—	—	
Diluted common shares outstanding	220,131,599	220,158,389	220,747,962	

Note 15. Supplemental Information for Cash Flows

Supplemental cash flow information for the years ended March 31, 2011, 2010 and 2009 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Interest paid	¥ 482	¥ 652	¥ 1,257	\$ 5,807
Income taxes paid	9,636	2,813	18,776	116,096
Non-cash investing and financing activities				
Liabilities assumed in connection with capital expenditure	1,843	299	1,567	22,205

Note 16. Other Comprehensive Income (Loss)

The change in each component of accumulated other comprehensive income (loss) for the years ended March 31, 2011, 2010 and 2009 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Foreign currency translation adjustments				
Beginning balance	¥ (23,678)	¥ (22,319)	¥ (5,782)	\$ (285,277)
Change for the year	(10,368)	(1,359)	(16,537)	(124,916)
Ending balance	(34,046)	(23,678)	(22,319)	(410,193)
Pension liability adjustments				
Beginning balance	(36,553)	(40,570)	(29,245)	(440,398)
Change for the year	(2,183)	4,017	(11,325)	(26,301)
Ending balance	(38,736)	(36,553)	(40,570)	(466,699)
Unrealized gains (losses) on available-for-sale securities				
Beginning balance	7,684	2,763	6,501	92,578
Change for the year	(1,114)	4,921	(3,738)	(13,421)
Ending balance	6,570	7,684	2,763	79,157
Net gains (losses) on derivative instruments				
Beginning balance	(67)	(618)	309	(807)
Change for the year	52	551	(927)	626
Ending balance	(15)	(67)	(618)	(181)
Total accumulated other comprehensive loss				
Beginning balance	(52,614)	(60,744)	(28,217)	(633,904)
Change for the year	(13,613)	8,130	(32,527)	(164,012)
Ending balance	¥ (66,227)	¥ (52,614)	¥ (60,744)	\$ (797,916)

Notes to Consolidated Financial Statements

Omron Corporation and Subsidiaries

Tax effects allocated to each component of other comprehensive income (loss) including other comprehensive income (loss) attributable to noncontrolling interests and reclassification adjustments for the years ended March 31, 2011, 2010 and 2009 were as follows:

	Millions of yen								
	2011			2010			2009		
	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	¥(10,478)	¥ 88	¥(10,390)	¥(1,328)	¥ (72)	¥(1,400)	¥(17,225)	¥ 517	¥(16,708)
Net change in foreign currency translation adjustments during the year	(10,478)	88	(10,390)	(1,328)	(72)	(1,400)	(17,225)	517	(16,708)
Pension liability adjustments:									
Pension liability adjustments arising during the year	(1,177)	(357)	(1,534)	7,681	(3,150)	4,531	(18,368)	7,530	(10,838)
Reclassification adjustment for the portion realized in net income	(1,100)	451	(649)	(872)	358	(514)	(826)	339	(487)
Pension liability adjustments	(2,277)	94	(2,183)	6,809	(2,792)	4,017	(19,194)	7,869	(11,325)
Unrealized gains (losses) on available-for-sale securities:									
Unrealized holding gains (losses) arising during the year	(4,376)	2,810	(1,566)	8,417	(3,451)	4,966	(11,393)	4,671	(6,722)
Reclassification adjustment for losses on impairment in net income	789	(323)	466	516	(212)	304	5,062	(2,075)	2,987
Reclassification adjustment for net gains on sales in net income	(17)	7	(10)	(592)	243	(349)	(5)	2	(3)
Reclassification adjustment for net gains on share exchange in net income	(6)	2	(4)	—	—	—	—	—	—
Net unrealized gains (losses)	(3,610)	2,496	(1,114)	8,341	(3,420)	4,921	(6,336)	2,598	(3,738)
Net gains (losses) on derivative instruments:									
Net gains (losses) on derivative instruments designated as cash flow hedges during the year	1,514	(621)	893	1,250	(513)	737	1,333	(546)	787
Reclassification adjustment for net gains (losses) realized in net income	(1,426)	585	(841)	(316)	130	(186)	(2,905)	1,191	(1,714)
Net gains (losses)	88	(36)	52	934	(383)	551	(1,572)	645	(927)
Other comprehensive income (losses)	¥(16,277)	¥2,642	¥(13,635)	¥14,756	¥(6,667)	¥ 8,089	¥(44,327)	¥11,629	¥(32,698)

	Thousands of U.S. dollars		
	2011		
	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during the year	\$ (126,241)	\$ 1,060	\$ (125,181)
Net change in foreign currency translation adjustments during the year	(126,241)	1,060	(125,181)
Pension liability adjustments:			
Pension liability adjustments arising during the year	(14,181)	(4,301)	(18,482)
Reclassification adjustment for the portion realized in net income	(13,253)	5,434	(7,819)
Pension liability adjustments	(27,434)	1,133	(26,301)
Unrealized gains (losses) on available-for-sale securities:			
Unrealized holding gains (losses) arising during the year	(52,723)	33,856	(18,867)
Reclassification adjustment for losses on impairment in net income	9,506	(3,892)	5,614
Reclassification adjustment for net gains on sales in net income	(204)	84	(120)
Reclassification adjustment for net gains on share exchange in net income	(72)	24	(48)
Net unrealized gains (losses)	(43,493)	30,072	(13,421)
Net gains (losses) on derivative instruments:			
Net gains (losses) on derivative instruments designated as cash flow hedges during the year	18,241	(7,482)	10,759
Reclassification adjustment for net gains (losses) realized in net income	(17,181)	7,048	(10,133)
Net gains (losses)	1,060	(434)	626
Other comprehensive income (losses)	\$ (196,108)	\$ 31,831	\$ (164,277)

Note 17. 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, 2011 and 2010, of the Companies' financial instruments.

	Millions of yen				Thousands of U.S. dollars	
	2011		2010		2011	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Nonderivatives						
Long-term debt, including current portion	¥ (1,080)	¥ (1,080)	¥ (21,605)	¥ (21,606)	\$ (13,012)	\$ (13,012)
Derivatives						
Included in Other current assets (liabilities)						
Forward exchange contracts	(340)	(340)	29	29	(4,096)	(4,096)
Foreign currency swaps	(27)	(27)	(27)	(27)	(325)	(325)
Interest rate swaps	—	—	(65)	(65)	—	—
Commodities swaps	198	198	—	—	2,386	2,386

Notes to Consolidated Financial Statements

Omron Corporation and Subsidiaries

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 its 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 including current portion: 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. For the rest of the Companies' derivatives, pricing or valuation models are applied to current market information to estimate fair value. The Companies do not use derivatives for trading purposes.

Note 18. Derivatives and Hedging Activities

The Companies enter into foreign exchange forward contracts and combined purchased and written foreign currency swaps to hedge changes in foreign currency rates (primarily the U.S. dollar and the EURO). The Companies enter into interest rate swaps to hedge changes in interest rates. The Companies enter into commodities swaps to hedge changes in prices of commodities including copper and silver used in the manufacturing of various products. The Companies do not use derivatives for trading purposes. The Companies are exposed to credit risk in the event of non-performance by counterparties to derivatives, but management considers the exposure to such risk to be minimal since the counterparties maintain good credit ratings.

Changes in the fair value of foreign exchange forward

contracts, foreign currency swaps and interest rate swaps designated and qualifying as cash flow hedges are reported in accumulated other comprehensive income (loss). These amounts are subsequently reclassified into other expenses, net in the same period as the hedged items affect earnings. Changes in the fair value of commodities swaps designated and qualifying as cash flow hedges are reported in accumulated other comprehensive income (loss), and are subsequently reclassified into cost of sales, 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, foreign currency swaps and commodities swaps at March 31, 2011 is expected to be reclassified into earnings within twelve months.

The notional amounts of outstanding contracts to exchange foreign currencies at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Forward exchange contracts	¥ 43,184	¥ 28,780	\$ 520,289
Foreign currency swaps	¥ 1,200	¥ 2,026	\$ 14,458
Interest rate swaps	¥ —	¥ 20,000	\$ —
Commodities swaps	¥ 1,307	¥ —	\$ 15,747

The fair values of derivatives at March 31, 2011 and 2010 were as follows:

Derivatives designated as hedges

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Assets			
Forward exchange contracts	¥ 254	¥ 217	\$ 3,060
Commodities swaps	¥ 213	¥ —	\$ 2,566
	Millions of yen		Thousands of U.S. dollars
Liabilities	2011	2010	2011
Forward exchange contracts	¥ (594)	¥ (188)	\$ (7,157)
Foreign currency swaps	(27)	(27)	(325)
Interest rate swaps	—	(65)	—
Commodities swaps	(15)	—	(181)

The effects on consolidated statements of operations for the year ended March 31, 2011 were as follows:

Derivatives designated as hedges

	Profit and loss of other comprehensive income (loss) (Hedge effective part)		Transfer from other comprehensive income (loss) to profit and loss (Hedge effective part)	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Cash flow hedge	2011			
Forward exchange contracts	¥ 738	\$ 8,892	¥ (842)	\$ (10,145)
Foreign currency swaps	(0)	(0)	0	0
Interest rate swaps	39	470	—	—
Commodities swaps	117	1,410	—	—

The amount of hedging ineffectiveness was not material.

The effects on consolidated statements of operations in the year ended March 31, 2010 were as follows:

Derivatives designated as hedges

	Profit and loss of other comprehensive income (loss) (Hedge effective part)		Transfer from other comprehensive income (loss) to profit and loss (Hedge effective part)	
	Millions of yen			
Cash flow hedge	2010			
Forward exchange contracts	¥ 771		¥ (186)	
Foreign currency swaps	(9)		0	
Interest rate swaps	(24)		—	

The amount of hedging ineffectiveness was not material.

Notes to Consolidated Financial Statements

Omron Corporation and Subsidiaries

Note 19. Commitments and Contingent Liabilities

The Company has commitments at March 31, 2011 of ¥4,119 million (\$49,627 thousand) related to contracts for outsourcing computer services through 2013. The Company paid an annual service fee of ¥2,512 million (\$30,265 thousand) related to these contracts for the year ended March 31, 2011. 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 49% 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 at March 31, 2011 and 2010 are ¥246 million (\$2,964 thousand) and ¥295 million, respectively. The carrying amounts of the liabilities recognized under those guarantees at March 31, 2011 were immaterial.

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, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Balance at beginning of year	¥ 1,437	¥ 1,501	\$ 17,313
Addition	3,913	1,483	47,145
Utilization	(1,399)	(1,547)	(16,856)
Balance at end of year	¥ 3,951	¥ 1,437	\$ 47,602

Note 20. Fair Value Measurements

ASC No. 820, "Fair Value Measurements and Disclosures" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC No. 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

Level 1— Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2— Inputs are quoted prices for similar assets or

liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3— Inputs are significant to measure fair value of assets or liabilities and unobservable.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents assets and liabilities that are measured at fair value on a recurring basis at March 31, 2011:

	Amount of Fair Value Measurements							
	Millions of yen				Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Investment securities								
Debt securities	¥ 10	¥ —	¥ —	¥ 10	\$ 120	\$ —	\$ —	\$ 120
Equity securities	31,045	—	—	31,045	374,036	—	—	374,036
Derivatives								
Foreign exchange forward contracts	—	254	—	254	—	3,060	—	3,060
Commodities swaps	—	213	—	213	—	2,566	—	2,566
Liabilities								
Derivatives								
Foreign exchange forward contracts	—	594	—	594	—	7,157	—	7,157
Foreign currency swaps	—	27	—	27	—	325	—	325
Commodities swaps	—	15	—	15	—	181	—	181

The following table presents assets and liabilities that are measured at fair value on a recurring basis at March 31, 2010:

	Amount of Fair Value Measurements			
	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Debt securities	¥ 58	¥ —	¥ —	¥ 58
Equity securities	33,484	—	—	33,484
Derivatives				
Foreign exchange forward contracts	—	217	—	217
Liabilities				
Derivatives				
Foreign exchange forward contracts	—	188	—	188
Interest rate swaps	—	65	—	65
Foreign currency swaps	—	27	—	27

Investment Securities

Investment securities mainly consist of listed stocks. Since fair value of the investment securities is valued using a quoted market price in active markets for identical assets and can be observed, these are classified as Level 1.

Derivatives

Derivatives consist of foreign exchange forward contracts, foreign currency swaps, interest rate swaps and commodity futures. Since fair value of derivatives is valued using the observable market data such as foreign exchange rates or interest rates, these are classified as Level 2.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Long-lived assets with a carrying amount of ¥550 million

(\$6,627 thousand) were written down to their fair value of ¥137 million (\$1,651 thousand), resulting in an impairment loss of ¥413 million (\$4,976 thousand), which was included in earnings for the year ended March 31, 2011. Since fair values were not valued using observable inputs, these assets were classified as Level 3.

Non-marketable investment securities with a carrying amount of ¥7 million (\$84 thousand) were written down to their fair value of ¥2 million (\$24 thousand), resulting in an other-than-temporary impairment charge of ¥5 million (\$60 thousand), which was included in earnings for the year ended March 31, 2011. Since fair values were not valued using observable inputs, these investments were classified as Level 3.

Notes to Consolidated Financial Statements

Omron Corporation and Subsidiaries

Note 21. Segment Information

Operating segment information

ASC No.280 establishes the disclosure of information about operating segments in financial statements. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The operating segments are determined based on the nature of the products and services offered.

The Company discloses five operating segments: "Industrial Automation Business", "Electronic and Mechanical Components Business", "Automotive Electronic Components Business", "Social Systems Solution and Service Business" and "Healthcare Business." These segments are mainly separated based on the Companies' consideration of their lines of business, and size within the consolidation. The Company presents operating segments other than the above five segments in "Other."

The primary products included in each segment are as follows:

- (1) Industrial Automation Business (IAB): Sensors, programmable logic controllers, timers, vision sensors, automated optical inspection devices, safety components, temperature controllers, motion controllers.
- (2) Electronic and Mechanical Components Business (EMC): Relays, switches, components and units for amusement devices, connectors, combination jogs.
- (3) Automotive Electronic Components Business (AEC): Passive entry devices, power window switches, electric power steering.
- (4) Social Systems Solution and Service Business (SSB): Railway infrastructure systems, traffic control, road control systems, security systems, payment systems.
- (5) Healthcare Business (HCB): Digital blood pressure monitors, digital thermometers, body composition monitors, pedometers, biological information monitors, nebulizers.
- (6) Other: Solar power conditioner equipments, computer peripheral equipments, MEMS microphone chips, LCD backlight.

The segment information is substantially presented in accordance with accounting principles generally accepted in the United States of America.

Revenues and expenses directly associated with specific segments are disclosed in the figures of each segment's operating result.

Based on the Company's allocation method used by management to evaluate results of each segment, revenues and expenses not directly associated with specific segments are allocated to each segment or included in "Eliminations and others."

On the year ended March 31, 2011, the solar power conditioner business in "Industrial Automation Business" was transferred to "Other." To reflect the results, the Companies restated the segment information for prior years to conform to the current year presentation.

Operating segment information as of and for the years ended March 31, 2011, 2010 and 2009 was as follows:

		Millions of yen								
For the year ended March 31, 2011		IAB	EMC	AEC	SSB	HCB	Other	Total	Eliminations and others	Consolidated
I Sales and Segment profit (loss)										
[1] Sales to external customers										
		¥ 271,894	¥ 81,216	¥ 84,259	¥ 63,846	¥ 60,629	¥ 49,672	¥ 611,516	¥ 6,309	¥ 617,825
[2] Intersegment Sales										
		6,006	56,886	493	4,682	38	17,020	85,125	(85,125)	—
Total		277,900	138,102	84,752	68,528	60,667	66,692	696,641	(78,816)	617,825
Segment profit (loss)		¥ 38,228	¥ 11,914	¥ 4,162	¥ 1,653	¥ 4,078	¥ (4,659)	¥ 55,376	¥ (7,339)	¥ 48,037
II Assets, depreciation and capital expenditures										
Assets										
		¥ 209,019	¥ 109,325	¥ 48,387	¥ 70,642	¥ 42,528	¥ 35,465	¥ 515,366	¥ 47,424	¥ 562,790
	Depreciation and amortization	4,493	6,860	2,057	1,658	1,249	1,232	17,549	5,435	22,984
	Capital expenditures	2,169	8,654	2,023	1,038	4,659	1,957	20,500	2,692	23,192

Annotations about the above segment information:

- No.1 Intersegment sales are recorded at the same prices used in transactions with third parties.
- No.2 Eliminations and others include items such as unclassifiable expenses, eliminations of internal transaction among each segment.
- No.3 Depreciation and amortization and Capital expenditures include expenses and expenditures arising from intangible assets.

		Millions of yen								
For the year ended March 31, 2010		IAB	EMC	AEC	SSB	HCB	Other	Total	Eliminations and others	Consolidated
I Sales and Segment profit (loss)										
[1] Sales to external customers										
		¥ 203,917	¥ 70,717	¥ 75,163	¥ 57,981	¥ 63,359	¥ 43,592	¥ 514,729	¥ 9,965	¥ 524,694
[2] Intersegment Sales										
		4,088	43,961	691	3,898	86	14,047	66,771	(66,771)	—
Total		208,005	114,678	75,854	61,879	63,445	57,639	581,500	(56,806)	524,694
Segment profit (loss)		¥ 12,694	¥ 6,739	¥ 1,731	¥ 2,654	¥ 7,055	¥ (5,822)	¥ 25,051	¥ (11,977)	¥ 13,074
II Assets, depreciation and capital expenditures										
Assets										
		¥ 179,512	¥ 104,354	¥ 52,520	¥ 69,794	¥ 45,808	¥ 33,212	¥ 485,200	¥ 47,054	¥ 532,254
	Depreciation and amortization	5,211	8,480	2,099	1,378	1,342	1,262	19,772	7,242	27,014
	Capital expenditures	1,850	4,231	3,607	1,181	1,500	1,088	13,457	6,067	19,524

Annotations about the above segment information:

- No.1 Intersegment sales are recorded at the same prices used in transactions with third parties.
- No.2 Eliminations and others include items such as unclassifiable expenses, eliminations of internal transaction among each segment.
- No.3 Depreciation and amortization and Capital expenditures include expenses and expenditures arising from intangible assets.

Notes to Consolidated Financial Statements

Omron Corporation and Subsidiaries

For the year ended March 31, 2009	Millions of yen								Eliminations and others	Consolidated
	IAB	EMC	AEC	SSB	HCB	Other	Total			
I Sales and Segment profit (loss)										
[1] Sales to external customers	¥ 271,204	¥ 76,494	¥ 82,109	¥ 72,336	¥ 63,592	¥ 50,989	¥ 616,724	¥ 10,466	¥ 627,190	
[2] Intersegment Sales	10,327	47,562	3,515	5,753	240	11,490	78,887	(78,887)	—	
Total	281,531	124,056	85,624	78,089	63,832	62,479	695,611	(68,421)	627,190	
Segment profit (loss)	¥ 17,216	¥ 4,223	¥ (7,115)	¥ 5,194	¥ 4,767	¥ (6,359)	¥ 17,926	¥ (12,587)	¥ 5,339	
II Assets, depreciation and capital expenditures										
Assets	¥ 169,994	¥ 98,902	¥ 49,927	¥ 73,591	¥ 38,288	¥ 28,962	¥ 459,664	¥ 78,616	¥ 538,280	
Depreciation and amortization	7,438	11,165	6,178	1,800	1,579	1,758	29,918	3,578	33,496	
Capital expenditures	3,870	7,678	4,461	800	1,333	4,224	22,366	14,478	36,844	

Annotations about the above segment information:

- No.1 Intersegment sales are recorded at the same prices used in transactions with third parties.
- No.2 Eliminations and others include items such as unclassifiable expenses, eliminations of internal transaction among each segment.
- No.3 Depreciation and amortization and Capital expenditures include expenses and expenditures arising from intangible assets.

For the year ended March 31, 2011	Thousands of U.S. dollars								Eliminations and others	Consolidated
	IAB	EMC	AEC	SSB	HCB	Other	Total			
I Sales and Segment profit (loss)										
[1] Sales to external customers	\$3,275,831	\$ 978,506	\$1,015,169	\$769,229	\$730,470	\$598,458	\$7,367,663	\$ 76,012	\$7,443,675	
[2] Intersegment Sales	72,361	685,373	5,940	56,410	458	205,060	1,025,602	(1,025,602)	—	
Total	3,348,192	1,663,879	1,021,109	825,639	730,928	803,518	8,393,265	(949,590)	7,443,675	
Segment profit (loss)	\$ 460,578	\$ 143,542	\$ 50,145	\$ 19,916	\$ 49,133	\$ (56,133)	\$ 667,181	\$ (88,421)	\$ 578,760	
II Assets, depreciation and capital expenditures										
Assets	2,518,301	1,317,169	582,976	851,108	512,386	427,289	6,209,229	571,373	6,780,602	
Depreciation and amortization	54,133	82,651	24,783	19,976	15,048	14,843	211,434	65,482	276,916	
Capital expenditures	\$ 26,133	\$ 104,265	\$ 24,373	\$ 12,506	\$ 56,133	\$ 23,578	\$ 246,988	\$ 32,434	\$ 279,422	

Annotations about the above segment information:

- No.1 Intersegment sales are recorded at the same prices used in transactions with third parties.
- No.2 Eliminations and others include items such as unclassifiable expenses, eliminations of internal transaction among each segment.
- No.3 Depreciation and amortization and Capital expenditures include expenses and expenditures arising from intangible assets.

Reconciliation between segment profit (loss) and income (loss) before income taxes and equity in loss (earnings) of affiliates for the years ended March 31, 2011, 2010 and 2009 is as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Total amount of segment profit	¥ 55,376	¥ 25,051	¥ 17,926	\$ 667,181
Other expenses, net	6,344	2,879	44,472	76,434
Eliminations and others	(7,339)	(11,977)	(12,587)	(88,421)
Income (loss) before income taxes and equity in loss (earnings) of affiliates	¥ 41,693	¥ 10,195	¥ (39,133)	\$ 502,326

Geographic Information

Information by the Companies' sales to external customers and property, plant and equipment separated into major geographic areas as of and for the years ended March 31, 2011, 2010 and 2009 is as follows:

For the year ended March 31, 2011	Millions of yen					
	Japan	North America	Europe	Greater China	Southeast Asia and Others	Consolidated
Sales to external customers	¥ 311,906	¥ 74,397	¥ 84,511	¥ 97,012	¥ 49,999	¥ 617,825
Property, plant and equipment	¥ 83,109	¥ 4,210	¥ 4,485	¥ 21,381	¥ 6,813	¥ 119,998

For the year ended March 31, 2010	Millions of yen					
	Japan	North America	Europe	Greater China	Southeast Asia and Others	Consolidated
Sales to external customers	¥ 269,143	¥ 61,154	¥ 77,607	¥ 77,136	¥ 39,654	¥ 524,694
Property, plant and equipment	¥ 85,247	¥ 5,108	¥ 5,483	¥ 20,853	¥ 6,303	¥ 122,994

For the year ended March 31, 2009	Millions of yen					
	Japan	North America	Europe	Greater China	Southeast Asia and Others	Consolidated
Sales to external customers	¥ 328,063	¥ 80,397	¥ 103,128	¥ 75,242	¥ 40,360	¥ 627,190
Property, plant and equipment	¥ 93,423	¥ 6,009	¥ 6,343	¥ 20,430	¥ 6,330	¥ 132,535

For the year ended March 31, 2011	Thousands of U.S. dollars					
	Japan	North America	Europe	Greater China	Southeast Asia and Others	Consolidated
Sales to external customers	\$ 3,757,904	\$ 896,349	\$ 1,018,205	\$ 1,168,819	\$ 602,398	\$ 7,443,675
Property, plant and equipment	\$ 1,001,313	\$ 50,723	\$ 54,036	\$ 257,602	\$ 82,084	\$ 1,445,759

Annotations about the above Geographic information:

-No.1 Classification of country or area is based upon physical geographic approximation.

-No.2 Major Countries or areas belonging to segments other than Japan are as follows:

- (1) North America: the United States of America and Canada
- (2) Europe: the Netherlands, Great Britain, Germany, France, Italy and Spain
- (3) Greater China: China, Hong Kong and Taiwan
- (4) Southeast Asia and Others: Singapore, Republic of Korea and Australia

-No.3 For Sales and Property, plant and equipment, there were no material amounts specific to a particular country that will have required separate disclosure as of and for the years ended March 31, 2011, 2010 and 2009.

-No.4 There are no sales to important single external customer, which is required to be separately disclosed, for the years ended March 31, 2011, 2010 and 2009.

Note 22. Subsequent Events

The Companies have adopted ASC No. 855, "Subsequent Events." ASC No. 855 establishes the disclosure of the date that subsequent events are recognized and the estimate of nature and financial effect of unrecognized subsequent events.

No significant event took place since March 31, 2011 through June 22, 2011, which was the date that Yukashouken-houkokusho (Annual Securities Report filed under the Financial Instruments and Exchange Act of Japan) for the year ended March 31, 2011 was available to be issued.



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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, 2011 and 2010, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2011, 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.

In our opinion, 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, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, 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.

Kyoto, Japan
 June 22, 2011

Member of
 Deloitte Touche Tohmatsu Limited

Internal Control Section

Management's Report on Internal Control

NOTE TO READERS:

Following is an English translation of the management's report on internal control over financial reporting ("ICFR") filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

There are differences between an assessment of ICFR under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the standards of the Public Company Accounting Oversight Board (United States) ("ICFR under PCAOB");

- In an assessment of ICFR under FIEA, there is detailed guidance on the scope of an assessment of ICFR, such as quantitative guidance on business location selection and/or account selection. In an assessment of ICFR under PCAOB, there is no such detailed guidance. Accordingly, regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested based on the previous year's consolidated net sales (after the elimination of transactions between consolidated companies), and the companies whose net sales reaches two-thirds of total amount on a consolidation basis were selected as "significant locations and/or business units." At selected "significant locations and/or business units," we included in the scope of assessment, business processes leading to sales, accounts receivable and inventories as significant accounts that may have a material impact on our business objectives. Further, in addition to selected significant locations and/or business units, we also included in the scope of assessment, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

Management's Report on Internal Control

1. Matters relating to the basic framework for internal control over financial reporting

Yoshihito Yamada, President and Chief Executive Officer is responsible for designing and operating effective internal control over financial reporting of Omron Corporation (the "Company") and has designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "The Standards and Practice Standards for Management Assessment and Audit Concerning Internal Control Over Financial Reporting (Council Opinion)" released by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

The assessment of internal control over financial reporting was performed as of March 31, 2011 which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidation basis ("entity-level controls") and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method affiliated companies, from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined by taking into account the materiality of quantitative and qualitative impacts on financial reporting. In light of the results of assessment of entity-level controls conducted for the Company and its consolidated subsidiaries, we reasonably determined the scope of assessment of internal controls over

business processes. Consolidated subsidiaries and equity-method affiliated companies determined to have an insignificant quantitative and qualitative influence on the reliability of financial reporting are not included in the scope of assessment of entity-level controls.

Regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested based on the previous year's consolidated net sales (after the elimination of transactions between consolidated companies), and the companies whose net sales reaches two-thirds of total amount on a consolidation basis were selected as "significant locations and/or business units." At selected "significant locations and/or business units," we included in the scope of assessment, business processes leading to sales, accounts receivable and inventories as significant accounts that may have a material impact on the business objectives of the Company. Further, in addition to selected significant locations and/or business units, we also included in the scope of assessment, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

3. Matters relating to the results of the assessment

The above assessments determined that the Company's internal control over financial reporting was effective as of the last day of the fiscal year under review.

4. Additional notes

No material items to report.

5. Special notes

No material items to report.

June 22, 2011
Yoshihito Yamada
President
Chief Executive Officer
Omron Corporation

Internal Control Section

Independent Auditors' Report

(filed under the Financial Instruments and Exchange Act of Japan)

NOTE TO READERS:

Following is an English translation of the Independent Auditors' Report filed under the Financial Instruments and Exchange Act of Japan. This report is presented merely as supplemental information.

There are differences between an audit of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the standards of the Public Company Accounting Oversight Board (United States) ("ICFR under PCAOB");

- In an audit of ICFR under FIEA, the auditors express an opinion on management's report on ICFR, and do not express an opinion on the Company's ICFR directly. In an audit of ICFR under PCAOB, the auditors express an opinion on the Company's ICFR directly.
- In an audit of ICFR under FIEA, there is detailed guidance on the scope of an audit of ICFR, such as quantitative guidance on business location selection and/or account selection. In an audit of ICFR under PCAOB, there is no such detailed guidance. Accordingly, regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested based on the previous year's consolidated net sales (after the elimination of transactions between consolidated companies), and the companies whose net sales reaches two-thirds of total amount on a consolidation basis were selected as "significant locations and/or business units." At selected "significant locations and/or business units," we included in the scope of assessment, business processes leading to sales, accounts receivable and inventories as significant accounts that may have a material impact on the business objectives of Omron Corporation (the "Company"). Further, in addition to selected significant locations and/or business units, we also included in the scope of assessment, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

(TRANSLATION)

Independent Auditors' Report

June 22, 2011

To the Board of Directors of OMRON Corporation.

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner, Engagement Partner, Certified Public Accountant: Kazuyasu Yamada
 Designated Unlimited Liability Partner, Engagement Partner, Certified Public Accountant: Kenichi Takai
 Designated Unlimited Liability Partner, Engagement Partner, Certified Public Accountant: Hiroaki Sakai

Audit of Financial Statements

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows, and consolidated supplementary schedules of OMRON Corporation and consolidated subsidiaries for the fiscal year from April 1, 2010 to March 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of OMRON Corporation and consolidated subsidiaries as of March 31, 2011, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Audit of Internal Control over Financial Reporting

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of OMRON Corporation as of March 31, 2011. The Company's management is responsible for designing and operating effective internal control over financial reporting and preparing its report on internal control over financial reporting. Our responsibility is to express an opinion on management's report on internal control over financial reporting based on our audit. There is a possibility that material misstatements will not completely be prevented or detected by internal control over financial reporting.

We conducted our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control over financial reporting is free of material misstatement. An audit includes examining, on a test basis, the scope, procedures and results of assessment of internal control made by management, as well as evaluating the overall presentation of the management's report on internal control over financial reporting. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of OMRON Corporation as of March 31, 2011 is effectively maintained, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Corporate and Stock Information

As of March 31, 2011

Date of Establishment
May 10, 1933

**Number of Employees
(Consolidated)**
35,684

Paid-in Capital
¥64,100 million

Common Stock
Authorized
487,000,000 shares
Issued
239,121,372 shares
Number of shareholders
31,189

Stock Listings
Osaka Securities
Exchange
Tokyo Stock Exchange
Frankfurt Stock Exchange

Ticker Symbol Number
6645

**Custodian of Register of
Shareholders**
Mitsubishi UFJ Trust and
Banking Corporation
1-4-5, Marunouchi,
Chiyoda-ku, Tokyo
100-8212, Japan

**Depository and Transfer
Agent for American
Depository Receipts**
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NY 10004, U. S. A.

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Tel 31-23-568-1300
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Omron Management Center of
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Fax 1-224-520-7680

Asia-Pacific
Omron Asia Pacific Pte. Ltd.
(Singapore)
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Fax 65-6835-2711

Greater China
Omron (China) Co., Ltd.
(Shanghai)
Tel 86-21-5888-1666
Fax 86-21-5888-7933

**Major Domestic
Manufacturing, Marketing, and
Research & Development
Locations**

Manufacturing
Kusatsu Office
Tel 81-77-563-2181
Fax 81-77-565-5588

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

Yasu Office
Tel 81-77-588-9000
Fax 81-77-588-9901

Sales & Marketing
Tokyo Office
2-3-13, Konan,
Minato-ku, Tokyo
108-0075, Japan
Tel 81-3-6718-3400
Fax 81-3-6718-3408

Mishima Office
Tel 81-55-977-9000
Fax 81-55-977-9080

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

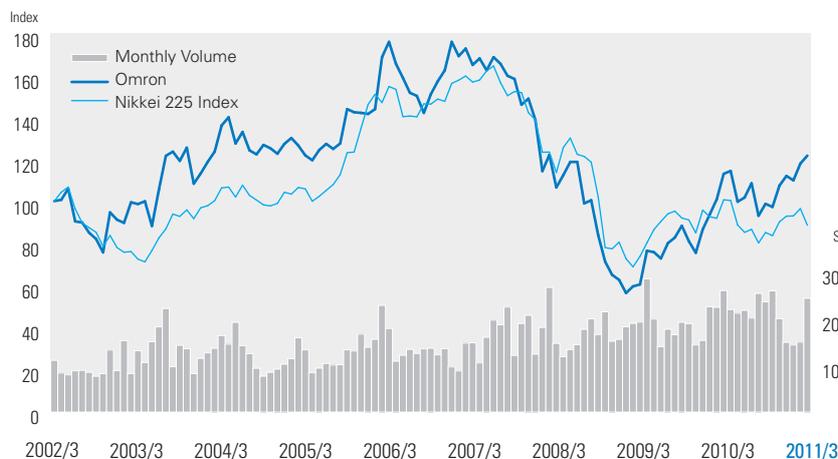
Osaka Office
Tel 81-6-6347-5800
Fax 81-6-6347-5900

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

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

Stock Price Osaka Securities Exchange



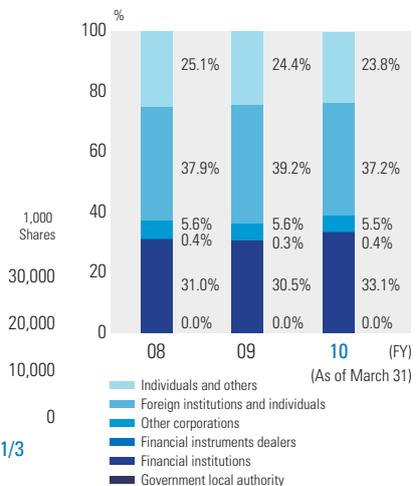
Note: Share index (2002/3E=100)

Yearly High and Low Prices

FY	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
High (¥)	2,560	2,115	2,740	2,885	3,620	3,590	3,510	2,385	2,215	2,418
Low (¥)	1,390	1,320	1,648	2,150	2,210	2,615	1,950	940	1,132	1,749

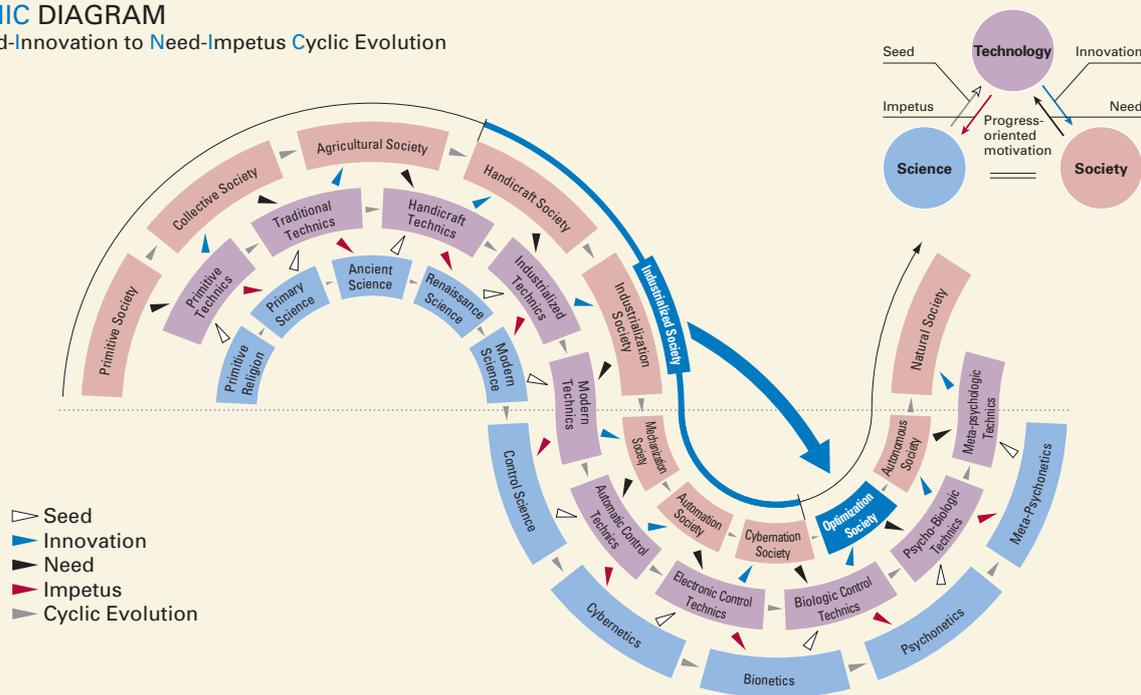
* Stock prices listed in the First Section of Osaka Securities Exchange

Ownership and Distribution of shares



Omron's Management Compass—SINIC Theory

SINIC DIAGRAM
Seed-Innovation to Need-Impetus Cyclic Evolution



What is the 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 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 have reciprocal relationships in a cyclical manner, 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 interact in a cyclical manner, becoming a cause and effect in turn, and 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 13th 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 current transitional Optimization Society will be followed by the Autonomous Society and then the Natural Society circa 2025.

While the Industrialized Society generated material wealth, it also left behind many unsolved issues. These included increasing

energy and resource depletion, food issues, as well as problems related to human rights and ethics among many others. In the Optimization Society, it is predicted that these issues 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.

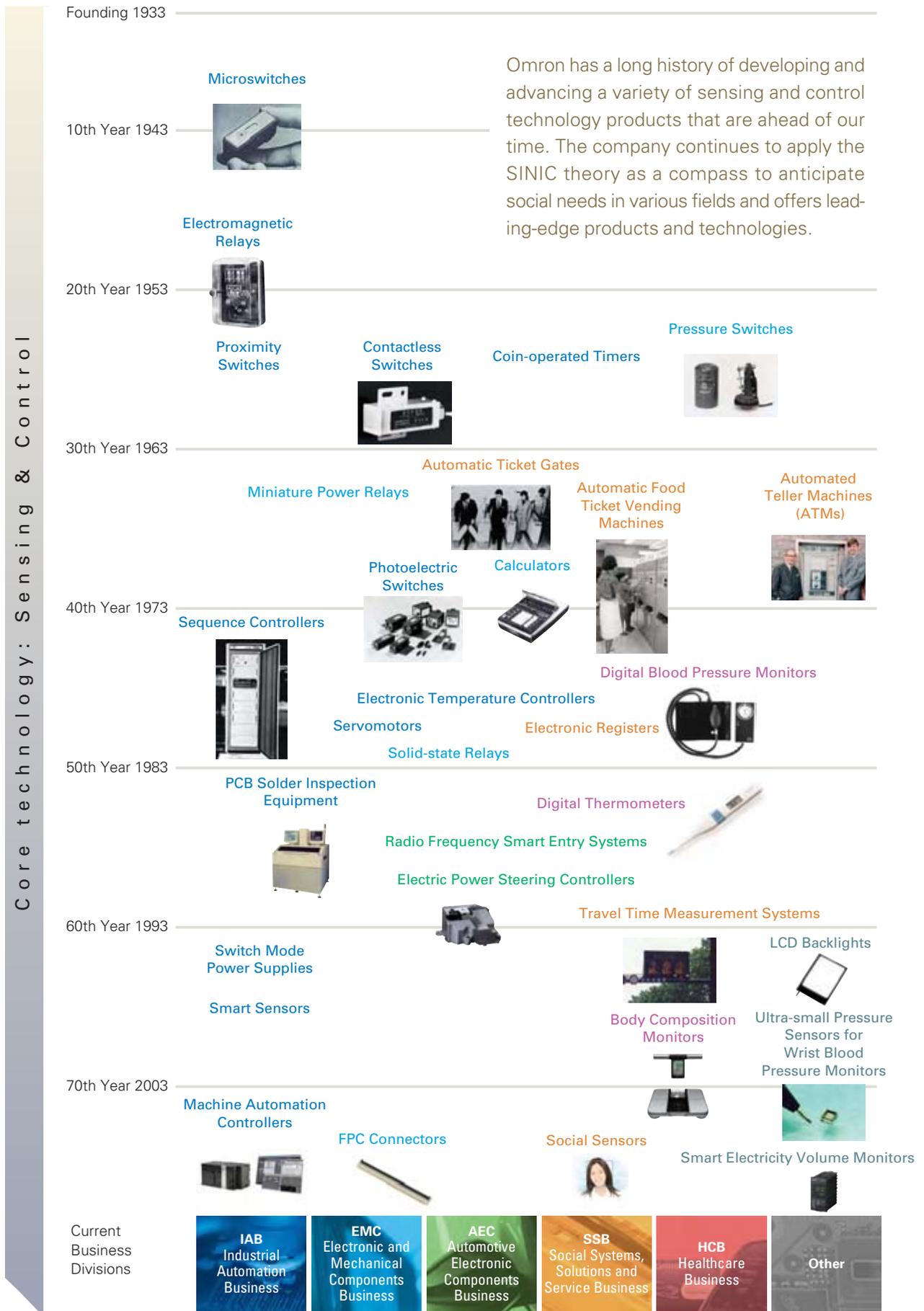
Omron in the Optimization Society

In the Information Society, knowledge information could only be exchanged as numerical data in the form of ONs and OFFs or digital 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 seek an ideal level of harmony. In addition to pursuing productivity and efficiency, people will also 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 the "joy of living," 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.

To address social needs in the areas of safety/security, healthcare, and environmental preservation, Omron is placing priority on establishing technologies to realize the best matches between individuals and society, between humans and the environment, and between people and machines as well as developing businesses that fulfill the fundamental desires of human beings.

Omron: Advancing Sensing and Control Technology





OMRON Corporation

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