Results of year ended March 2002
Business Plan for year ends March 2003

May 2002
Omron Corporation
### Results of year ended March 2002

<table>
<thead>
<tr>
<th></th>
<th>Mar-01</th>
<th>Mar-02</th>
<th>Comparison to Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>594.3</td>
<td>534.0</td>
<td>-10.1%</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>218.1</td>
<td>180.5</td>
<td>-17.2%</td>
</tr>
<tr>
<td><strong>Gross margin</strong></td>
<td>36.7%</td>
<td>33.8%</td>
<td>---</td>
</tr>
<tr>
<td><strong>SGA expenses</strong></td>
<td>173.8</td>
<td>176.3</td>
<td>1.4%</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>44.3</td>
<td>4.2</td>
<td>-90.5%</td>
</tr>
<tr>
<td><strong>Operating margin</strong></td>
<td>7.5%</td>
<td>0.8%</td>
<td>---</td>
</tr>
<tr>
<td><strong>Pre-tax income</strong></td>
<td>40.0</td>
<td>-25.4</td>
<td>---</td>
</tr>
<tr>
<td><strong>Pre-tax margin</strong></td>
<td>6.7%</td>
<td>-4.8%</td>
<td>---</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>22.3</td>
<td>-158.0</td>
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## Segment Information

<table>
<thead>
<tr>
<th></th>
<th>Mar-01</th>
<th>Mar-02</th>
<th>Comparison to Previous Year</th>
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</thead>
<tbody>
<tr>
<td><strong>IAB</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>227.7</td>
<td>187.0</td>
<td>-17.9%</td>
</tr>
<tr>
<td>Op. Income</td>
<td>32.5</td>
<td>12.1</td>
<td>-62.8%</td>
</tr>
<tr>
<td><strong>ECB</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>129.4</td>
<td>128.2</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Op. Income</td>
<td>18.1</td>
<td>7.9</td>
<td>-56.4%</td>
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<tr>
<td><strong>SSB</strong></td>
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<tr>
<td>Sales</td>
<td>141.9</td>
<td>124.6</td>
<td>-12.2%</td>
</tr>
<tr>
<td>Op. Income</td>
<td>6.4</td>
<td>-3.0</td>
<td>--</td>
</tr>
<tr>
<td><strong>HCB</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>39.3</td>
<td>40.6</td>
<td>3.3%</td>
</tr>
<tr>
<td>Op. Income</td>
<td>0.6</td>
<td>1.6</td>
<td>166.7%</td>
</tr>
<tr>
<td><strong>Others</strong></td>
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<td></td>
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<tr>
<td>Sales</td>
<td>56.0</td>
<td>53.6</td>
<td>-4.3%</td>
</tr>
<tr>
<td>Op. Income</td>
<td>-0.6</td>
<td>2.6</td>
<td>--</td>
</tr>
<tr>
<td><strong>Eliminations &amp; Corporate</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>0.0</td>
<td>0.0</td>
<td>--</td>
</tr>
<tr>
<td>Op. Income</td>
<td>-12.7</td>
<td>-17.0</td>
<td>--</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>594.3</td>
<td>534.0</td>
<td>-10.1%</td>
</tr>
<tr>
<td>Op. Income</td>
<td>44.3</td>
<td>4.2</td>
<td>-90.5%</td>
</tr>
</tbody>
</table>
Changes in Pre-Tax Income

March 2001

Sales Decrease 40.0

Product mix, etc. 28.6

Exchange rate impact 14.9

Increase in SG&A 5.9

Increase in non-operating expenses 2.5

Total 25.3

March 2002

Non-Operating Expenses (¥ billion)

Valuation losses ¥ 17.6
Restructuring charges ¥ 9.6
Foreign exchange losses ¥ 1.5
Other ¥ 0.9
Total ¥ 29.6
Structural Reforms
Done by the end of March 2002

Restructuring Charges
- Eliminate non/low-profit –yielding businesses: ¥7.2 billion
- Consolidate/integrate offices and facilities: ¥6.9 billion
- Personnel-related charges: ¥0.6 billion
- Other: ¥0.5 billion
  **Total** (¥9.6 billion incl. in non-operating expenses): ¥15.2 billion

Announced Measures
- Discontinued businesses — 3 companies — (HRC, M.A.M.A, Bell Sante)
- Discontinued manufacturing companies — 3 companies
  — (Nomura Matsuno, Amakusa, Hitoyoshi)
- Other companies — 2 companies — (OAP, OCC)
Structural Reform Priorities

Grand Design 2010 (GD2010)
Win Globally

- ROE ≥10%
- Create Powerful Businesses

Changes in Operating Environment
Accelerate GD Measures for Quality & Speed

Group Productivity Improvement Reforms (VIC21)
- Re-examine every management resource to optimize productivity
  - Selection & Focus
  - Optimal Business Units
  - Cost Structure Reform, incl. Fixed Costs
Structural Reform Objectives

- **Execution time frame**
  - November, 2001 — September, 2003

- **Objectives**
  - Reduce Group fixed & variable costs by ¥30 billion
    - ¥30.5 billion projected cost reduction
  - Increase overseas production by 50%
    - Raise overseas production ratio from 20% to 30%
  - Eliminate non/low-profit-yielding businesses
    - Restructure 2 businesses & 5 subsidiaries
      - Close 5 subsidiaries
      - Discontinue 2 businesses
      - Restructure SSB
    - Consolidate/integrate 5 domestic locations
      - Close 3 factories
      - Close and consolidate 3 labs

---

Group Productivity Improvement Reforms (VIC21)

- Business Structure Reform
- Manufacturing Structure Reform
- Purchasing Process Reform
- Management Productivity Reform
- Group Head Office Structure Reform
- Asset Structure Reform

Early Retirement Program
VIC21 Measures — 1

**Business Structure Reform**

**Completely Overhaul Business Structure to Optimize Business Strength**
- Selection & focus (incl. withdrawal from nonperforming businesses)
- Review business processes (incl. consolidation of R&D facilities)
- Switch to optimal business units (incl. business restructuring)

**Manufacturing Structure Reform**

**Create an optimum global manufacturing network**
- Strengthen overseas production, mainly in China
- Reduction of Group production capacity in Japan by 25% (IAB, ECB)
- Functional conversion of manufacturing divisions
ICA21 Measures — 2

**Purchasing Process Reform**

- Pursue best prices by expanding centralized purchasing areas
  - Expand centralized purchasing areas
  - Strengthen purchasing & procurement in China

**Management Productivity Reform**

- Improve human productivity to succeed in global competition
  - Impartial evaluation & compensation based on duties and performance
  - Right-size the organization at the managerial level
VIC21 Measures — 3

Group Head Office Structure Reform

Create head office that represents & oversees Group to prepare for holding company structure

- Head office organization reform (6/02 — 11 divisions to 7 divisions)
- 10% decrease in head office fixed and personnel costs

Asset Structure Reform

Reduce total assets, reallocate resources, reduce asset maintenance costs

- Sell idle & underutilized assets (15 locations)
- Sell closed or transferred facilities
Early Retirement Program

Implementation of structural reforms will create approximately 2,000 surplus employees

Omron Corporation (Parent Company):
Application Period: 7/02~8/02 (2 months)
Retirement Date: 9/02 or 10/02
Eligibility: Employees with minimum 10 years service, age 30-59
Additional retirement payment: 2.5 times annual salary at age 55, structured in stages

Domestic Subsidiaries
Each domestic subsidiary will implement its own early retirement system
Selection & Focus

1. Withdraw from non/low-profit yielding businesses
   ECB: Withdraw from paper-handling business
   SSB: Review low-profit businesses during first half of FY02
   CSB: Sell or withdraw from low-profit businesses during FY02

2. Dissolve unprofitable subsidiaries

3. Close manufacturing subsidiaries

Review Business Processes

1. Convert manufacturing subsidiaries into business bases
   ECB: Convert OMRON Kumamoto Co., Ltd. into a relay business base
       (marketing, development & manufacturing)

2. Consolidate R&D bases
   ECB: Close Kumamoto R&D Lab and transfer its functions (8/02)
   Corporate: Close Kyoto & Tsukuba R&D Labs and consolidate functions
               at Keihanna R&D Lab
Switch to Optimal Business Units

1. SSB: Divide & restructure (6/02)
   - **EFTS Business**
     - Financial Equipment
   - **PITS Business**
     - Transport & Traffic Equipment
   - Other
     - Service & Maintenance

2. HCB: Consolidate locations (Centralize in Kyoto in 8/02)
3. CSB: Assess business independence and revise business strategy units
4. Business Development Group: Withdraw or sell, transfer to companies, or establish as independent entity during FY02
### Structural Reform Costs & Benefits

#### Costs (¥ billion)

<table>
<thead>
<tr>
<th></th>
<th>Mar-02</th>
<th>Mar-03</th>
<th>Mar-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>15.2</td>
<td>16.5</td>
<td>3.3</td>
</tr>
<tr>
<td>Non-Operating Expenses</td>
<td>9.6</td>
<td>16.5</td>
<td>3.3</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>5.6</td>
<td>Included in above</td>
<td>Included in above</td>
</tr>
</tbody>
</table>

#### Projected Cost Savings (¥ billion)

<table>
<thead>
<tr>
<th></th>
<th>Mar-02</th>
<th>Mar-03</th>
<th>Mar-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>0</td>
<td>10.0</td>
<td>30.5</td>
</tr>
<tr>
<td>Personnel Cost</td>
<td>0</td>
<td>4.0</td>
<td>11.5</td>
</tr>
<tr>
<td>General Expenses &amp; Variable Costs</td>
<td>0</td>
<td>6.0</td>
<td>19.0</td>
</tr>
</tbody>
</table>

- **Result of early retirement system and other factors**
- **Centralized purchasing & design changes (¥10 billion), administrative expense reductions at Head Office & SSB (¥6 billion) & other factors**

**Note:** These projections assume no change in net sales.
## Performance Estimates for the year ends March 2003

(¥ Billion; %)

<table>
<thead>
<tr>
<th></th>
<th>Mar-02</th>
<th>Mar-03</th>
<th>Comparison to Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>534.0</td>
<td>550.0</td>
<td>3.0%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>180.5</td>
<td>195.0</td>
<td>8.0%</td>
</tr>
<tr>
<td>Gross margin</td>
<td>33.8%</td>
<td>35.5%</td>
<td>---</td>
</tr>
<tr>
<td>SG&amp;A expenses</td>
<td>176.3</td>
<td>174.0</td>
<td>-1.0%</td>
</tr>
<tr>
<td>Operating income</td>
<td>4.2</td>
<td>21.0</td>
<td>400.0%</td>
</tr>
<tr>
<td>Operating margin</td>
<td>0.8%</td>
<td>3.8%</td>
<td>---</td>
</tr>
<tr>
<td>Pre-tax income</td>
<td>-25.4</td>
<td>2.0</td>
<td>---</td>
</tr>
<tr>
<td>Pre-tax margin</td>
<td>-4.8%</td>
<td>0.4%</td>
<td>---</td>
</tr>
<tr>
<td>Net income</td>
<td>-15.8</td>
<td>1.0</td>
<td>---</td>
</tr>
</tbody>
</table>
### Projected Sales by Segment for the year ends March 2003

*(¥ Billion; %)*

<table>
<thead>
<tr>
<th>Segment</th>
<th>Mar-02</th>
<th>Mar-03</th>
<th>Comparison to Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>IAB</td>
<td>184.2</td>
<td>193.0</td>
<td>4.8%</td>
</tr>
<tr>
<td>ECB</td>
<td>131.9</td>
<td>138.0</td>
<td>4.6%</td>
</tr>
<tr>
<td>SSB</td>
<td>124.6</td>
<td>125.0</td>
<td>0.3%</td>
</tr>
<tr>
<td>HCB</td>
<td>40.6</td>
<td>40.0</td>
<td>-1.5%</td>
</tr>
<tr>
<td>Other</td>
<td>52.7</td>
<td>54.0</td>
<td>2.5%</td>
</tr>
<tr>
<td>Total</td>
<td>534.0</td>
<td>550.0</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

Note: Mar-02 figures reflect reclassification of sales.
### Other Projections for the year ends March 2003

<table>
<thead>
<tr>
<th></th>
<th>Mar-02</th>
<th>Mar-03</th>
<th>Change from previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>R&amp;D Expenses</strong></td>
<td>41.4</td>
<td>42.0</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Capital Expenditures</strong></td>
<td>38.6</td>
<td>40.0</td>
<td>1.4</td>
</tr>
<tr>
<td><strong>Depreciation Expenses</strong></td>
<td>32.2</td>
<td>32.0</td>
<td>-0.2</td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>-5.1%</td>
<td>0.3%</td>
<td>+5.4 points</td>
</tr>
</tbody>
</table>

#### Exchange Rates

<table>
<thead>
<tr>
<th></th>
<th>Mar-02</th>
<th>Mar-03</th>
<th>Change from previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$</td>
<td>125.7</td>
<td>125.0</td>
<td>-0.7</td>
</tr>
<tr>
<td>EURO</td>
<td>110.9</td>
<td>110.0</td>
<td>-0.9</td>
</tr>
</tbody>
</table>
Group productivity structural reform will take 18 months beginning 4/02
FY02 (April 02 – March 03) : Accomplish reforms
FY03 (April 03 – March 04) : Adjust to new structure
FY04 (April 04 - March 05) : Establish a structure for growth
Approaches for Generating Growth

High-Value-Added Modules & Devices
ECB: Optical devices, MEMS business, automotive components, amusement business
SSB: Module business

Software, Service & Solutions Business
IAB: User segment business
SSB: Solutions & service business
HCB: Health promotion & support
Companywide: M2M business, Safety & security business,

Redeploy human & management resources
Chinese Market
Assembly business
Growth Strategy for IAB / ECB

**IAB**

Customer Expansion

- End users
- Machinery Vendor
- Personnel & Labor Reduction

Existing Business Domains

- Domestic Emphasis
  - Global markets (Chinese market)

Market Expansion

New Product Sectors

**ECB**

- Optical device components; MEMS Business

Existing Business Domains

- Automotive components
- Safety, environment etc.

Market Expansion

- Amusement components
- Global markets (Chinese market)
Expected Results of Growth Strategies

Net Sales

March 2002
¥530 billion

March 2005
¥580-¥630 billion

New Markets & Market Expansion:
¥30 ~ ¥50 billion
- Overseas markets (Mainly China)
- User segment business
- Automotive component business
- Module business (AMB)
- Solutions & service business (SSB)

New Technologies & Products:
¥20 ~ ¥50 billion
- Optical devices
- MLA
- Amusement business (e.g. IC coins)
- M2M business
- MEMS business
- Safety & security
- Health promotion & support services
NOTE

The performance forecasts presented in these slides were calculated based on the best information and assumptions we had available.

Factors including, but not limited to, domestic and international economic conditions, relative demand for Omron’s products and services, currency exchange rate fluctuations and stock market trends are unpredictable and subject to change. Consequently, actual performance may differ from the performance forecasts.