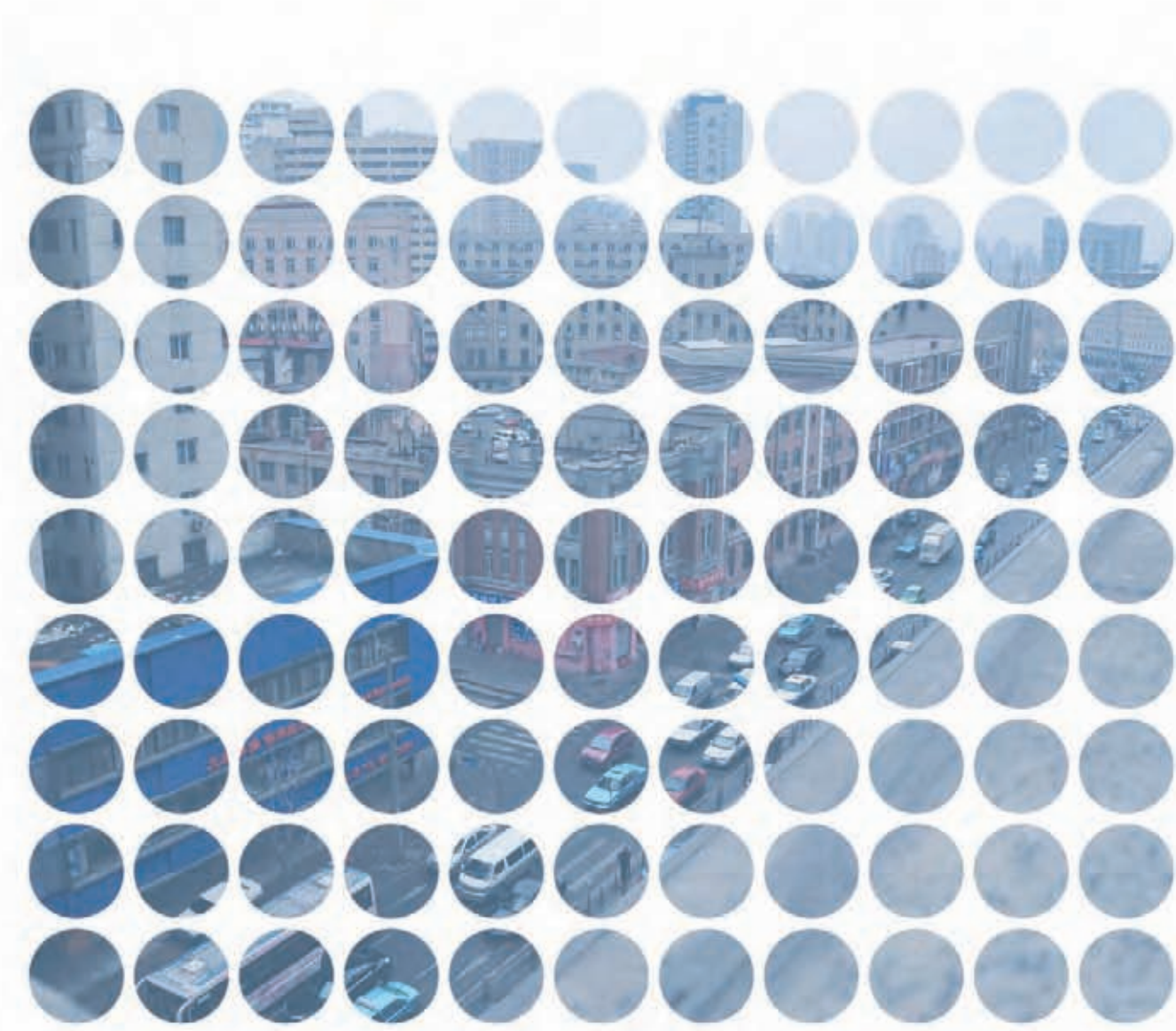
Annual Report 2010

Year ended March 31, 2010

OMRON

Sensing tomorrow™



Our Founder's Story

Beliefs of Omron Founder Kazuma Tateisi

"It's not just about making money."

In an age when labor disputes were rife in Japan, Omron founder Kazuma Tateisi was thinking of a corporate philosophy that encourages labor and management to work together in a constructive manner, and at every opportunity he told the company's board members and managers:

"It's not just about making money. Even before considering what services a company should offer to society, it must provide a real contribution to society through the function and use of the products it makes because, in the end, this too is a service to society. After that, a company serves society by developing products, one after another, that can be of best use to society. The accumulation of these services in many ways will help realize a better society that ultimately will allow everyone, including ourselves, to enjoy better lives, with freedom and peace."

On May 10, 1959, Mr. Tateisi celebrated the 26th anniversary of the Company's founding by adopting these words as the Corporate Motto: "At work for a better life, a better world for all."

To his young employees and others, Mr. Tateisi would often illustrate his point, using an allegory from nature involving a bee, nectar, and flowers. "It's like a bee instinctively collecting nectar by flying from flower to flower. What does the flower think of this?"

"Well, from the flower's point of view, by giving its nectar to the bee, the bee will act as an intermediary to deliver its pollen."

"That's it. The bee does not intend to gather nectar so it can transport pollen but in the end he provides the service of delivering the pollen. A company is the same; its act of seeking to make a profit ultimately becomes a service to society. A company does not suddenly become a public entity when its president becomes aware of that; a company is a public entity from the very beginning."

"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."

Founder Kazuma Tateisi's beliefs continually get passed on to employees even today as the Omron Group accelerates its global development.

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

Sketch of the Corporate Motto in the founder's handwriting

A BETTER WORLD FOR ALL THROUGH

PHILOSOPHY

SENSING & CONTROL

Full Steam Ahead for Growth

In the wake of the global economic crisis,
Omron's earnings structure underwent dramatic changes.
Making its earnings structure even more resilient and
sustainable, while simultaneously aiming to meet the demand
in China and other rapidly growing emerging economies,
Omron is again steering its rudder
toward a growth path.

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Core Technologies and Business Domains, Business Segments and Key Products

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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.

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

Omron is developing a global business of value that supports "safety and security,

Sensing and Control

Sensing and Control: Our Core Technologies

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

Sales by Segment

IAB Industrial Automation Business
39%

EMC Electronic and Mechanical Components Business
14%

AEC Automotive Electronic Components Business
14%

SSB Social Systems Solutions Business
11%

HCB Healthcare Business
12%

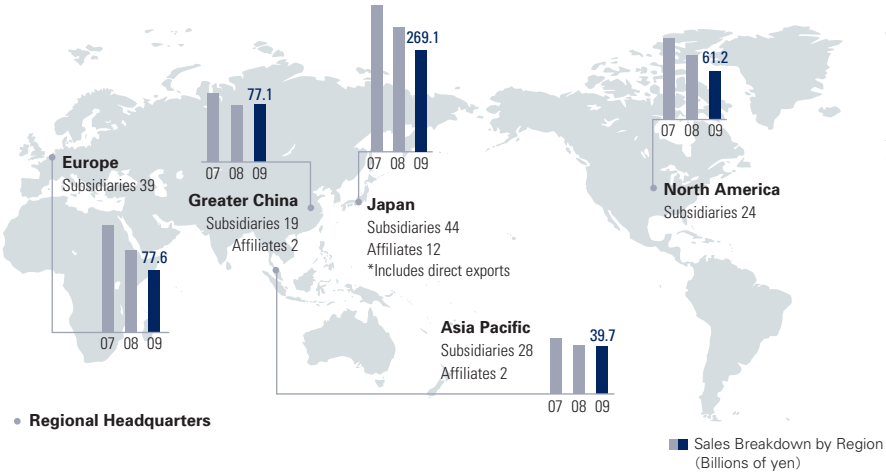
Other
Environmental Solutions, Electronic Systems & Equipments, Backlight, Micro Devices Businesses
10%*

* Including "Eliminations and Corporate."

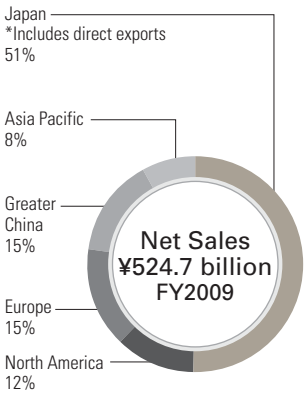
health, and the environment" in the business domains of industry, society, and lifestyle.

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 support to its business partners worldwide from close-by, through its comprehensive support system, from development to production, distribution, and maintenance.



Sales Breakdown by Region



Leading Market Share

*As of July 2010

Control-related Equipment (domestic market share)

Approximately 40%

Source: Nippon Electric Control Equipment Industries Association (NECA)

Railway Infrastructure Equipment (domestic market share)

Approximately 40%

Source: Omron internal survey

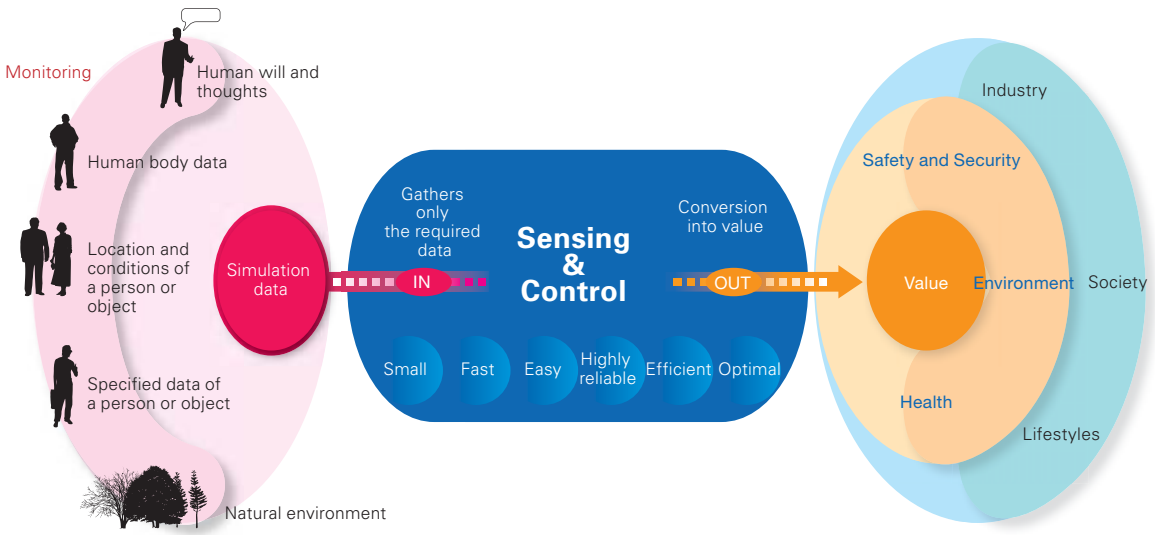
Home-use Digital Blood Pressure Monitors (global market share)

Approximately 50%

Source: Omron internal survey

Core Technologies: What is Sensing & Control Technology?

It is technology that uses a convergence of sensing technology and control technology to "identify and gather the specific data that is needed by people or a system," and then "rapidly and skillfully processes the data to provide data output." Omron seeks to create machines with intelligence approaching the level of the human five senses, knowledge, and power of judgment with the objective of realizing machines that can provide the optimal service and data to each individual customer.



IAB Industrial Automation Business

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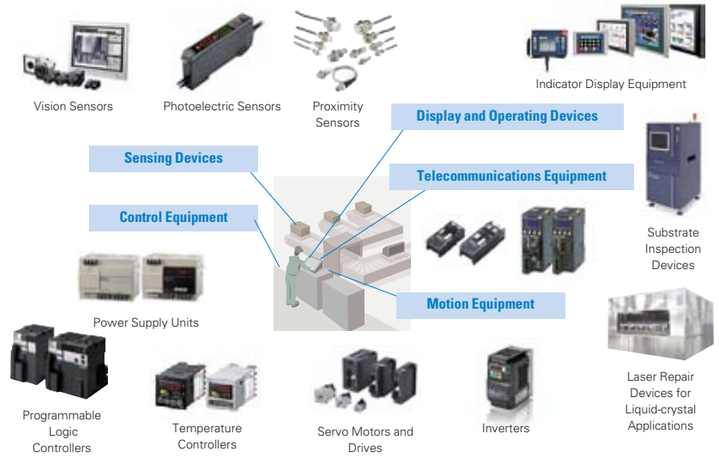
The top provider of control equipment for the manufacturing industry in Japan*, supporting manufacturing innovation worldwide

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 lineup of products, which meet some 100,000 specifications, support manufacturing product innovation for customers around the world.
(*As of July 2010, Omron internal survey)



IAB's product lines comprise devices for sensing lighting, imaging, vibration, temperature, 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 enable 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

IAB's environmental equipment provide constant monitoring of manufacturing environment data, such as the presence of foreign particles and temperature and humidity levels, and provide 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 Cleaning Units

Air Thermal Sensors

Air Particle Sensors

Ionizers

EMC Electronic and Mechanical Components Business

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

The EMC segment's strength is its advanced *monozukuri* technology in each stage from product design to materials, metal molds, product processing and assembly. Its expertise has been cultivated in the production of its vast array of relays, switches, connectors, and other components utilized in consumer appliances, telecommunications equipment, mobile devices, amusement devices, office automation (OA), and other equipment.

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

OKAO Vision
Facial Image Sensing

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.

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

FPC Connectors

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

AEC Automotive Electronic Components Business

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Contributing to safe and comfortable automobiles worldwide

AEC is an active contributor to the rapidly advancing car electronics market in the drive to realize a safe, comfortable, and environmentally friendly automotive society. The company supplies all types of controllers, sensors, switches, and other components for automakers and electrical equipment producers around the world. AEC provides the sensing and control technology for the future of auto manufacturing.

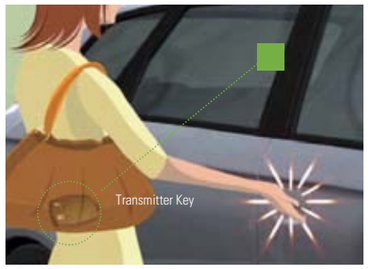
Automotive Switches/Controllers
AEC supplies multi-function control units that undertake integrated control of diverse automobile body features, including switches to automatically open and close power windows, lock and unlock doors, and turn on and off windshield wipers, using multiple communication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

Power Window Switches

Electric Power Steering Controllers
Electric power steering controllers are equipped with high-output and high-precision sensing functions to enable smooth steering of the vehicle. These devices help achieve energy savings and better mileage.

Electric Power Steering Controllers

Passive Entry and Push Engine Start Systems



Passive 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.

Passive 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 Business

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

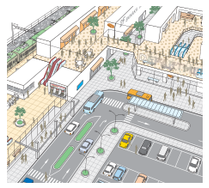
SSB provides a wide variety of systems to support social infrastructure centering on railway and traffic control systems. Recently, SSB has been a major contributor of IC card equipment for railway systems, building on its position as the top domestic supplier of automated ticket gates and ticket vending 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.
(*As of July 2010, Omron internal survey)

Automated Ticket Gates

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.

Ticket Vending Machines

Social Sensors
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

HCB Healthcare Business

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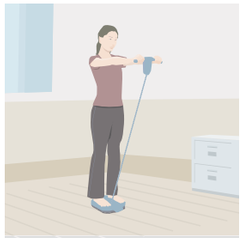
Global No.1* market share for digital home blood pressure monitors and a wide range of products and services for treating lifestyle-related diseases

HCB provides equipment and services worldwide for personal and professional use to support the prevention, treatment, and health improvement fields. The company's digital home blood pressure monitors command top market shares, with approximately 65%* of the domestic market and 50%* of the global market. HCB's bio-information sensing technology has made it a leader in the home healthcare market, and it is pursuing the concept of Healthcare at home to advance prevention, treatment, and alleviation of lifestyle-related diseases. (*As of July 2010, Omron internal survey)

Healthcare & Medical Devices for Home Use

Digital Blood Pressure Monitors

Pedometers



Body Composition Monitors

Sonic Electric Toothbrushes

Healthcare at Home
HCB promotes "Healthcare at Home" to prevent, treat, and manage lifestyle-related diseases by providing home- and professional-use medical devices to measure biological and behavior information.

Body Glucose Meters

Nebulizers

Portable Electrocardiogram (ECG) Monitor

Medical Equipment for Hospital Use

Non-invasive Vascular Screening Devices

Other

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

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Discovering and fostering new business opportunities for achieving Group growth strategies

The Other segment explores and develops new businesses outside the realm of the main five segments. The segment's Environmental Solutions Business, Electronic Systems and Equipments Business, and other operations play an important part in advancing the Omron Group's growth strategy. The Backlight Business and Micro Devices Business were transferred to the Other segment in the second half of fiscal 2009.

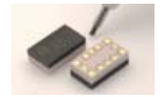
LCD Backlights
Microlens array technology with several million micron-sized micro lenses to maximize light utilization efficiency contributes to brighter and slimmer mobile phones with lower power consumption.

LCD Backlights

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

MEMS Acoustic Sensors

RF MEMS Switches



CO_2 Reduction Solutions
We do not merely provide existing devices related to energy savings, such as electric monitoring devices, electric sensors and direct current (DC) relays, but rather we offer a solution-based business that combines all of these factors for the reduction of CO_2.

Remote Energy Monitoring 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

	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
Operating Results (for the year): (Note 2)						
Net sales	¥ 594,259	¥ 533,964	¥ 522,535	¥ 575,157	¥ 598,727	¥ 616,002
Gross profit	218,065	180,535	201,816	235,460	245,298	232,667
Selling, general and administrative expenses (excluding research and development expenses)	131,203	134,907	133,406	139,569	141,185	157,909
Research and development expenses	42,513	41,407	40,235	46,494	49,441	55,315
Operating income	44,349	4,221	28,175	49,397	54,672	60,782
EBITDA (Note 2)	76,566	37,790	57,851	77,059	83,314	91,607
Net income (loss) attributable to shareholders	22,297	(15,773)	511	26,811	30,176	35,763
Cash Flows (for the year):						
Net cash provided by operating activities	50,796	33,687	41,854	80,687	61,076	51,699
Net cash used in investing activities	(32,365)	(40,121)	(30,633)	(34,484)	(36,050)	(43,020)
Free cash flow (Note 3)	18,431	(6,434)	11,221	46,203	25,026	8,679
Net cash provided by (used in) financing activities	(24,582)	(12,056)	(1,996)	(28,119)	(40,684)	(38,320)
Financial Position (at year end):						
Total assets	593,144	549,366	567,399	592,273	585,429	589,061
Total interest-bearing liabilities	67,213	58,711	71,260	56,687	24,759	3,813
Total shareholders' equity	325,958	298,234	251,610	274,710	305,810	362,937
Per Share Data:						
Net income (loss) attributable to shareholders (basic)	87.4	(63.5)	2.1	110.7	126.5	151.1
Shareholders' equity	1,311.1	1,201.2	1,036.0	1,148.3	1,284.8	1,548.1
Cash dividends (Note 4)	13.0	13.0	10.0	20.0	24.0	30.0
Ratios:						
Gross profit margin	36.7%	33.8%	38.6%	40.9%	41.0%	37.8%
Operating income margin	7.5%	0.8%	5.4%	8.6%	9.1%	9.9%
EBITDA margin	12.9%	7.1%	11.1%	13.4%	13.9%	14.9%
Return on shareholders' equity (ROE)	6.7%	(5.1%)	0.2%	10.2%	10.4%	10.7%
Ratio of shareholders' equity to total assets	55.0%	54.3%	44.3%	46.4%	52.2%	61.6%

Grand Design 2010 (GD2010) Long-term corporate vision (FY2001–FY2010)

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%
- Withdrawal from unprofitable business, spin off of the Healthcare Business.
- Raising the level of corporate governance to the global standard.

Notes: 1. U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate on March 31, 2010, of ¥93 = $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.

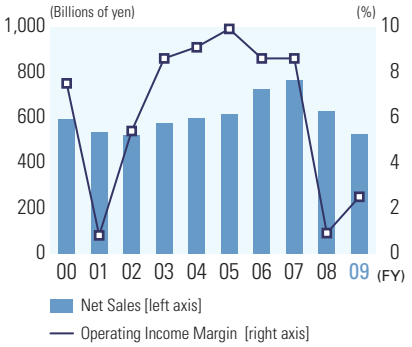
Discontinued Operations

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

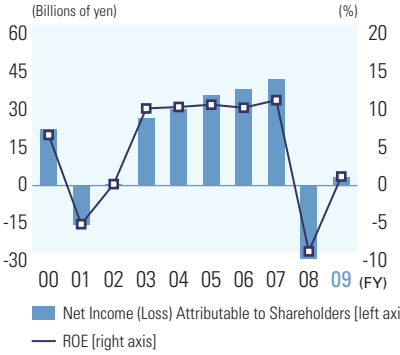
			Millions of yen	Thousands of U.S. dollars (Note 1)
FY2006	FY2007	FY2008	**FY2009**	**FY2009**
¥ 723,866	¥ 762,985	¥ 627,190	**¥ 524,694**	**$ 5,641,871**
278,241	293,342	218,522	**184,342**	**1,982,172**
164,167	176,569	164,284	**133,426**	**1,434,688**
52,028	51,520	48,899	**37,842**	**406,903**
62,046	65,253	5,339	**13,074**	**140,581**
95,968	101,596	38,835	**40,088**	**431,054**
38,280	42,383	(29,172)	**3,518**	**37,827**
40,539	68,996	31,408	**42,759**	**459,774**
(47,075)	(36,681)	(40,628)	**(18,584)**	**(199,828)**
(6,536)	32,315	(9,220)	**24,175**	**259,946**
(4,697)	(34,481)	21,867	**(20,358)**	**(218,903)**
630,337	617,367	538,280	**532,254**	**5,723,162**
21,813	19,809	54,859	**38,217**	**410,935**
382,822	368,502	298,411	**306,327**	**3,293,838**

			Millions of yen	U.S. dollars (Note 1)
165.0	185.9	(132.2)	**16.0**	**0.17**
1,660.7	1,662.3	1,355.4	**1,391.4**	**14.96**
34.0	42.0	25.0	**17.0**	**0.18**
38.4%	38.4%	34.8%	**35.1%**	
8.6%	8.6%	0.9%	**2.5%**	
13.3%	13.3%	6.2%	**7.6%**	
10.3%	11.3%	(8.7%)	**1.2%**	
60.7%	59.7%	55.4%	**57.5%**	

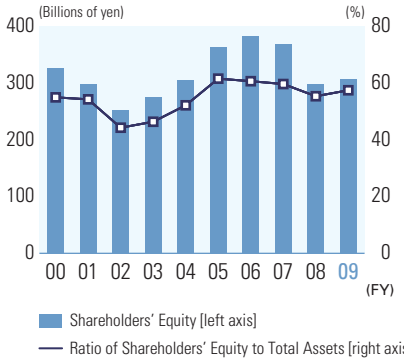
Net Sales and Operating Income Margin



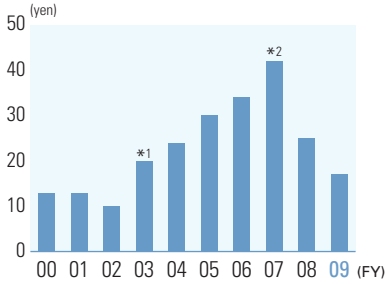
Net Income (Loss) Attributable to Shareholders and ROE



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



Cash Dividends



*1. Commemorative dividend amounting to ¥7.0 is included in the dividends for fiscal 2003.

*2. Commemorative dividend amounting to ¥5.0 is included in the dividends for fiscal 2007.

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).

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

Omron Through the Year

Management Topics

June 5
Other Businesses
Construction of a new building for the microelectronics business completed at the Yasu Office

July 30
AEC
Decision made to spin off the Automotive Electronic Components Business (AEC) segment

September 24
IAB
Organizational restructuring making the two divisions in charge of industrial equipment and automation systems the core of IAB

EMC
Reorganization of ECB into the Electronic and Mechanical Components Business (EMC) to fortify mechanical components (relays, switches, and connectors). The Micro Devices business formerly part of the ECB segment was transferred to the newly created Micro Devices Business Promotion Headquarters under direct control of the Company president

2009

1Q

		(YoY change)
Consolidated net sales	¥106.9 billion	-37.1%
Consolidated operating loss	(¥10.2 billion)	—

2Q

		(YoY change)
Consolidated net sales	¥125.5 billion	-32.1%
Consolidated operating income	¥2.5 billion	-81.7%

April | May | June | July | August | September

Product-related Topics

■ IAB ■ EMC ■ AEC ■ SSB ■ HCB ■ Other

April 14
■ Launch of the "SYSMAC CP1E" Micro PLC (Programmable Logic Controller) CPU unit enabling highly efficient automation and radical cost-savings

May 26–29
■ Participation in the "New Environment Exposition 2009" Exhibition of proprietary solutions for CO_2 reduction "Green Automation"

June 1
■ An industry first! Sonic toothbrush that automatically adjusts to optimal bristle movement for the area being brushed
Launch of HT-B551 MediClean Sonic Electric Toothbrush

June 30
■ Launch of the H5CX Digital Timer and H7CX Digital Counter/Tachometer with enhanced easy-to-view display, safety features, as well as other features, and the shortest body of any counter in the industry

July 1
■ Launch of the Omron Jog Style Activity Monitor HJA-300 featuring proprietary data algorithms to accurately calculate the level of physical exertion during jogging which involves a high level of physical exertion

July 7
■ Announcement of the selection of EtherCAT* as Omron's next-generation motion control system

July 29
■ Launch of the F3SR-B Safety Light Curtain, which meets international safety planning standards and provides safe use in severe manufacturing environments with the world's first large-size high-intensity white LED for adjusting the beam

September 1
■ An industry first! Launch of the Omron digital thermometer MC-675 that alerts users with a light and buzzer when it slips out of place

September 1
■ Omron commemorates blood pressure monitor sales exceeding 100 million units on an aggregate basis with a campaign to support UNICEF

September 30
■ Creation of the industry's top-class service support system
- Call centers are available from 8:00 a.m. to 9:00 p.m., 365 days a year
- Expanded services include a direct repair service, an engineer dispatch service, and an emergency maintenance equipment delivery service

*** What is EtherCAT?**

EtherCAT is an Ethernet-based, next-generation, ultra-high-speed motion network that enables high-speed, highly accurate communication between devices that control the operations of machine controls and is widely used around the world to meet the increasing need for high-speed, high-precision control. EtherCAT is being promoted by the EtherCAT Technology Group (ETG) headquartered in Germany and is gaining worldwide usage in the United States, Japan, China, and Korea. Omron is collaborating with ETG and ETG Japan to promote the adoption of EtherCAT.

January 28
AEC
Decision on the details for spinning off the AEC segment (in a simple incorporation-type separation)
EMC
Decision on the details for spinning off the switches business (in a simple absorption-type separation)

3Q

		(YoY change)
Consolidated net sales	¥138.1 billion	-4.2%
Consolidated operating income	¥8.7 billion	—

2010

4Q

		(YoY change)
Consolidated net sales	¥154.2 billion	+20.1%
Consolidated operating income	¥12.1 billion	—

October | November | December | January | February | March

November 1
■ Launch of the commercial-use HBP-9021 automatic blood pressure monitor which features elbow detection sensors, and shows on the monitor whether the arm is correctly positioned

November 1
■ Start of clinical trials of a safe, simple, and highly accurate internal organ fat analyzer using new measuring technology and unaffected by radiation

November 2
■ Launch of the FZ3-900 Vision Sensor with a Dual Task Controller featuring the industry's first complete parallel processing, which vastly reduces measurement, input and output processing costs

December 21
■ Japan's first! A solar-powered, environmentally friendly blood pressure monitor
Online pre-orders begin for the Omron solar-powered upper arm blood pressure monitor HEM-4500-SOL

January–March
■ A world first for MEMS! Sensor capable of detecting the lower limit of human audible frequencies
Start of mass production and supply of the MEMS Acoustic Sensor Chip

January 1
■ World's first automatic analysis system for energy consumption integrating consultant expertise
Launch of the CO_2 Visualization System "ene-brain"

January 18
■ Instantly alerts when detecting recognized "faces"
Launch of "OKAO Scan" Specified Person Detection System

January 29
■ Launch of OMNUC G5-series of AC servo drives compatible with ultra-high-speed motion network EtherCAT communications and certified under international safety standards for motion control devices

February 10
■ Omron wins the Minister of Economy, Trade and Industry Award's Energy Conservation Grand Prize
Omron and the City of Kyoto Board of Education were recognized for their efforts to "visualize electric power consumption volume in Kyoto municipal schools and other energy-saving activities"

March 12
■ Continua-standard* devices incorporating Bluetooth® wireless technology
Launch of blood pressure monitors, body composition monitors, and wireless adapters for those products and pedometers

* What are the Continua standards?

The Continua standards are guidelines created by Continua Health Alliance, a non-profit organization (NPO) group of healthcare providers in the healthcare, medical, and IT industries promoting connectivity among various medical devices and healthcare management services. By following these guidelines, health service providers, in-home caregiver providers, and other healthcare professionals can develop applications meeting the Continua standards, enabling interoperability between various medical devices and facilitating the creation of services that can better meet healthcare needs.

Message from the Chairman

In fiscal 2009, ended March 31, 2010, the Omron Group achieved a return to profitability. This positive result is attributable to the Group's "Working Together as One," as well as emergency measures and structural reforms implemented to address the rapid deterioration in its performance from the second half of fiscal 2008. Here, Omron's corporate governance worked to highlight the "Working Together as One" spirit by sharing a sense of crisis across the entire Group. We have designated fiscal 2010, ending March 31, 2011, the inaugural year of our "Push for Renewed Growth" as we set our sights on global growth.

Corporate Governance Inspiring the "Working Together as One" Spirit

Due to the global economic downturn that began in the second half of fiscal 2008, the Omron Group confronted an unprecedented decline in performance. Nevertheless, we achieved a return to profitability thanks to our flexible implementation of swiftly formulated emergency measures and structural reforms. I believe our ability to inspire "Working Together as One" amid a shared sense of crisis was due to the corporate governance system that we have developed.

Amid ongoing globalization and advances in information and communication technologies, it is impossible to predict what will happen next. Here, we are in a "survival of the fittest" situation, in which a keen sensitivity to change and a commitment to self-transformation represent the key to our continued existence. Omron will continue pursuing corporate governance of the highest quality based on common global values, while carefully determining what needs preserving and what needs changing, keeping a close eye on changes in society.

Renewed Growth Sustained by the "Creation of Social Needs"

The growth of China and other emerging countries is astounding. These countries are achieving expansion in much shorter time spans than today's advanced nations did years ago when they followed the path to industrialization. Emerging economies are even leading the world in fields of mass-produced and mass-marketed, cutting-edge finished goods, such as flat panel display televisions (including 3D models) and electric vehicles. The factory automation markets are also expected to grow as emerging countries pursue increased production efficiency.

Meanwhile, the economies of advanced nations are recovering with the help of external demand generated by the growth of emerging economies. In the medium and long terms, however, I believe the driver of growth will shift to domestic demand. This will depend on how efficiently and effectively we can manage various issues—such as the environment, energy, safety, security, and health—in regional or city-based units. Meanwhile, the integration of smart grids (next-generation electricity networks) and other information and communication technologies with social infrastructures will bring about "social innovations" that will lead to significant changes in our industrial structure. In the process, we can expect expansion of

automation markets as a means of resolving social problems.

The Omron Group will target renewed growth by embracing the challenge of "creating social needs." Here, we will draw on our strengths in technology, experience, and personal networks—amassed over many years in the industrial, social, and lifestyle business sectors—to generate new potential for the automation markets in both emerging and developed nations.

Identity and Core Competence

To achieve "the creation of social needs," we will need to form partnerships that transcend business sectors and geographical areas. As a Group whose identity has been underpinned by the corporate core value of "working for the benefit of society" for half a century, I believe that we can build relationships of trust with global partners. The SINIC (Seed-Innovation to Need-Impetus Cyclic Evolution) theory, propounded by Omron founder Kazuma Tateisi 40 years ago, predicts changes to science, technology, and society. (Please see page 110 for further details.) Shaping Omron's approach to business for many years, this theory has guided our selection of business and technology domains and our direction. We will continue helping society by taking advantage of our core competence in sensing and control technologies. In the future, companies especially in developed nations will need to build and implement business models that contribute to social innovation as a means of solving social issues. Such models will also help companies deploy their business operations to fulfill their corporate social responsibilities.

I appreciate the continuing understanding and support of all stakeholders as the Omron Group works toward future growth.

August 2010

Yoshio Tateisi
Chairman of the Board of Directors

Message from the President

In fiscal 2009, the Omron Group achieved a significant year-on-year increase in earnings thanks to united efforts including fixed cost reductions. This was despite our initial forecasts of a substantial decline in profits due to the impact of the global economic crisis. In fiscal 2010, we will seek to become leaner to "build a robust earnings structure" while "changing gears to high growth."

Fiscal 2009 in Review

Since the autumn of 2009, the world economy has showed signs of moderate recovery, driven by China and other emerging nations, as well as the benefits of economic stimulus measures adopted by various countries. Similarly, from the second quarter capital expenditure-related demand has been gradually picking up in our main customer segments in the industrial sector, especially automobiles and electronic components.

In this environment, the Omron Group took advantage of consumption stimulus measures in various nations and recovery in capital expenditure-related demand in its core businesses to achieve a recovery in revenue. This was evidenced by sales recovery in the Electronic and Mechanical Components Business (EMC), Automotive Electronic Components Business (AEC), and Industrial Automation Business (IAB). Although the Social Systems Solutions Business (SSB) struggled due to the completion of railway infrastructure system renewals and investment restraints, the Healthcare Business (HCB) posted a solid performance owing to several factors. These included growth in demand for digital thermometers following the outbreak of the H1N1 influenza virus, as well as steady sales of blood pressure monitors amid rising health-consciousness in China and elsewhere in Asia.

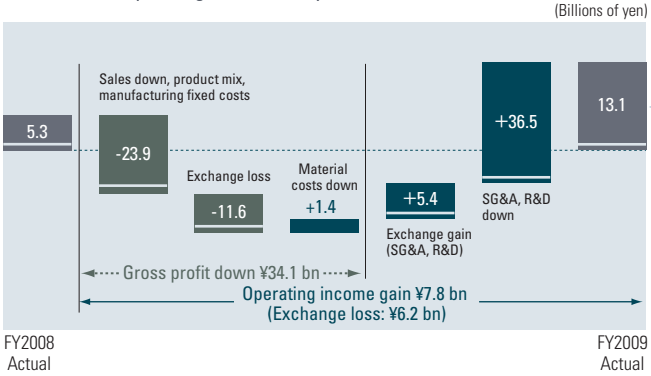
Consolidated net sales declined 16.3% year-on-year, to ¥524.7 billion, impacted by a substantial decline in demand until the second quarter of the period. However, we surpassed our initial net sales target of ¥510.0 billion by ¥14.7 billion, thanks to the performances of our IAB, EMC, and AEC businesses—where recovery exceeded our expectations.

With respect to earnings, we achieved cuts in fixed and variable costs amounting to around ¥63.0 billion. As a result, despite the considerable fall in revenue, we posted operating income of ¥13.1 billion, up 144.9% year-on-year, and net income attributable to shareholders of ¥3.5 billion, compared with a net loss attributable to shareholders of ¥29.2 billion in the previous fiscal year.

Fiscal 2010 Outlook

In fiscal 2010, we expect business conditions to continue recovering, but we cannot be optimistic across the board. In addition to the ongoing high level of unemployment rates in advanced nations, for example, there are concerns that the benefits of economic stimulus measures will start fading in the second half of the period. Meanwhile, amid worsening fiscal instability in Europe, triggered by the recent financial crisis in Greece, the outlook remains uncertain. Having said that, we anticipate continued economic growth in

Consolidated Operating Income Analysis (YoY)



Consolidated Operating Income by Segment

(Billions of yen)

	FY2009	FY2008
IAB	**13.9**	18.2
EMC	**6.7**	4.2
AEC	**1.7**	(7.1)
SSB	**2.7**	5.2
HCB	**7.1**	4.8
Other	**(7.0)**	(7.3)
Eliminations & corporate	**(12.0)**	(12.6)
Total	**13.1**	5.3

China and other emerging nations, as well as moderate recovery in capital investments, especially in the semiconductor, electronic component, and automobile sectors, which relate closely to the Omron Group. These factors should also underpin the ongoing turnaround in demand for factory automation control systems. With respect to electronic components and automotive electronic equipment, as well, we look forward to a recovery trend.

For fiscal 2010, we forecast a 17.2% year-on-year increase in consolidated net sales, to ¥615.0 billion; a 251.8% jump in operating income, to ¥46.0 billion; and a 738.5% surge in net income attributable to shareholders, to ¥29.5 billion.

Consolidated Income (Loss) Forecast (Billions of yen)

	FY2010 (Forecast)	FY2009	FY2008
Net sales	615.0	524.7	627.2
Gross profit	233.5	184.3	218.5
SG&A expenses	144.5	133.4	164.3
R&D expenses	43.0	37.8	48.9
Operating income	46.0	13.1	5.3
Other expenses, net	1.5	2.9	44.5
Income (loss) before income taxes	44.5	10.2	(39.1)
Net income (loss) attributable to shareholders	29.5	3.5	(29.2)
USD (yen)	87.0	92.9	100.7
EUR (yen)	112.1	130.3	144.5

* FY2010 forecast represents the figures as of July 28, 2010, which were upwardly revised from the initial forecast.

Cash Dividends

For the period under review, we declared a year-end dividend of ¥10 per share, up from ¥7 at the previous fiscal year-end, reflecting our better-than-expected earnings recovery and our cash reserve status. We also paid a ¥7 interim dividend (¥18 interim dividend in fiscal 2008), bringing annual cash dividends to ¥17 per share. Although this is ¥8 less than the previous year, we increased the year-end dividend in light of our performance recovery in the second half of the period. The dividend payout ratio was 106.4%, and the dividend on equity (DOE) ratio was 1.2%.

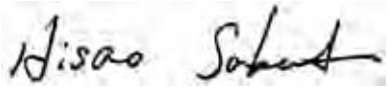
Seeking to maintain steady returns to shareholders, we will deepen our emerging reform-driven mindset sparked by the economic crisis and expedite our shift to a rock-solid earnings structure. Our most important task is to translate these initiatives into future leaps forward, and we will take swift measures to this end.

Long-Term Management Vision

Fiscal 2010 is the final year of our long-term management vision, entitled "Grand Design 2010." We have positioned fiscal 2010 as the completion year for the "Revival Stage" of the vision. We will then set new long-term targets for the subsequent 10-year period starting in fiscal 2011. To help achieve those targets, we will follow a new long-term management vision (currently being formulated), the details of which will be announced later.

During the Revival Stage of our current long-term management vision, we have built a robust earnings base. From that base, we will target long-term growth through sensing and control technology, a key strength of the Omron Group. We look forward to your ongoing support and cooperation.

August 2010



Hisao Sakuta, President and CEO

Hisao Sakuta
President and CEO

"Becoming Leaner to 'Build a Robust Earnings Structure'" and "Changing Gears to 'High Growth'"

The Omron Group's Next Long-Term Vision Targets an Operating Income Margin of 15%.

Fiscal 2009 in Review

——Amid a decline in net sales of more than ¥100 billion, earnings were higher than forecast. Looking back, what sort of year was fiscal 2009?

Fiscal 2009 was a year in which our employees worked together as one to improve the foundation of the Omron Group.

It's now seven years since I was appointed president. In the first five years, we were blessed with favorable external business conditions that drove ongoing improvements in performance, culminating in record-high net sales and operating income in fiscal 2007. However, we were concerned that under a favorable operating environment, we tend to amass management resources that do not generate business value, to the point where we gain excess "fat" that has the potential to endanger momentum on a variety of fronts. This is why we targeted an operating income margin of 10% for fiscal 2007. However, although net sales and operating income reached new records, the operating income margin, at 8.6%, was well short of the 9.9% posted in fiscal 2005.

Straight after that, in fiscal 2008, there was a global economic recession, which hit manufacturers everywhere extremely hard. Omron's operating income margin slumped to 0.9%, and we recorded a net loss attributable to shareholders for that year. It is precisely during troubled times like this when you can clearly see what is surplus to requirements. Confronted with this situation in fiscal 2009, it also became an oppor-

Results of Emergency Measures in FY2009

		Annual reduction target (YoY Change)	Actual result (YoY Change)	Achievement rate
Variable costs		¥5 bn	¥5 bn	Close to target level
Fixed costs	Manufacturing fixed costs SG&A expenses R&D expenses	¥55 bn	¥58 bn	Exceeded target
Total		¥60 bn	¥63 bn	Exceeded target

Note: These figures are approximations.

tunity to come together as a united force.

At the beginning of fiscal 2009, I informed all Group employees via satellite broadcasts and other means that we would undoubtedly post an operating loss of ¥60 billion if we did not change our ways. I also declared that we would not be downsizing our staff. Determined to avoid an operating loss at all costs, however, we adopted a range of emergency measures instead of cutting jobs. For example, we instructed management to lower costs by ¥60 billion by cutting labor costs through salary cuts and reductions in overtime work, as well as extensively reviewing spending. With all Group employees working together as one, we succeeded in reducing costs by approximately ¥63 billion.

——— Is there anything in particular to be learned from past experiences of coping with an economic recession?

Back in fiscal 2001, the IT bubble burst and we posted a net loss attributable to shareholders, as we did in fiscal 2008. On that occasion, we cut back on employment, such as by offering early retirement, in order to overcome the difficulties we were facing. Although this resulted in a temporary reduction in costs, we paid the price of losing longtime employees from our production and sales operations. This had a detrimental effect on "on-site capabilities," which are most important of all.

Because the recent economic crisis has led to an unprecedented worldwide recession, we've heard some shareholders and investors say, "Shouldn't the Company be downsizing its staff?" Based on our experience in fiscal 2001, however, we formulated and implemented an action plan (Emergency Measure items) that did not affect employment. Rather, we sought to ride out the situation by working together and sharing the difficulties we faced.

Targets for Fiscal 2010

——— Having ridden out the economic crisis, what are your aims and what challenges lie ahead in fiscal 2010?

First, we must carry on with Structural Reforms. Implementing our action plan was a united effort, but if we treat it as a stopgap measure that's no longer necessary we will regain all the excess we have shed. Because a company is primarily a going concern, we must constantly work hard. Since all Group employees adopted the attitude required to get us through the events of last year, next we must continue with a reform-oriented mindset that will give us a lean structure. This is our first challenge.

In addition, with our sights set on future growth, we will resume investment plans that were put on hold during fiscal 2009. In other words, the main themes for fiscal 2010 are "becoming leaner to 'build a robust earnings structure'" and "changing gears to high growth."

Revival Stage and Progress with Structural Reforms

——— Please tell us what has become stronger as a result of the structural reforms implemented in fiscal 2009.

We designated fiscal 2009 as a year for "Emergency Measures," and also for "Structural Reforms (Revival Stage)" in which we targeted medium-term reinforcement of the Group's earnings base. To put it briefly, the Revival Stage sought to consolidate the strengths of our three control-based business segments—the IAB, EMC, and AEC businesses—which together represent around 70% of the Omron Group's consolidated net sales, and reorganize these three businesses.

These three business segments used to share the same organization. Amid soaring growth, however, we spun them off into three companies to help them evolve into autonomous businesses. All three are growing as independent entities, but some inefficient aspects have come to the fore, such as their development and production of similar products (relays, for example). As a manufacturer whose many strengths rest with its technical capabilities, we must prevent any of our core technology-related functions, such as development and production, from becoming diluted through dispersion, which would lead to the weakening of our strengths. Here, the consolidation of strengths has meant redressing inefficiencies and the adoption of a "selection and concentration" strategy.

——— Can you give some specific examples of measures you have taken?

We shifted the production and development of universal relays, switches, and connectors—products in which Omron excels—away from IAB and AEC and gave them to EMC. At the same time, we boosted IAB's domestic marketing personnel by around 300 in order to better deploy its strong sales channels and strengthen the Group's marketing capabilities.

Meanwhile, AEC's strengths lie in auto body electronic equipment, and for this reason it has concentrated on its own clients and products. Accordingly, we

decided to spin off AEC to leverage the benefits of autonomous management, resulting in the establishment of Omron Automotive Electronics Co., Ltd., on May 6, 2010.

—— What was involved in strengthening the marketing capabilities of IAB?

One of IAB's key strengths is domestic marketing, through which it sells general-purpose products to many unspecified users via its distributor sales channels. However, IAB's share of the domestic market for control equipment had decreased over the previous decade (according to NECA* data), so we asked distributors to help IAB increase its market share by 5 percentage points over the next four-year period. For our part, we have promised to launch more competitive products, provide distributors with comprehensive support, and enhance the sales structure to make a sales pitch together. By transferring employees in fiscal 2009, we increased the number of staff in IAB's domestic sales & marketing division and strengthened customer contact.

Our survey results show that during fiscal 2009, when we experienced challenging business conditions, we succeeded in raising our domestic market share by 1.2 points. We will target a further 1.5-point rise in fiscal 2010, and get as close as possible to our target increase of 5 percentage points.

*NECA: Nippon Electric Control Equipment Industries Association

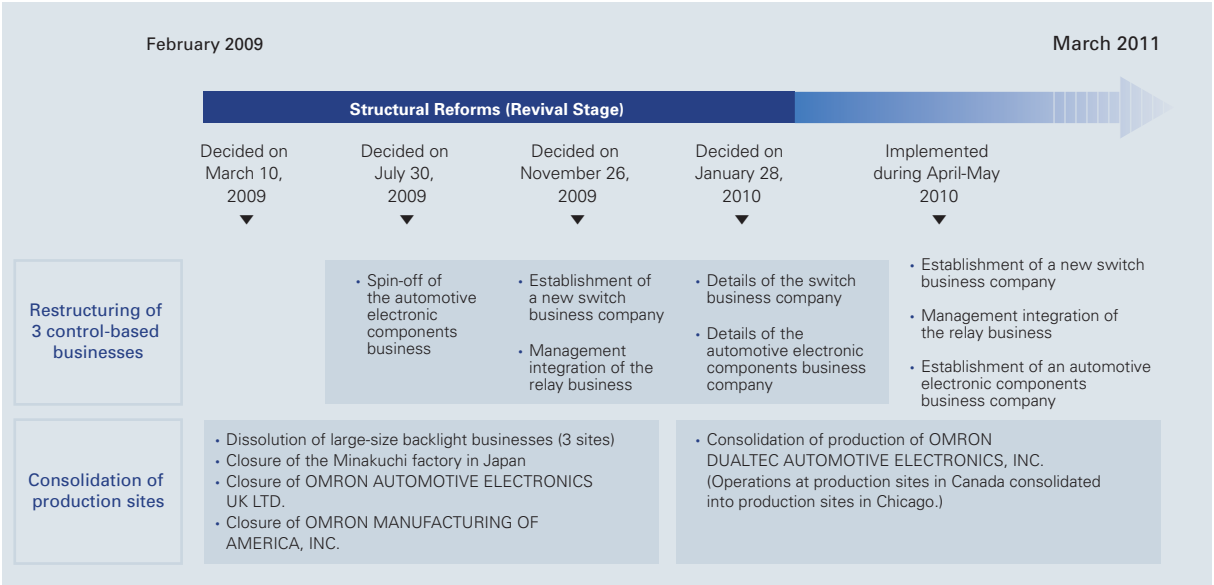
—— What do you mean by IAB's "competitive products," both in Japan and overseas?

When we think of competitiveness, we tend to think of function, performance, quality, and price. Of course, price is a vital component, but it's not everything. It's important to use a client's situation and true needs as a starting point, and not make a product with specifications that are too high or start a price-cutting war. In fact, ensuring proliferation of the Omron brand among the ultimate end-users (the customers of our customers) helps bolster competitiveness.

IAB conducts marketing activities in various emerging countries. These activities indirectly enhance the product value of customers who export machinery from Japan to emerging countries. For example, there are many regions where IAB's marketing activities have raised the profile of the Omron brand. In such regions, when end-users introduce products containing Omron-brand components, they automatically feel more assured.

As seen here, competitiveness is not only determined by superficial elements, such as price and specifications. It is important that we achieve a balance with all sorts of added value, including the power of the Omron brand.

Update on Structural Reforms



Balance between Business Autonomy and Synergies

—— From the perspective of synergistic effects, wouldn't integration of the three control-based businesses, like you had before, be more beneficial?

If synergies were the only concern, there is the option of reverting to the past system and integrating the three businesses. For Omron, however, being mutually dependent and less able to address changes in the business environment are more problematic. "Business autonomy" is not the same as being able to do as one pleases.

Omron has five business companies, including the spun-off entities, as well as their associated businesses that are still in the incubation stage. However, these are made up of a further 80 business units. There are the parts that make up the whole, and the whole that makes up the parts. They have a complementary relationship. Maintaining a relationship that is neither too close nor too remote is not easy, and will depend on the skills of management. Omron won't grow if the parts become too assertive and fragmented, nor if the whole becomes too strong and subsumes the parts.

The Omron Group has a unique organizational structure. Our recent structural reforms, including the spinning off of AEC, reflect the type of Group operating structure that we believe will survive on the global stage ten years in the future, after setting priorities from various viewpoints, including synergies and autonomous operations.

—— What is the secret to demonstrating synergies while maintaining autonomy between the different businesses?

I'll use the analogy of manufacturing to explain. Omron's manufacturing processes can be classified into two broad categories. One is the process of procuring raw materials to manufacture parts, which are assembled to create a finished product with a particular function. The other is the processing of parts purchased from the marketplace and assembling them together into a product. To be sure, there are no such synergies possible in the development of blood pressure monitors and fare payment systems for railway companies. However, if we think in terms of these manufacturing processes, there is plenty of room for synergies in a variety of processes.

Because our three control-based companies were combined in the past, there should be lots of synergies, not only in product development, but also in manufacture, sales, and support. However, without a sense of crisis, the respective companies for some reason are unable to identify items that could be shared, even though such an approach would be common sense. The end result is an inefficient utilization of resources. Before we knew it, we also lost competitiveness, which should have been one of our strengths.

For fiscal 2009, we initially forecast zero operating income, although it ended up being ¥13.1 billion. One reason for this improvement was our ability to identify attributes in common that had previously been ignored, enabling us to generate synergies valued at between ¥4.0 billion and ¥4.5 billion. Specifically, we reduced variable costs by using central purchasing for common materials.

I call this sort of activity "Common, Module, Option" (CMO), in which we classify our operational processes into three categories—Common, Module and Option—to raise overall efficiency through "sharing, standardizing, and creating a common platform." If each company were to concentrate senselessly on their own uniqueness, there is no way we could be globally competitive. We need to identify and increase attributes shared laterally across the different companies, create modules, and extend their scope of application. By doing that alone, however, we'd end up with a bunch of clones, so we need to add features that meet market needs and elements that differentiate as options. The key to our generation of synergies lies in asking what we can use as a platform, to what extent we can increase attributes which can be shared, and what features should be added as options.

Building a Robust Earnings Structure for the Medium and Long Terms

—— So is CMO the keyword for your quest to make your robust earnings structure sustainable?

Yes, it is. The objective of "building a robust earnings structure" is to achieve a cost of sales ratio of 58% (it was 65% in fiscal 2009). I believe that the CMO concept is essential for achieving this ratio.

—— Where does the CMO concept come from?

I first came up with CMO some 20 years ago. At the time, I was manager of the electronic temperature controller business. We made them at the Okayama factory, where we also made timers and counters. However, because the products were affiliated with different departments, the parts for each product were

selected and made independently, even though there were a lot of similar internal components. At the time, I questioned the rationale behind the obsession on independence.

After I was appointed president in 2003, I decided to promote CMO on a Group-wide basis. However, when I set about it, I found, quite naturally as it happens, that our development and production operations had sound reasons for their existing ways, such as "we can make them more cheaply" and "it makes it possible to improve function and performance." But from the perspective of the best interests of the entire Omron Group, "more cheaply" actually turns out to be "more expensive." For example, if you use a wide variety of materials and parts even though they're cheap, you won't benefit from mass purchasing, and you'll need to increase the number of inspection processes.

——How will you promote the adoption of CMO?

CMO is a concept, rather than a method. Let's take Lego, the best-selling children's toy brand for many years. Long ago, when I looked at the Lego set I bought for my children, I thought it was interesting how, even though the individual parts are to a certain extent standardized, you can make a wide variety of objects depending on how you put them together. You can then dismantle and reuse them as you like.

At Omron too, being able to freely and quickly rearrange resources, including personnel, enables us to effectively address change. This is why we must first standardize our management resources and operational bases to share, so that they can be mounted on common platforms. In many ways, the CMO concept is what today's Omron needs.

The CMO concept can be used to raise productivity in many ways in all processes, from molds, assembly, quality, function, and performance through to work procedures. Since we must think of what's best overall, I believe that the managers of each division must be committed to CMO from the beginning. We must then appoint the members of the CMO task force at the head office to each business division where they can put it into practice.

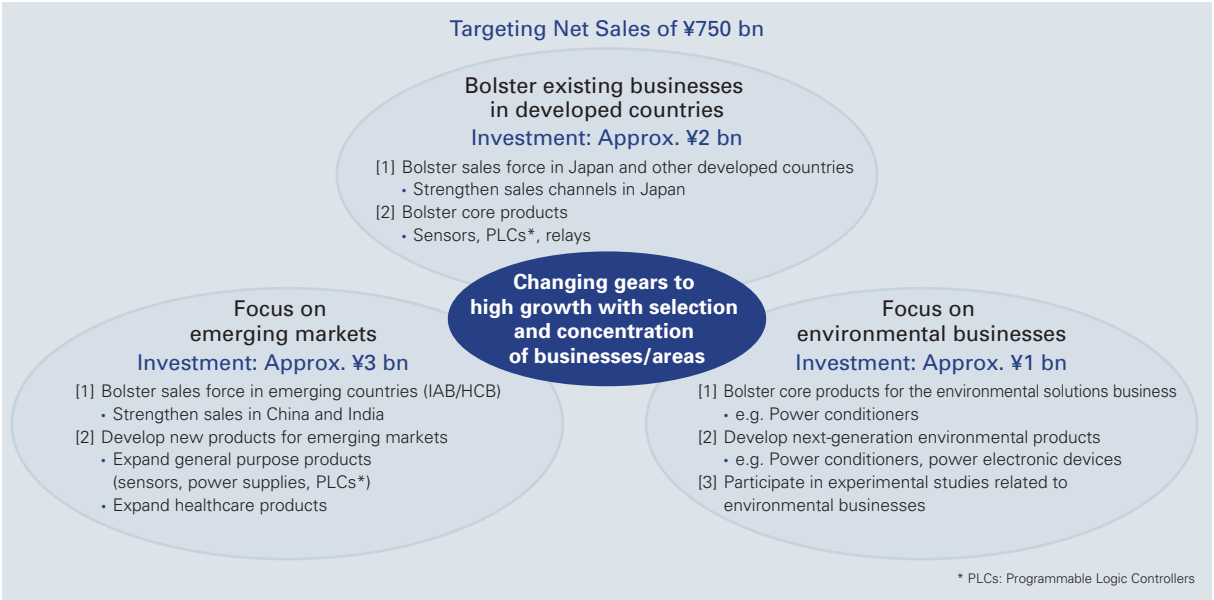
It will be some time before each business is able to feel that they have become stronger as a result of CMO. Still, I think that now, when all Group employees are focused on building a rock-solid earnings structure, is a good opportunity to spread the CMO concept.

Medium- and Long-Term Growth Strategies

——When "changing gears to high growth" in fiscal 2010, where will you make strategic investments?

In fiscal 2010, we will make aggressive investments in the future with the aim of increasing revenue in the medium and long terms. We will invest around ¥7.0 billion, including personnel and other expenditures, in three strategies. The first strategy is to "bolster existing businesses in developed countries." This will entail investing approximately ¥2.0 billion in boosting sales forces in Japan and other developed countries. The

Changing Gears to High Growth



second is to "focus on emerging markets." It involves spending around ¥3.0 billion on upgrading sales capabilities and developing new products for these markets. The third strategy is to "focus on environmental businesses." Here, we will invest approximately ¥1.0 billion in bolstering our lineup of environmental products.

——What kind of role do you see the Chinese market playing in the future?

Emerging markets are important for increasing sales in the medium and long terms. China is important not only as a production base, but also because of its markets. For Omron too, the Chinese market will definitely be a growth driver for both production and sales for some time to come. In recent years, China's local manufacturing companies have been increasing exports to developing countries in addition to meeting internal demand, which presents plenty of scope for Omron. The Omron Group views Greater China as its most important overseas region. Our immediate market strategy is to provide a comprehensive lineup of offerings to address each stage of our customers' development. To this end, we will focus on developing new products.

Sales in Greater China, including Taiwan, were the first to recover from the effects of the recent economic crisis. To give an example using an IAB product, sales of programmable logic controllers (PLCs) developed for local Chinese companies were higher than anticipated.

In China, there is the growing risk of inflation, and soaring labor costs are also becoming a problem. Until recently, manufacturers from all over the world relocated their factories to China, attracted by high productivity relative to wages. However, sharp increases in labor costs in the future will lower productivity. Nonetheless, since rising labor costs will be accompanied by a shift to automation of production, this will present opportunities to the Omron Group. In today's fast-changing world, where risk lurks behind opportunity and opportunity lurks behind risk, we must make decisions taking many factors into account.

(For more details, please refer to our Special Feature on pages 25-37.)

Shareholder Return

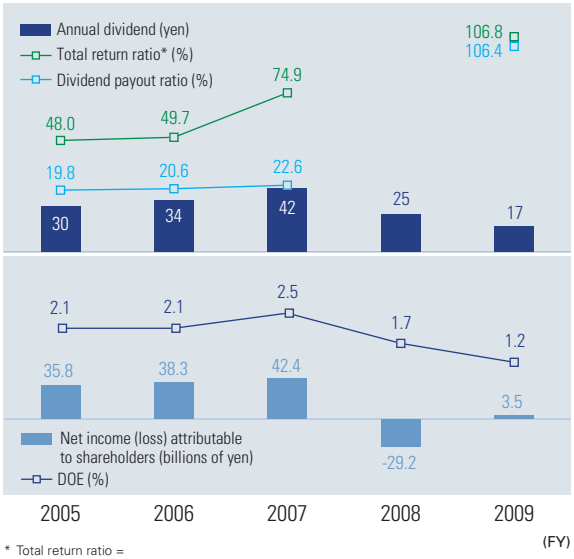
——If Omron achieves its initial target of net income attributable to shareholders of ¥29.5 billion in fiscal 2010, can we expect a dividend on equity (DOE) ratio of around 2%?

A publicly listed company is tasked with managing the funds it receives from its shareholders through its business activities. Therefore, it must return net income attributable to shareholders to shareholders in line with a clear policy. Our basic policy is to secure internal capital resources for growth investment targeting R&D and capital investments which are vital to future business expansion, in order to "maximize corporate value over the long term."

However, shareholders making medium- and long-term investments desire consistent dividends. Consequently, because a company's income varies from year to year, the ideal is to maintain dividends at a certain level while steadily increasing them over the long term. Our policy for securing stable dividends is to maintain a minimum 20% dividend payout ratio and target a 2% dividend on equity (DOE) ratio.

In addition to the payment of dividends, another

Trends in DOE, Dividends, Net Income Attributable to Shareholders



* Total return ratio =
(Total dividends paid + Amount of Company's own shares repurchased)
/ Net income attributable to shareholders

way to deliver shareholder return is through share buybacks. Because such a practice sends a message of how we evaluate our company's share price, we believe it is desirable to institute share buybacks depending on share price levels in a timely manner.

In fiscal 2009, the total dividends paid (payout ratio of 106.4%) exceeded that year's net income attributable to shareholders, reflecting the importance we attach to paying stable dividends. Even so, the DOE ratio was only 1.2%, which is lower than we would have liked. Needless to say, we aim to see a return to a profit level that will permit a DOE ratio of 2.0% as soon as possible.

Long-Term Vision for Fiscal 2011 and Beyond

——— Finally, can you outline Omron's medium-to-long-term vision?

Omron recently marked its 77th anniversary. If I were asked what the biggest difference is between Omron now and when it was founded, I would say that today we treat the entire world as our market, whereas initially we focused only on the domestic market. Another change is that today Japanese employees make up just one-third of Omron's workforce. Our major challenge going forward is to survive on a global scale.

We can expect that powerful rivals will emerge from China and India in addition to developed Western countries. When that happens, if capital markets do not rate us as a global player, we will grow weaker even if we manage to survive for a further 10 or 20 years.

So what does "being rated as a global player" mean? One clear answer is that the time has come to distance ourselves from the notion of the limitless pursuit of quantitative targets. Holding the No.1 market share is an outcome, but being the true top global player means that customers see you as the company that provides the best products and services. This enables a company to create new value and be more profitable than others—a company that can use those profits to consistently deliver products and services that make its customers even happier. We intend to devote all our energies to becoming one of those companies.

Today, our rivals that are rated highly globally have operating income margins of between 15% and 18%. For this reason, one of Omron's long-term earnings targets is to achieve "an operating income margin of at least 15%."

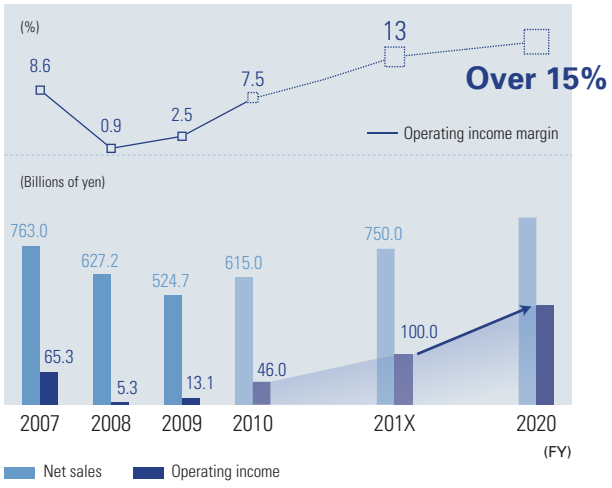
——— How do you intend to achieve this 15% operating income margin target?

An operating income margin of 15% is new territory for Omron. We are currently formulating our new long-term management vision, covering the 10-year period from April 2011 to March 2021. The new vision calls for incremental increases in the operating margin to 10% and then 13%. We are already working on a plan that makes a 13% margin achievable by fiscal 2013. To attain this target, we must set a cost to sales ratio of 58%, which combines both the variable cost ratio and manufacturing fixed cost ratio. This is not an easy target, but I think that putting the CMO concept into practice holds the key to achieving it.

If we are able to return to net sales of ¥750 billion in the near future, we would be able to record operating income in the vicinity of ¥100 billion. This is equal to 1.5-times our record-high figure posted in fiscal 2007.

My primary goal is for Omron to establish a rock-solid earnings structure. In other words, it is to achieve a significantly higher operating income margin, rather than set one-off targets like ¥750 billion in net sales and ¥100 billion in operating income. An operating income margin of 13% is the first step to achieving this goal.

Target PL Structure



China, Our Driving Force for Growth

China is geographically 26 times larger than Japan, its population represents one-fifth of the world population, and it has become the world’s top automobile manufacturer. In 2010, China is expected to surpass Japan in terms of nominal GDP to become the world’s second largest economy. China’s importance continues to grow as a driver of the global economy. Moreover, China is still looking forward to full-fledged growth stages for its inland regions.

Companies around the world are currently eyeing the Greater China region, encompassing China and Taiwan, not just as a manufacturing region but also as a demand region (i.e. markets) promising ongoing growth. Omron got a major head start by developing operations in the Chinese market 30 years ago. This report outlines the deep involvement of the Company’s Industrial Automation Business (IAB) in the manufacturing industry and the Healthcare Business (HCB) in the lifestyle in the Greater China region.

Greater China Region Sales Grow Even During the Economic Crisis

The impact from the global economic crisis has led to two straight years of substantial declines in sales for the Omron Group, with consolidated net sales dropping by 16% year on year in fiscal 2009. Nevertheless, the Group posted increased sales year on year in the Greater China region on the support of the Chinese government's swift and large-scale economic stimulus measures while sales contracted in Japan, North America, Europe, and other advanced countries.

Omron Pursued Business in China Immediately after the Introduction of the "Reform and Opening Up" Policy

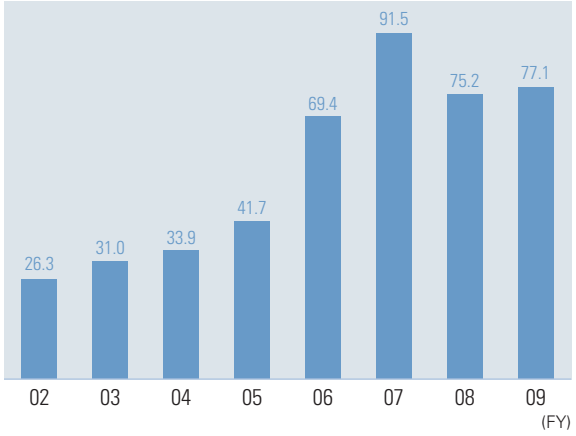
30 Years Expanding the Business Base

Omron founder Kazuma Tateisi immediately recognized the potential for business in China following the normalization of diplomatic relations between Japan and China in 1972. Omron began a technological exchange of traffic control systems with China's Ministry of Public Security in 1979, the year after China launched its "Reform and Opening Up" policy.

Omron continued developing activities in China in the 1980s, including the conclusion of agreement for contract assembly of relays with a local company in Shanghai and the start of consignment production of thermometers and blood pressure monitors. As the market expanded in the 1990s, the Company's focus shifted from consignment production to direct investment, as it concentrated on constructing its local sales structure.

Sales Trends in the Greater China Region

(Billions of yen)



After 2000, the Company's Grand Design 2010 (GD2010) long-term corporate vision was launched in fiscal 2001. During the plan's 2nd Stage covering the four fiscal years, 2004 to 2007, the Company put special emphasis on expanding operating bases in China and made aggressive investments in China to further fortify the local sales and manufacturing structure. As a result, sales in the Greater China region nearly tripled from the 1st Stage to the 2nd Stage of the plan.

Establishment of a Core Base for *Monozukuri*

In 2005, during the 2nd Stage of GD2010, Omron established Omron (China) Co., Ltd. (Shanghai) as a core global development and production base for the IAB segment with comprehensive *monozukuri* (product creation) functions spanning development, design, production, distribution, and customer support services.

The Company followed in fiscal 2007 with the establishment of the Omron R&D Collaborative Innovation Center, the first overseas R&D base, in Shanghai. The center brings together the researchers and students at nearby universities in Shanghai with exceptional research and development capabilities, with the Company's researchers into an R&D facility focused on "collaborative innovation" for the creation of new value.

Creating a Manufacturing and Sales Network with a Hub in Shanghai

The Omron Group located its China headquarters in Shanghai, in the heart of the Chinese economy, from where it controls all of its affiliated companies in the Greater China region. The Company has also set up major bases centering on the three coastal growth areas. In Shanghai, the Company operates OMS, a core global development and production base, and sales companies for control equipment, trading companies and associated manufacturing companies for electronic components, and the Omron Shanghai R&D Collaborative Innovation Center.

The Company maintains an electronic components manufacturing and sales company in the city of Shenzhen. Omron established a company to manufacture automotive electronic components in Guangzhou, and plans to expand its presence in regions where the automobile industry is concentrating its manufacturing activities. The Company also operates companies that manufacture and sell backlights for small and medium-size liquid-crystal devices, acquired through M&As in fiscal 2006, in the cities of Suzhou and Dongguan.

Business processes related to healthcare equipment are concentrated in the city of Dalian, where the Company established a manufacturing, development, and trading hub focusing on its core blood pressure monitor products. The Company also expanded sales channel networks throughout China for the industrial automation business, electronic components business, and healthcare business.

40% of All Omron Employees are Chinese

Including these major bases, the Omron Group currently maintains 27 subsidiary and affiliated companies in China. The Group currently has approximately 13,000 employees of Chinese nationality, which surpasses the roughly 12,000 Japanese employees, and represents roughly 40% of Omron's workforce.

A Very Attractive Growth Market for Omron

Incalculable Growth Potential

While countries around the world were mired in recession after the Lehman shock, the Chinese government promptly implemented a four trillion yuan (approximately ¥52 trillion) large-scale economic stimulus package that sparked 9.1% economic growth for the country in 2009. Moreover, government measures designed to stimulate consumer activity brought out the latent and built-up consumer willingness to spend, producing the growing impression that China, while remaining the "world's factory," is transforming into the "world's biggest consumer market."

At the same time, China's GDP per capita is just one-tenth the level in Japan, and its GDP for primary industries and electric power consumption per capita are equivalent to the levels in Japan 40 years ago. China's growth capacity is still incalculable.

Moving Inland from the Coasts

The Chinese government has been focusing on promoting urbanization and industrialization and developing its export industry at its three coastal growth areas centered on Beijing, the Yangtze River Delta, and the Pearl River Delta. However, the government is fully aware that raising the economic base of its inland regions will also be essential to ensure sustained growth of the Chinese economy. For that reason, development of the inland economies is a prime target of the four trillion yuan stimulus package.

Regarding the inland regions, the bottleneck for economic development has been the cost and time required to transport people and goods across the vast distances. The low income levels have also limited the attractiveness of the regions as consumer markets. These obstacles are already being addressed with the expansion of expressways as well as plans for high-speed railways into the internal areas. The establishment of such infrastructure will undoubtedly lead to an economic transformation emanating from the major urban centers and surrounding areas in the inland region, which is home to some 800 million people.

Local Companies Expanding Facilities

The Chinese government's efforts to generate economic growth driven by domestic demand are being fueled by investment in the public sector and purchase subsidies for replacement of consumer electronics and automobiles. The consumption stimulus measures are

producing demand for compact cars and products that appear relatively inexpensive. Local companies are consequently becoming stronger and expanding their production facilities. In addition, Chinese consumer electronics makers, such as the Haier Group, are even making bids to expand into overseas markets. Soaring labor costs have become an issue in China recently, but the flip-side of this trend is the potential that this will lead Chinese manufacturers to introduce more automation into their operations.

Meeting Specific Market Needs

The expanding production by manufacturers and the growth of local companies are leading to rising demand for control equipment, specifically programmable logic controllers (PLCs), temperature controllers, sensors, timers, and counters. In addition, the relays, switches, and connectors are electronic components widely used in industrial machinery, consumer electronics, telecommunications equipment, and automobiles.

China's unit production of automobiles surpassed both Japan and the United States in 2009, making it the world's largest manufacturer of automobiles, and this was accompanied by growing demand for power window switches, keyless entry systems, and other automotive electronic components.

In addition, Omron's blood pressure monitors currently command an approximately 65% market share in China, and the Omron brand is establishing a growing presence in the business-to-consumer (B to C) arena. Further growth in demand for healthcare equipment is expected along with the increasing urbanization of China's inland regions.

Moreover, global corporations are facing increasing demands for "safety assurance of workers at production sites" and "attention to the environmental burden." Omron is contributing to these issues by utilizing its sensing and control technologies to provide control equipment and solutions.

The Omron Group views the Greater China region and other newly emerging countries as future growth areas, and seeks to provide ever-improving products and services with a specific focus on "safety and security, health, and the environment" through its industrial automation, electronic components, automotive electronic components, and healthcare businesses.

IAB Development in China

The Industrial Automation Business (IAB), the core business segment of the Omron Group, suffered from the global recession and sluggish demand conditions in fiscal 2009. Yet the IAB posted an 8% year-on-year rise in sales in China—the sole region of sales growth for the year.

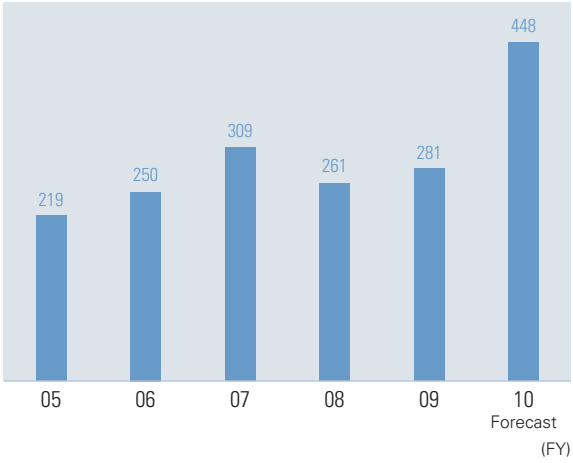
China is becoming increasingly important, not only as one of the world's manufacturing hubs but also as a product development, production, and sales center to meet the demand of the country's massive consumer market. While corporations from around the world are increasing their investments in China, local companies have been growing as their technical capabilities improve.

Reflecting this trend, IAB's customer base in the region is rapidly broadening from leading companies in Japan and other developed countries to include a growing number of local companies. The Chinese market makes up an expanding presence in the IAB business, and China has become essential to IAB's growth.

This report looks at IAB operations, development and production activities in the fast-growing China region from the perspective of the industrial automation business.

IAB Sales Trends in the Greater China Region

(Millions of U.S. dollars)



IAB and the Chinese Market

Takashi Ikezoe
Executive Officer
Chairman and President,
Omron (China) Co., Ltd. (Shanghai)

Q How is IAB perceived in the Chinese market?

A China is often called the "world's factory," and leading manufacturers from countries around the world are developing production sites in the country. Competition is also fierce, with companies from Japan, Europe, the United States, Korea, and Taiwan, as well as local Chinese companies all vying in what has become a microcosm of global competition.

In this milieu, IAB is perceived as a comprehensive producer of factory automation (FA) equipment, boasting the world's leading lineup of products and capable of seamlessly responding to customer needs through its complete operating structure of local operations in development, production, sales, and service support.

IAB also provides high-level technical support to customers through the affiliations of its sales network covering all of China with sales engineer (SE) centers located at its main bases.

In addition, customers regard IAB highly for the support services provided by the Customer Support Center in Shanghai, which includes a call center to respond to any questions that arise in the manufacturing processes; a training center for getting first-hand experience operating the actual equipment that will be used at the production site; a repair center, which provides prompt product repair and analysis; and a solution plaza, with a showroom for numerous new products and for test operation of the actual equipment.

Customer Support Center at Omron (China) Co., Ltd. (Shanghai)

IAB Sites in China

* As of July 2010

Q Is price competition with local companies also a threat?

A The product lineups of local control equipment manufacturers are primarily made up of general-purpose products, and competition with such companies is certainly a significant threat, if only price matters. However, while pricing is an important element, overall value in terms of quality, service, and reliability is most important at the production site. Omron's strength is in the balance of its prices and the value-added features beyond the product price. IAB maintains product development and production bases in Shanghai, from which it offers customers in China a steady flow of customized, value-added products, thereby generating rising sales in that country.

Q There is an image that most of IAB's customers in China are manufacturers affiliated with Japanese companies. Is this currently true?

A Most of Japan's leading manufacturers have production bases in China and many of the Japanese-owned companies utilize our products in their production facilities. However, Japanese companies account for only about 10% of IAB's total sales in China. Local Chinese companies are utilizing our devices in their products and machinery, which in some cases are supplied to Japanese companies in the area. We do not know exactly how many of our products end up at Japanese companies. The primary sales destinations for IAB's control equipment are local Chinese companies, which represent roughly 80% of our sales in the country.

The percentage of our sales to Japanese companies in the region has been rising recently in line with the trends of Japanese companies shifting their production operations to China and increasing their local procurement activities.

Q What will be the key points for IAB expanding its business in China?

A Local companies that can benefit from the Chinese government's four-trillion-yuan investment package for infrastructure, which is mainly targeting the development of inland regions, are increasing plant and equipment investment. Business is also growing rapidly for local machinery makers who supply products to Chinese companies and export to customers in emerging economies.

IAB is targeting customers in growth industries as it fortifies sales and sales engineering capabilities. We are also enhancing our sales offices and channels in the inland regions where the bulk of infrastructure investment is taking place. We expect support services to become increasingly important in the future, and recognize the need to act quickly to strengthen service support capabilities so as to get a head-start over our competitors.

Q Rising labor costs have become an issue. Will this affect IAB's operations?

A The previous production model relied on abundant and inexpensive labor, with only a portion of the production lines automated. However, automation is expected to increase in tandem with the rising labor costs, which are drawing attention these days. Already, we can see examples among our customers of advances in factory automation. For IAB, this is a positive development. We will do our best to fully meet the surging demand for automation, and thus expand our business in China.

Moreover, rising labor costs also mean that personal income levels will be increasing and private consumption will be growing in China. Increasing consumption will then become a catalyst for new investment in productivity. We think the Chinese market will become even more attractive both as a production site and as a market.

From the IAB Production Sites

Koji Doi
Executive Officer
Chairman and President,
Omron (Shanghai) Co., Ltd.

A Core Base for Competitive Manufacturing

Trust in "Made by Omron"

Omron (Shanghai) Co., Ltd. (OMS) is more than a production base, it's a core base for IAB's global operations as it maintains all the functions for manufacturing—development, production, and distribution—and supplies products not just to the Chinese market but to markets around the world. OMS therefore maintains global standards in the management of all aspects of quality, cost, and delivery, and plays a crucial role in establishing trust in the phrase "Made by Omron."

Timely Product Creation

At OMS, several hundred local developers work every day to hone their technical expertise with technology cultivated in and transferred from Japan and develop new products for the Company. We have worked in coordination with Japanese staff to develop and provide a steady stream of sensors, timers, counters, power sources, PLCs and other core products to the Chinese market.

In addition, we have set up test facilities similar to those in Japan and are able to expeditiously conduct testing based on global evaluation standards around the clock to realize the timely commercialization of new products. IAB's ability to develop products that meet market needs by optimally matching its cultivated technical capabilities and China's abundant human resources is one of the main strengths of OMS.

Flexible Production Systems

We design production operations that maximize both quality and cost effectiveness by creating the optimal blend of automated and manual production lines. OMS utilizes the latest substrate mounting line technology and is a global leader for the low level of its in-process defect rate.

We also make the best use of the abundant local workforce by utilizing the same system as in Japan of 24-hour, manual cell production with cross-trained workers. The cell production system uses a workbench called a cell, which has parts boxes arranged in a U-shaped line with one or more workers in each cell fulfilling a complete production process, from parts installation to assembly, processing, and inspection. The system has the advantage of allowing easy changes to the items being produced simply by changing the operating sequence or the parts in the parts boxes provided to the cell. Because each cell operates autonomously, the system is flexible to accommodate adjustments to production output volume, enabling rapid response to demand fluctuations in China as well as on a global scale.

Quick Delivery

This flexible production system enables OMS to match the production volume to the sales volume and to implement "post-replenishment production" that quickly replaces depleted inventory. We control inventory levels to maintain the appropriate inventory quantities, and have constructed a system of supply chain management (SCM) that is capable of shipping products from the distribution center the day after an order is received to provide speedy delivery to clients in China and all around the world.

Product Creation is People Creation

OMS's strong abilities in manufacturing are made possible by the people who work at OMS. No matter how solid, the full strength of an operating infrastructure cannot be realized unless it is used at its full effectiveness. At OMS, we believe "product creation is

people creation" and support the development of our employees by designing food and housing environments as part of comfortable working conditions, and by providing a thorough educational system.

When new workers join the company, before starting work on the production line, they spend the first month learning the 5S workplace organization methodology of sorting, straightening, systematic cleaning, standardizing, and sustaining the discipline. They then train to master fundamental skills, ranging from tightening screws to soldering techniques, and learn other essential tasks to pass the Company's standardized technical expertise examinations. After passing the test and starting work on the production line, employees continue to participate in regularly scheduled professional training courses, for which the Company supplies extra motivation through an accreditation system, providing wage incentives for acquiring advanced technical expertise. In fact, the Company's employee turnover rate is just one-fifth the level of other companies. The attention we pay to our employees is manifested in the high quality of our manufacturing.

Selected as a Model Company in the Shanghai Pudong District

In 2005, OMS received the award for "Best HR Strategy in Line with Business" in recognition as a "Company that values people," and in 2009 successfully passed the more than 200 checkpoints in the Pudong District CSR examination. The Company is certified as an intern training site for Shanghai Jiao Tong University and the University of Shanghai for Science and Technology, and was also selected as a model company in the Shanghai Pudong District. These developments show the high expectations for Omron's continued future growth in China.

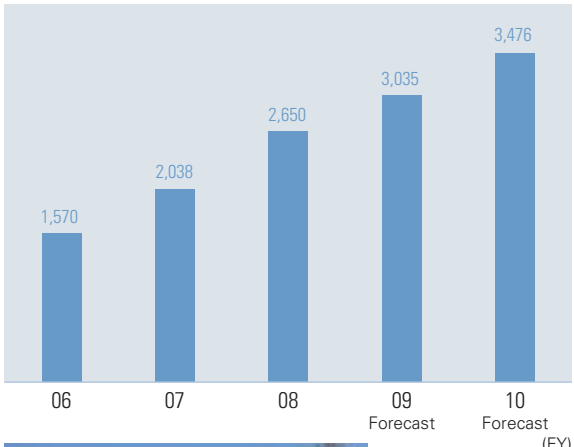
Healthcare Business Development in China

The Omron Group's Healthcare Business (HCB), which develops products and services for consumer markets, posted a 9.7% year-on-year increase to ¥7.4 billion in net sales for the Greater China region in fiscal 2009. HCB boasts more than a 50% share of the global market for blood pressure monitors and produces roughly 80%* of its blood pressure monitor products at its facilities in Dalian, China. Sales of blood pressure monitors and other health and medical products are rising steadily in China amid growing health management awareness in both the wealthy and middle-class populations as the living standards of middle-class populations have improved.

This report introduces the current conditions for the healthcare business in the massive and still-growing Chinese market. (*As of August 2010, production in Vietnam accounts for the remaining roughly 20%.)

The Chinese Market for
Digital Blood Pressure Monitors (Units)

(Thousand units) *As of May 2010, Omron internal survey



Omron Industry & Trade (Dalian) Co., Ltd.

Current State of the Chinese Market and the Healthcare Business

Shinya Tomoda
Assistant Director
Market and Sales Headquarters
Healthcare & Medical Business
Omron (China) Co., Ltd.

Q What is HCB's market share in China for its core blood pressure monitors?

A Company research found that our products hold an approximately 65% share (FY2009 forecast, on a value basis) of the Chinese market for blood pressure monitors and that the Omron brand name is already strongly associated with blood pressure monitors.

Q The market for blood pressure monitors appears to be growing in China. Are there special circumstances in China that are supporting this growth?

A In China, there is an expression "the three highs," which refers to high blood pressure, high blood sugar levels, and hyperlipidemia, all of which can lead to lifestyle-related diseases. China is experiencing a soaring number of patients with the "three highs," accompanying the country's rapid economic development and changes in the people's living habits, such as the westernization of the Chinese diet. It is estimated that the number of patients with high blood pressure will reach approximately 200 million in fiscal 2010, while diabetes patients will increase to 92 million and the number of people considered to be obese will grow to 350 million.

In addition, like Japan, China's population is aging, and the government is actively conducting educational

HCB Sites in China

campaigns highlighting the importance of health, disease prevention, and self-medication. These developments as well as the rising affluence of the population and people's increased buying power are having an influence on demand for blood pressure monitors.

Q Besides blood pressure monitors, what are the other HCB products selling well in China?

A The healthcare business recorded growth in both sales and income in fiscal 2009. Sales are rising for digital thermometers, nebulizers (medical inhalers), low-frequency therapy equipment, and pedometers as well as blood pressure monitors. The outbreak of the H1N1 influenza virus led to particularly strong demand for thermometers in 2009. While this demand was a temporary factor, we anticipate continuing demand growth as people switch from mercury to digital thermometers.

Q The healthcare equipment business appears strong, but what strategies are being implemented for business growth in the future?

A Sales operations of the healthcare business have focused on the three metropolitan areas of Beijing, Shanghai, and Guangzhou. We are currently working on expanding our sales network beyond the major coastal cities to inland regional urban centers. We are implementing an aggressive plan to establish operations in over 20 key strategic cities each year and are fortifying our marketing activities. We are also fortifying our customer service system nationwide so that customers can feel more assured when purchasing and using Omron products.

Global Production Bases of the Healthcare Business

—Omron Industry & Trade (Dalian) Co., Ltd.

OMD—Expanding Local Product Development Functions and Providing Quicker Delivery and Lower Costs for Global Products

Takeshi Nishikawa
Director and General Manager
Omron Industry & Trade (Dalian) Co., Ltd.

80% of the World's Blood Pressure Monitors Produced in Dalian

The healthcare business launched its business expansion into China when a subcontracting company began producing blood pressure monitors and thermometers in Dalian in 1988. That was the Omron Group's first venture into China, and was followed in 1993 with the founding of Omron Industry & Trade (Dalian) Co., Ltd. (OMD) as a manufacturing base for healthcare equipment.

The factory currently has some 2,600 employees, and many of the original local staff from the company's founding are now divisional general managers. OMD currently produces roughly 80% of the blood pressure monitors Omron supplies in the world and produces some 9.8 million monitors each year. Omron's total cumulative sales of blood pressure monitors surpassed 100 million units in September 2009.

Using the Advantages of Geographic Industry Concentration

The city of Dalian is home to numerous Japanese-affiliated companies. Manufacturers of necessary parts and materials have gradually gathered in the area over

the past 20 years and now even molded plastic products can be immediately procured. When we first started business here we procured everything, from a single screw to cardboard, from Japan. We now have a local procurement structure, developed through alliances with all types of parts and materials manufacturers, and currently procure over 70% of our parts and materials locally. While taking full advantage of this local concentration of industry, we are fortifying our supply chain management (SCM).

Local Product Planning and Development for the Chinese Market—Blood pressure monitors with backlights are a hit—

Omron Healthcare Product Development Dalian Co., Ltd. (OHP) is also located in the city of Dalian. OHP combines existing general-purpose technology with the common platforms of healthcare equipment developed in Japan and adds functions, increases specifications, and changes product designs to create timely products catered to local needs around the world. One example is a blood pressure monitor model featuring backlighting, which has become a big hit. In Japan, backlighting is not required because the lighting in most rooms is sufficient for reading the digital displays of blood pressure monitors. By adding backlighting to our blood pressure monitors for China, where many rooms are not so well lit, the product quickly became popular. More recently, we commercialized solar charging semi-automatic blood pressure monitors designed in Japan for sale in Europe and Africa.

In addition to these product development operations, OHP also plays a critical role in selecting locally procured parts with an engineer's eyes through cooperation with production sites to enhance product quality and reduce costs.

Omron's Advantage is Quality

The majority of Omron's blood pressure monitors satisfy the accuracy standards of academic institutions in Europe and other advanced countries and are recommended by international evaluation organizations. Numerous makers have entered the Chinese healthcare equipment market in recent years, and the intensity of price competition is increasing. Omron's advantage is the strong reputation and trust for the accuracy and ease-of-use of its products.

China's State Food and Drug Administration (SFDA) has been tightening its mandatory registration system standards for medical equipment. We welcome the heightened standards because we believe they will serve to highlight the strength of our products. We have been continuously researching ways to improve the accuracy and ease-of-use of our products since we developed our first blood pressure monitor for in-home use in 1973. We have also developed close ties in the medical community and actively supported clinical surveys, research, and other activities in the medical field. Our products are able to meet such strict standards because they are the culmination of many years of technology cultivation and clinical research.

It is recognized worldwide that "quality is the lifeline" of healthcare and medical equipment. We believe that continuing to make high-precision, high-quality products is the way to press our advantage, and we will continue to form production and development alliances in Dalian as we strive to create even better products in the future.

Expectations for Omron—A Voice from China

Growing Safety- and Environment-related Needs

Mr. Wei Ding
Expert in Chief, CAMETA
China Association for Mechatronics Technology and Application

The China Association for Mechatronics Technology & Application (CAMETA, established in Beijing in 1989) is a non-profit organization (NPO) promoting Chinese industrial development through the integration of mechanical and electronic technologies. CAMETA encourages active technology exchange and provides on-site guidance to ensure the safety of production sites.

Manufacturers from around the world are setting up production bases in China, and many factories, particularly those of companies from advanced countries, are bringing in leading-edge factory automation (FA) systems. At the same time, Chinese companies have been absorbing the manufacturing technology of the world's leading companies and in a very short period have picked up the pace of industrialization, which the leading countries have developed over decades, and surged ahead with high-speed economic growth. I think these circumstances make China an extremely attractive "market" for an industry-leading company like Omron supplying FA systems and related equipment and services.

Also in recent years, the needs of China's manufacturing sites have grown beyond just equipment related to manufacturing functions to rapidly increasing needs for control equipment and services related to safety and the environment. A company that can make a strong showing in these areas should be in a prime position for growth in China's future FA system-related market.

Omron's strengths in sensing and control technology are already widely contributing to and increasing its presence in China's manufacturing sites. The company also has outstanding experience in applying its unique technological capabilities, such as its systems for making machines learn and make judgments.

Omron is in a position to create a "win-win" situation by converting its technological prowess into profits for itself as well as for local Chinese companies. We look forward to Omron being a major contributor to the development of manufacturing in China.

July 30, 2010

China's Healthcare and Medical Equipment Market to Continue Growing

Mr. Bin Li
Control Center Chairman
Shanghai Medical Facilities and Equipment Quality Control Department

Most Shanghai residents know of Omron as a healthcare and medical equipment maker of blood pressure monitors, thermometers, and other devices. It is evidence that Omron's products are contributing to the health of people in China. Also, the amount of medical equipment that Shanghai's main hospitals are purchasing is growing by about 15% annually, and Omron equipment is becoming widely used in hospitals and other medical institutions.

We expect Omron's blood pressure monitors and thermometers to be increasingly used in the future. Hospital usage of digital blood pressure monitors, in particular, should increase rapidly as regulations become more strict about mercury disposal methods.

In addition, in 2009 the Chinese government launched an 850 billion yuan, three-year nationwide medical environment reform program that gives top priority to the country's midwest region. This provides Omron with a golden opportunity to broaden its business domain in China.

As the Chinese people raise their standard of living, they are becoming increasingly interested in health issues and will likely increase their spending on healthcare equipment. The increasing prevalence in the urban areas of the "three highs" lifestyle-related diseases (high blood pressure, high blood sugar levels, and hyperlipidemia) and the aging of the population will also lead to increasing demand for Omron's blood pressure monitors, blood glucose meters, body fat monitors, and other home medical equipment. In addition, since the trend of increasing emphasis on "prevention" is also expected to continue, demand can also be expected to grow substantially for Omron's core "Healthcare at Home" related products.

The year 2011 will be the initial year of the Chinese government's 12th Five-year Plan. I have also heard that 2011 will be the first fiscal year of Omron's new 10-year plan.

I sincerely hope that Omron's business will continue to grow in China, and look forward to the company's further contributions to Chinese society.

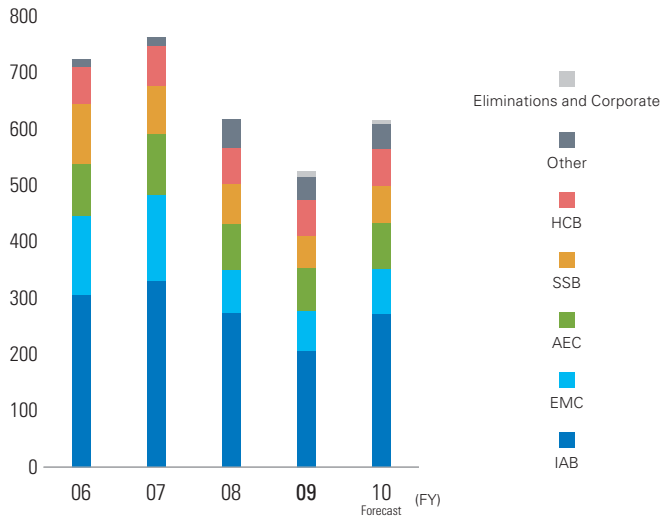
July 30, 2010

Omron at a Glance

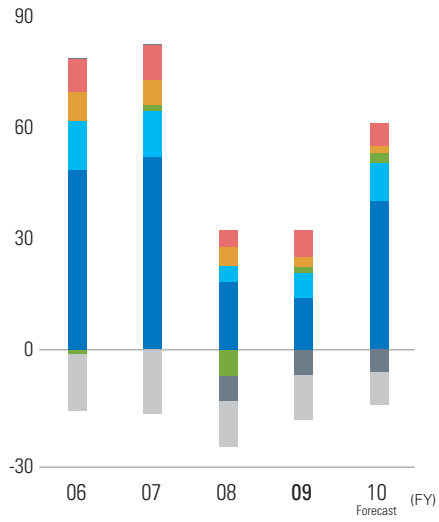
Performance and Outlook by Segment

Segment Net Sales and Operating Income

Net Sales by Segment (Billions of yen)



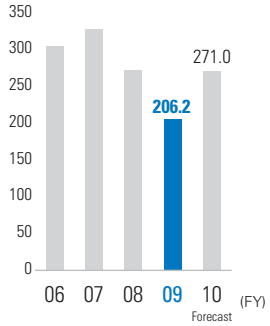
Operating Income by Segment (Billions of yen)



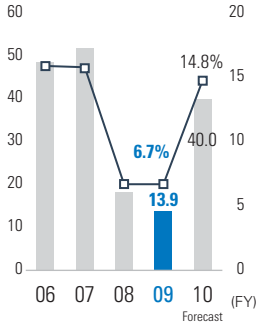
IAB INDUSTRIAL AUTOMATION BUSINESS

Net Sales by Segment **39%**

Net Sales (Billions of yen)



Operating Income (Billions of yen)
Operating Income Margin (%)



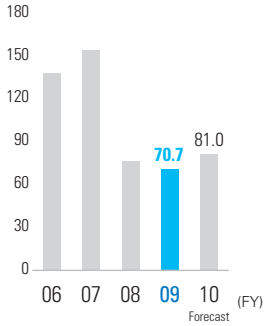
Outlook

IAB is quickly filling out its lineup of control equipment to meet the various demands of developed countries and the rapidly growing BRIC markets, and is fortifying its offerings of ultra-high-speed and high-precision machine automation equipment. The segment is also introducing a steady stream of products to contribute to fulfilling the need for ongoing improvement in production site "quality, safety, and the environment."

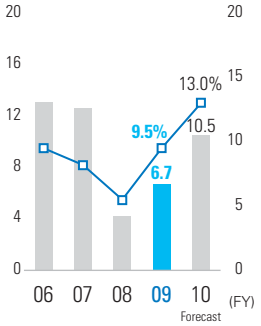
EMC ELECTRONIC AND MECHANICAL COMPONENTS BUSINESS

Net Sales by Segment **14%**

Net Sales (Billions of yen)



Operating Income (Billions of yen)
Operating Income Margin (%)



Outlook

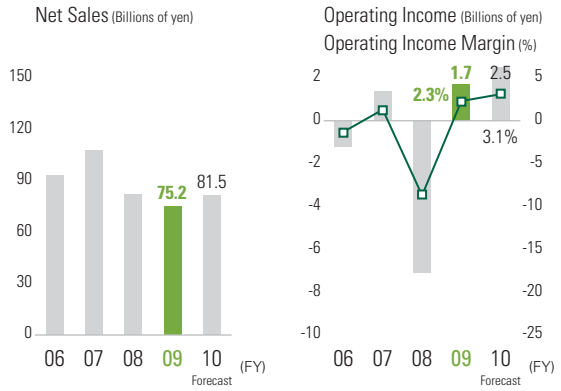
The restructuring of the switch and relay businesses in fiscal 2009 is being followed by further acceleration of the integration of product planning, design for development, and production. EMC aims to expand its business by establishing a business structure capable of creating new products that anticipate market changes and responding swiftly to customer needs.

Notes:

1. 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.
2. The Company's business segments have been reclassified as IAB, EMC, AEC, SSB, HCB, and Other from the third quarter of fiscal 2009. Figures from fiscal 2008 have been restated to reflect the new classifications.
3. 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.
4. The forecast for fiscal 2010 is as of July 28, 2010.

AEC
AUTOMOTIVE ELECTRONIC COMPONENTS BUSINESS

Net Sales by Segment **14%**

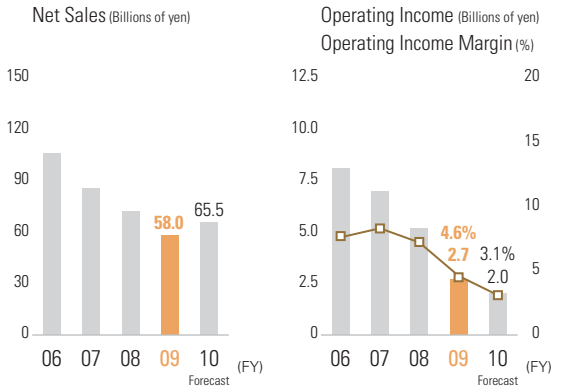


Outlook

AEC is seeking to develop in parallel with customer global strategies, realize cost reductions, and expand business in the markets of emerging economies. The segment is focusing specifically on applying value analysis (VA) and value engineering (VE) to its core products, and on expanding manufacturing activities at the factories in China and Asia. AEC is also concentrating on developing automotive electronics products for environment-friendly vehicles, which is expected to be a future growth area.

SSB
SOCIAL SYSTEMS SOLUTIONS BUSINESS

Net Sales by Segment **11%**

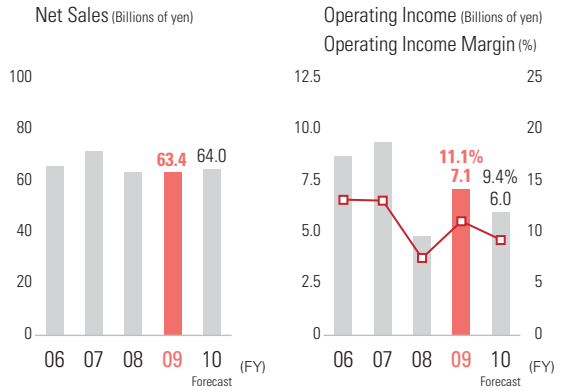


Outlook

SSB will focus on its "social sensor" products as it aims to expand its sensing business sales in the transportation, manufacturing, commercial facilities, and other fields in the social sector. The segment also aims to expand sales of related maintenance operations in the engineering and IT-related businesses, and by developing new business areas using its language and imaging technology in the software business.

HCB
HEALTHCARE BUSINESS

Net Sales by Segment **12%**



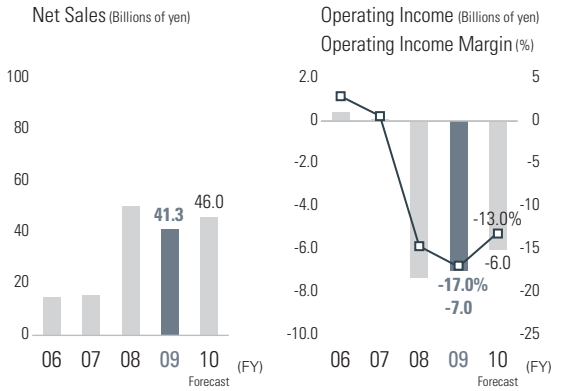
Outlook

HCB anticipates a downturn in sales in digital thermometers, which posted a sharp rise in fiscal 2009 due to the outbreak of H1N1 influenza. However, the segment plans to actively develop new markets, and will introduce products designed to meet the growing awareness of health management in emerging economies. HCB will also strengthen its equipment and services utilizing information technology for the prevention of lifestyle-related diseases and its proposal-based sales activities for medical institutions.

OTHER
ENVIRONMENTAL SOLUTIONS, ELECTRONIC SYSTEMS AND EQUIPMENTS, BACKLIGHT, AND MICRO DEVICES BUSINESSES

Net Sales by Segment **10%***

* Including "Eliminations and Corporate."



Outlook

The environmental solutions business will continue to provide CO_2 reduction solutions while further establishing its business foundation. The electronic systems and equipments business is focusing on industrial-use computer systems; the micro devices business is seeking to grow its contract production operation for semiconductors; and the backlight business is aiming to expand sales to overseas customers and enter low-cost markets.

IAB INDUSTRIAL AUTOMATION BUSINESS

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

IAB is strengthening links between its sales, service, development, and production networks worldwide to enhance its "full lineup of control equipment" and "ultra-high-speed, high-precision machine automation" and to create products that contribute to fulfilling the need for ongoing improvement in production site "quality, safety, and the environment."

% of Net Sales
39%

Fiscal 2009 in Review

Substantial declines in sales and earnings reach bottom, Greater China sales rebound

IAB net sales fell 24.2% year on year to ¥206.2 billion, and operating income declined 23.5% to ¥13.9 billion in fiscal 2009.

In Japan the strong impact from curbs in production activity and capital expenditures by the Japanese manufacturing industry in the second half of fiscal 2008 led to a further decline in demand in the first quarter of fiscal 2009. However, recovering production activity centering on our customers in the automobile and electronic components industries helped demand to begin rising in the second quarter, notably for sensor products.

In the third quarter, a sustaining demand recovery trend took hold for IAB products as production activity picked up in the semiconductor industry, and sales also began growing for safety products, power conditioners for solar power generation systems, and other energy-related products.

Overseas sales benefited from Chinese government policies to stimulate domestic demand that boosted domestic capacity utilization rates and increased capital investment, which generated growing demand for the Company's products that ultimately raised sales in China above the level in fiscal 2008 on a local currency basis. Sales in Europe were affected by the slow economic recovery in the Company's key markets in southern Europe. Sluggish conditions in the oil-related and automobile industries impacted sales in North America. However, sales results began gradually improving in both regions in the third quarter.

Despite the improving trends as the year progressed, the impact from sluggish conditions in the first half caused domestic sales to fall 25.5% year on year to ¥93.5 billion and overseas sales to decline 23.0% to ¥112.7 billion for the fiscal year. The profit structure reform and emergency measures to cut costs made the operating income positive from the second quarter.

IAB Results and Forecast

(Billions of yen)

Fiscal Year	2006	2007	2008	**2009**	2010 (Forecast)
Net sales*	305.6	328.8	272.0	**206.2**	271.0
Domestic	140.8	144.1	125.5	**93.5**	126.0
Overseas	164.8	184.7	146.5	**112.7**	145.0
North America	34.8	35.6	31.6	**18.9**	23.5
Europe	81.3	92.3	70.7	**51.2**	55.0
Asia	14.0	16.2	17.4	**16.8**	23.5
China	28.8	34.6	25.7	**25.5**	41.5
Direct exports	5.8	6.0	1.0	**0.3**	1.5
Operating income*	48.5	51.9	18.2	**13.9**	40.0
Operating income margin*	15.9%	15.8%	6.7%	**6.7%**	14.8%
R&D expenses	18.1	19.5	18.2	**11.4**	
Depreciation and amortization*	11.2	11.7	10.1	**5.4**	
Capital expenditures	13.7	8.4	8.9	**2.0**	

* From fiscal 2009, the Companies adopt the Accounting Standards Codification No.280, "Segment Reporting." 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 from the third quarter of fiscal 2009. The net sales, operating income, and operating income margin figures from fiscal 2008 have been restated to reflect the new classifications. The figures for fiscal 2006 and 2007 have not been restated.

* 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 2006-2008 figures for R&D expenses, depreciation and amortization, and capital expenditures have not been modified to reflect 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.

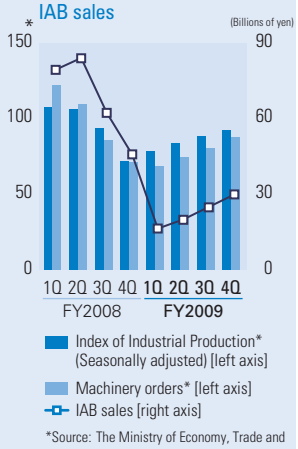
* The forecast for R&D expenses, depreciation and amortization, and capital expenditures is not publicized.

* The forecast for fiscal 2010 is as of July 28, 2010.

Check it out!

Analysis of external environment

Indices of industrial production and machinery orders, IAB sales



*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.

Yoshinobu Morishita
Senior Managing Officer
Company President,
Industrial Automation Company

Business Strategy and Outlook for Fiscal 2010

Strengthen products and services, anticipating automation control needs in emerging economies and advanced economies

In the IAB segment, we forecast a year-on-year rise of 31.4% to ¥271.0 billion in net sales, and a 187.8% increase to ¥40.0 billion in operating income in fiscal 2010. (We forecast a 210.8% rise in operating income before the subtraction of management guidance fees, to ¥43.2 billion in fiscal 2010.)

IAB is focusing on three areas to meet the need for control devices in the rapidly growing emerging economies and for control devices for such fields as safety, the environment and energy applications.

[1] Fortify the control equipment components business

IAB will further reinforce its world's leading lineup of control equipment. The segment is quickly expanding its range of products to meet the various demands of developed countries and the rapidly growing BRIC markets. IAB is also enhancing the coordination of its sales and service activities between countries with the aim of expanding its share of the global market.

[2] Strengthen the machine control business

IAB will leverage its sensing and control technologies to take the initiative in introducing to the global market a steady stream of the industry's leading ultra-high-speed, high-precision machine automation products, and contribute to product creation innovations in the manufacturing industry.

[3] Respond to new and emerging demand

IAB aims to be a continuous source of new proposals concerning production site safety, manufacturing, and the environment, and will work with customers and society to explore new products and applications that can be used in the development of optimal control technologies for the production sites of the future.

The IAB segment is enhancing its products and services from the customer's perspective throughout its worldwide operations, encompassing production, sales, development, and all departments, to solidify its status as the leading partner in the manufacturing industry.

What's New

A new generation of environmental equipment for visualizing the manufacturing environment and saving energy

In the semiconductor and flat panel display industries, the rapidly growing solar battery industry, the rechargeable battery industry, and other industries reliant on factory clean rooms, it is absolutely essential to monitor the volume of airborne particles (foreign objects) and settling dust and to measure static electricity and temperature changes and other conditions affected by production processes to ensure that product quality is maintained at high levels.

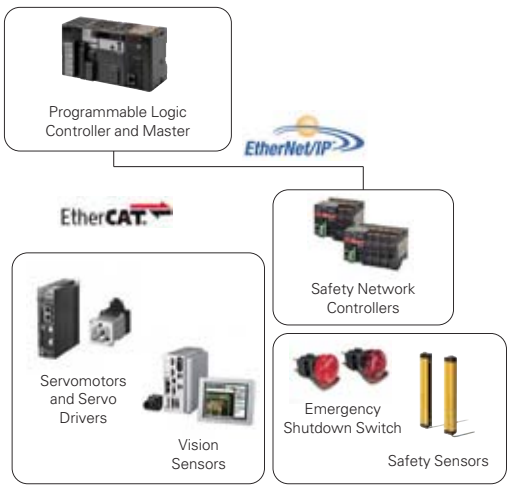
IAB's development and sales of a steady succession of products in its environmental equipment series assist clients in the maintenance and enhancement of product quality using sensors to provide constant monitoring to "visualize" the required manufacturing environment conditions for all types of production processes.

In addition, IAB additionally offers the "Wave Inspire" environment visualization software that enables clients to collect and manage multipoint and dispersed data within the manufacturing environment. This data can then be used to establish optimal settings, such as for fan filter air flow volumes and air conditioner temperatures, which contribute to energy saving at the worksite.

Air Thermo Sensor | Air Particle Sensor | Electrostatic Sensors | Air Clean Unit

World's largest lineup of control equipment

Creating the industry's highest-level network of safe, ultra-high speed, and high-precision machine control equipment



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
14%

Fiscal 2009 in Review

Rapid recovery in earnings from structural reform and other improvements

EMC posted a net sales decline of 7.6% year on year to ¥70.7 billion, while operating income rose 59.6% to ¥6.7 billion in fiscal 2009.

Domestic demand for numerous electronic components improved during the year following the completion of inventory adjustments in the business and consumer electronic equipment industries, as well as the automotive components industries that continued from the second half of fiscal 2008 through the first quarter of fiscal 2009. Demand for electronic components for industrial equipment also improved from the substantial declines which have been ongoing since fiscal 2008, but the recovery still has not reached the levels attained prior to the economic crisis. Overall domestic sales to all industries ultimately declined 12.7% year on year to ¥22.3 billion in fiscal 2009.

Overseas operations in the European and American markets were faced with business conditions of unprecedented severity, but began to show signs of gradual improvement in the second half of the fiscal year under review. Business conditions in China and Southeast Asia moved into recovery in the second quarter, and demand recovered for several products, notably for relays for consumer appliances (particularly air conditioners), flexible printed circuit (FPC) connectors for optical disks, and input switches for mobile devices. The result was a relatively small decline on an all-industry basis compared with domestic sales, with overseas sales down 5.0% year on year to ¥48.4 billion.

Operating income from overseas operations also showed substantial improvement as a result of the emergency measures and improved productivity.

EMC Results and Forecast

(Billions of yen)

Fiscal Year	2006	2007	2008	2009	2010 (Forecast)
Net sales*	138.4	154.2	76.5	**70.7**	81.0
Domestic	58.8	62.4	25.6	**22.3**	25.0
Overseas	79.6	91.8	50.9	**48.4**	56.0
North America	11.0	10.4	8.6	**7.3**	12.5
Europe	12.0	12.4	9.2	**11.7**	12.0
Asia	8.6	10.3	8.4	**7.6**	8.5
China	35.7	48.3	20.9	**19.8**	21.0
Direct exports	12.4	10.4	3.8	**1.9**	2.0
Operating income*	13.1	12.6	4.2	**6.7**	10.5
Operating income margin*	9.5%	8.2%	5.5%	**9.5%**	13.0%
R&D expenses	8.1	8.2	8.1	**5.0**	
Depreciation and amortization*	9.0	10.5	10.8	**8.5**	
Capital expenditures	12.8	14.1	17.3	**4.2**	

* From fiscal 2009, the Companies adopt the Accounting Standards Codification No.280, "Segment Reporting." 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 from the third quarter of fiscal 2009. The net sales, operating income, and operating income margin figures from fiscal 2008 have been restated to reflect the new classifications. The figures for fiscal 2006 and 2007 have not been restated.

* 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 2006-2008 figures for R&D expenses, depreciation and amortization, and capital expenditures have not been modified to reflect 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.

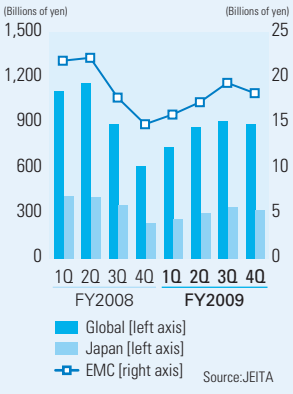
* The forecast for R&D expenses, depreciation and amortization, and capital expenditures is not publicized.

* The forecast for fiscal 2010 is as of July 28, 2010.

Check it out!

Analysis of external environment

Global shipments of electronic components and EMC sales



Demand is recovering after beginning to rise in the first quarter of fiscal 2009.

Akio Sakumiya
Managing Officer
Company President,
Electronic and Mechanical
Components Company

Business Strategy and Outlook for Fiscal 2010

Maximize the *monozukuri* (product creation) strength of our mechanical components

In the EMC segment, we forecast a year-on-year increase of 14.6% to ¥81.0 billion in net sales and 56.7% rise to ¥10.5 billion in operating income in fiscal 2010. (We forecast a 74.6% rise in operating income before the subtraction of management guidance fees, to ¥11.7 billion in fiscal 2010.)

Although the market environment for electronic components included recovering markets, particularly in emerging economies, conditions in each country will depend on government policies as economic stimulus measures run their course, and are thus difficult to predict.

Looking forward, market growth led by the emerging economies is expected to create a continuous flow of business opportunities over the medium and long term. At the same time, intensifying competition will make it crucial to maintain the Company's competitive advantage.

Anticipating this scenario, EMC is focusing on the two challenges of "fortifying *monozukuri* through the reduction of manufacturing costs and lowering its environmental burden." The segment is promoting low-cost and low-environmental-burden *monozukuri* with products that enable 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.

Following the management integration of the relay business operations, the EMC segment established a company to handle switch-related operations. The switch business centralizes the "planning," "development," and "production" of switches, functions which were previously dispersed among the Group's various companies, to create a more efficient business operation.

In fiscal year 2009, the production operations of relays and switches conducted by AEC and the production operations of relays and switches for industrial equipment conducted by IAB were brought into the EMC segment to create a more efficient production structure.

What's New

Omron Switch & Device Corporation commences operation, aiming to be the world leader in the switch field

On April 1, 2010, EMC fortified its switch business operations by merging its switch business division with Omron Kurayoshi Corporation, which undertakes development and production of switches, and Omron Izumo Co., Ltd., to form the new Omron Switch & Devices Corporation, located within the Omron Okayama Office.

Omron Switch & Devices Corporation Headquarters in Okayama

The market for switches offers the promise of ongoing steady growth along with intensifying global competition, particularly from the entrance of new competitors in the emerging economies. In order to maximize the company's strengths in this competitive environment, and expand our business in the switch market, which is expected to be a growing market, we will unify our product planning, design for development, and production activities, and aim to develop a structure by which to create new products that anticipate market changes and realize speedy product customization that corresponds to clients' application needs. As a comprehensive switch manufacturer, the new company will strive to accelerate growth through its "only one, only for you" strategy designed to meet diversifying customer requirements through state-of-the-art *monozukuri* manufacturing technologies.

The relay business was similarly fortified on the same day through the management integration of Omron Takeo Co., Ltd. with Omron Relay & Devices Corporation, to enhance the *monozukuri* technological expertise and accelerate the optimization of global production.

High-capacity Relays for Hybrid Cars

Small-sized relays with large capacity capable of regulating the high-voltage, high-current DC circuits used in hybrid vehicles, electric cars, and other environment-friendly vehicles.

Automotive Microswitches

Highly reliable and durable sealed-type ultra-miniature switches, widely used in automobiles around the world, such as to detect whether a door is open or closed, are capable of withstanding rigorous usage conditions.

Multipole FPC Connectors

Omron created an ultrasmall 90-pin, multipole, FPC (flexible printed circuit) connector to accommodate the increasing variety of functions being built into the touch panels of mobile devices, which are requiring more signal lines and connectors with higher pin counts.

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 match between people and automobiles."

% of Net Sales
14%

Fiscal 2009 in Review

Profitability attained from the second quarter through cuts in fixed costs and restructuring of production operations

AEC net sales declined 8.5% year on year to ¥75.2 billion, while operating income came to ¥1.7 billion in fiscal 2009, compared with a loss of ¥7.1 billion in the previous fiscal year.

Automobile sales remained sluggish in the fiscal first-half, as the worldwide recession persisted. While consumption in Japan remained low amid continuing insecurity regarding employment and personal income, government policies, such as tax breaks for eco car purchases, helped spur demand for automobiles beginning in the third quarter. The ensuing pick-up in auto production activity led to increasing demand for AEC products. Domestic sales fell below the previous-year level, declining 4.4% year on year to ¥23.9 billion. However, signs of improvement appeared near the end of the term, which prevented an even greater decline in sales.

Overseas sales fell 10.2% year on year to ¥51.3 billion, largely due to the substantial impact from the failure of major automobile manufacturers in North America, the primary market for AEC products. However, prompt action by the United States government to provide public support to restructure the troubled automakers and measures initiated in several countries to stimulate automobile sales resulted in a gradual improvement in overseas demand for AEC products beginning in the third quarter. In particular, sales in Greater China grew 32% year on year, boosted by the region's expanding market.

The consolidation and streamlining of overseas factories as part of the restructuring of production, the transfer of a portion of the relay unit production operations to the EMC segment, and the reduction of fixed costs helped AEC regain profitability in the second quarter.

AEC Results and Forecast

(Billions of yen)

Fiscal Year	2006	2007	2008	**2009**	2010 (Forecast)
Net sales*	93.3	107.5	82.1	**75.2**	81.5
Domestic	26.1	28.0	25.0	**23.9**	28.5
Overseas	67.2	79.5	57.1	**51.3**	53.0
North America	37.9	42.4	27.9	**24.0**	22.5
Europe	9.8	13.9	9.0	**2.0**	3.5
Asia	16.2	18.3	12.5	**13.1**	12.5
China	1.4	3.1	4.7	**6.3**	8.0
Direct exports	2.0	1.9	3.0	**5.9**	6.5
Operating income*	(1.2)	1.4	(7.1)	**1.7**	2.5
Operating income margin*	—	1.3%	—	**2.3%**	3.1%
R&D expenses	7.1	8.3	7.3	**5.0**	
Depreciation and amortization*	8.1	8.0	5.4	**2.1**	
Capital expenditures	8.9	9.1	5.6	**3.6**	

* From fiscal 2009, the Companies adopt the Accounting Standards Codification No.280, "Segment Reporting." Accordingly, the figures of the segment information for fiscal 2008 have been restated to conform with the current year presentation.

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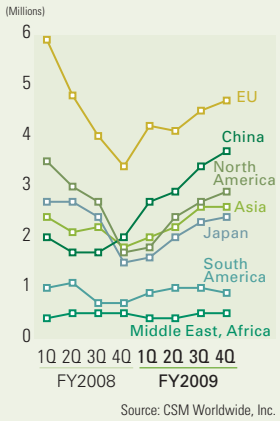
Check it out!

Analysis of external environment

Worldwide automobile production



Source: CSM Worldwide, Inc.

Various countries' government policies to promote auto purchases in fiscal 2009 contributed to a recovery in demand. China and other emerging economies showed remarkable growth.

Yoshinori Suzuki
Managing Officer
President and CEO,
OMRON Automotive Electronics Co., Ltd.

Business Strategy and Outlook for Fiscal 2010

Aiming to complete the establishment of a new management base

We forecast AEC attaining year-on-year increases of 8.4% to ¥81.5 billion in net sales and 47.1% to ¥2.5 billion in operating income in fiscal 2010. (We forecast an 88.2% rise in operating income before the subtraction of management guidance fees, to ¥3.2 billion in fiscal 2010.)

Automobile manufacturers are transforming their business structures and engaging in a battle for survival for the industry's next stage, which is epitomized by the arrival of electric vehicles. We anticipate a whole new level of intensity in global competition in terms of both technology and cost. In preparation for this business environment, AEC plans to fortify its operations in three specific areas of business: systems, including passive entry and engine push-start systems; modules/switches, such as electric power steering controllers, power window switches, and electronic components for electric vehicles; and components for motorcycles and automobiles. By focusing its core strengths in these three business areas, AEC aims to enhance its creation of customer value, bolster its technical capabilities, which is the source of its competitive advantage, and improve its cost competitiveness.

The AEC segment's operations were split off from the Company on May 6, 2010, and relaunched as Omron Automotive Electronics Co., Ltd. The AEC segment was thoroughly reorganized and its earning structure base was completely restructured last year prior to the new company's founding. This year, the new company is conducting business operations with the objective of completing the establishment of the new management base.

What's New

Actively contributing to the creation of eco-friendly vehicles

AEC is active in a variety of ways to fulfill its aim of establishing "harmony with the environment and nature" for our car society, such as by contributing to improving fuel efficiency, promoting the spread of hybrid vehicles, and realizing viable electric vehicles. Through the close partnerships it has built with automobile manufacturers, the segment applies its sensing and control technologies to the development and production of a variety of environmental technologies and products.

For example, AEC's electric power steering systems, which are becoming increasingly common, enable better fuel efficiency than conventional hydraulic steering systems. Moreover, the development and manufacture of the system controllers have given the segment a wealth of experience and practical accomplishments. AEC also recently began manufacturing controllers with an idling stop function that provides significant fuel savings by automatically shutting off the engine when a vehicle is stopped.

In the promising growth area of electric vehicles, AEC is moving toward mass production of electricity leakage sensors and voltage monitoring units that will monitor the electric circuit conditions and support the more efficient usage of batteries in electric vehicles. AEC will continue contributing to the creation of environmentally friendly vehicles following its fundamental concept of realizing "the best match between people and automobiles."

Electricity leakage sensor

Electric Power Steering Controllers

Electric power steering controllers facilitate automobile steering and improve fuel savings compared with conventional hydraulic steering systems.

Passive Entry and Push Engine Start Systems

Passive entry and push engine start systems enable automobile owners to lock and unlock doors by simply touching a button on the car door, eliminating the need to take the portable transmitter (key fob) out of a pocket or bag. Further, in conjunction with another specific operation, these systems will start or turn off the engine by pressing a switch on the driver's side of the dashboard.

SSB SOCIAL SYSTEMS SOLUTIONS 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
11%

Fiscal 2009 in Review

Sales and profits fell due to the completion of upgrade investment for railway infrastructure systems and economic weakness

SSB net sales declined 19.8% year on year to ¥58.0 billion and operating income fell 48.9% to ¥2.7 billion in fiscal 2009.

Railway infrastructure business sales declined sharply, as railway operators curbed capital investment, due to the completion of investment in new railway construction and IC systems and increased competition from highways as a result of reductions in highway tolls on weekends and holidays.

In our related maintenance operations, sales fell owing to the restrained capital investment of the manufacturing sector and the decline in railway-related projects. In the software business, demand decreased substantially due to falling unit sales of mobile phones in Japan and restrained investment by the distribution industry.

The recently launched "Social Sensor Solutions Business" focuses on applying our sensor technology to meet social sector needs, and is beginning to develop a new solutions market to meet a growing need for train station and railway safety and roadway and traffic safety.

SSB successfully reduced its fixed expenses during the year, but the larger-than-expected decline in sales led to a drop in the segment's operating income margin.

SSB Results and Forecast

(Billions of yen)

Fiscal Year	2006	2007	2008	**2009**	2010 (Forecast)
Net sales*	105.9	85.2	72.3	**58.0**	65.5
Domestic	101.8	81.0	70.7	**57.5**	64.5
Overseas	4.1	4.2	1.6	**0.5**	1.0
North America	0.5	0.6	0.0	**0.0**	0.0
Europe	0.0	0.0	0.0	**0.0**	0.0
Asia	0.0	0.0	0.0	**0.0**	0.0
China	0.0	0.0	0.0	**0.0**	0.0
Direct exports	3.6	3.6	1.6	**0.5**	1.0
Operating income*	8.1	7.0	5.2	**2.7**	2.0
Operating income margin*	7.6%	8.3%	7.2%	**4.6%**	3.1%
R&D expenses	5.1	2.6	3.4	**2.9**	
Depreciation and amortization*	3.3	3.3	2.8	**1.4**	
Capital expenditures	3.9	1.7	1.9	**1.2**	

* From fiscal 2009, the Companies adopt the Accounting Standards Codification No.280, "Segment Reporting." 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 from the third quarter of fiscal 2009. The net sales, operating income, and operating income margin figures from fiscal 2008 have been restated to reflect the new classifications. The figures for fiscal 2006 and 2007 have not been restated.

* 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 2006-2008 figures for R&D expenses, depreciation and amortization, and capital expenditures have not been modified to reflect 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.

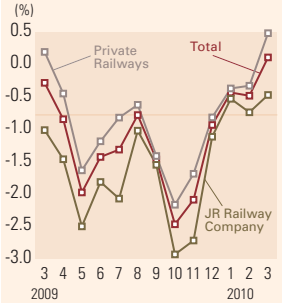
* The forecast for R&D expenses, depreciation and amortization, and capital expenditures is not publicized.

* The forecast for fiscal 2010 is as of July 28, 2010.

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 society, and there are no specific economic indicators that link closely to performance. In the railway segment, for example, SSB sales are strongly influenced by customer budgets for IC card equipment installation and new railway construction plans, and these budgets are determined by railway company revenues, which largely depend on the number of passengers in a particular year.

Masaki Arao
Managing Officer
Company President,
Social Systems Solutions Business Company

Business Strategy and Outlook for Fiscal 2010

Transforming into a solutions business company

In the SSB segment, we forecast an increase of 12.9% year-on-year to ¥65.5 billion in net sales, accompanied by a 25.9% decline to ¥2.0 billion in operating income in fiscal 2010. (We forecast a 37.0% rise in operating income before the subtraction of management guidance fees, to ¥3.7 billion in fiscal 2010.)

While capital investment is in a recovery trend, we anticipate intensifying price competition in our existing business fields. In these conditions, SSB will continue to steadily strengthen its business structure while seeking to expand the capabilities of its solutions business to resolve its customers' management issues. This will be done by building on the trust SSB has cultivated from customers associated with railway, roadway, and other social infrastructure through its project delivery performance and by applying its strengths in providing services and its ability to offer one-stop solutions support from equipment delivery through maintenance and operation.

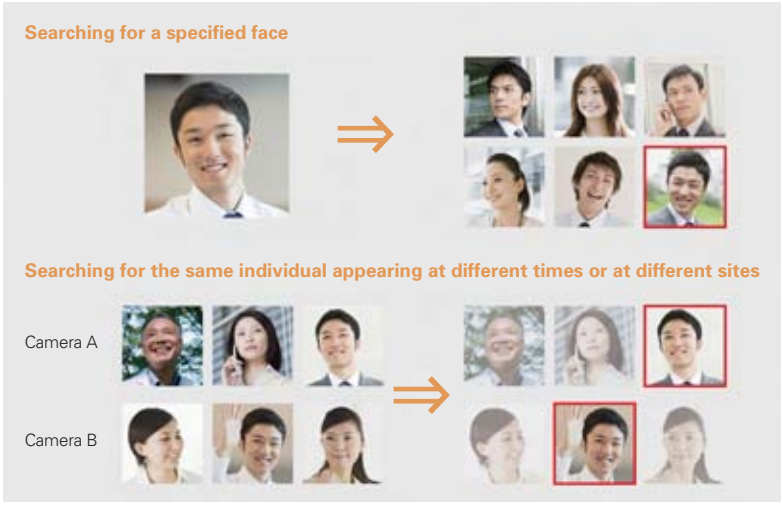
SSB contributes to creating a safe and secure society by providing to social infrastructure companies with whom we have cultivated strong trust systems for "society surveillance" that integrate our sensing and control technology centered on our core image sensing technology. The environment-related business develops solutions for reducing CO_2 emissions through a system for "CO_2 visualization" involving the monitoring of electricity and gas usage, and conducts measures for public facilities, such as road traffic facilities and train stations, to help realize a "low carbon and energy self-sufficient" eco-city.

SSB aims to realize business growth by achieving the transformation into a full-fledged solutions company through the provision of innovative social infrastructure equipment.

What's New

Identification of specified persons now possible with our Specified Person Detection System "Evidence Sensor"—utilizing our face-recognition-based authentication system

This system can search a collection of stored images of visitors' faces to instantly identify specified persons that have visited previously. Potential applications for the system include identifying important customers, so as to ensure prompt service, in addition to the usual crime prevention/security applications. The system enables real-time recognition of facial images captured on camera and recorded on a video screen, and provides both a visual alert on the screen and an audio message when a person recorded in the system appears, which reduces the burden of video surveillance. The system is also able to conduct detailed face searches, such as for the same person appearing at different times or at different sites. The system utilizes our proprietary "OKAO Vision" face detection and recognition technology developed using an image database of five million faces collected over a decade to achieve high-speed, high-precision face recognition processing.



New V8 Ticket Vending Machine

The V8 Ticket Vending Machine is our latest model, which accepts a broader selection of IC cards and credit cards for payment settlement. It offers enhanced usability, as the machine's wide variety of users will find it easy to operate.

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, and features an easy-to-read display which shows the user's IC card account balance.

HCB HEALTHCARE BUSINESS

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

Omron Healthcare Co., Ltd. (HCB) is aiming to expand business in emerging economies, and will focus on achieving the popularization of the concept "Healthcare at Home" from a medium- and long-term stance and developing related products.

% of Net Sales
12%

Fiscal 2009 in Review

Strong healthcare equipment sales in Japan, Greater China, and other Asian markets

HCB net sales edged down 0.4% year on year to ¥63.4 billion, while operating income rose 48.0% to ¥7.1 billion in fiscal 2009.

Sales in Japan were boosted by the completion of inventory adjustments by major distributor companies in the first quarter and successful releases of new blood pressure monitor products. Demand for digital thermometers also rose sharply, largely in response to the outbreak of H1N1 influenza during the year. At the same time, demand from medical institutions fell from the previous year as hospitals and private medical practitioners postponed or cut back equipment investment spending. However, steady demand for home-use blood pressure monitors, digital thermometers, and other personal healthcare devices led to a 5.2% year-on-year rise in domestic sales, to ¥29.6 billion.

Sales results overseas included an increase in sales of HCB's mainstay blood pressure monitors and blood glucose meters in the Greater China region, supported by increasing awareness of health management issues in provincial urban areas in China. Demand for personal healthcare equipment, particularly blood pressure monitors, is growing steadily throughout Asia in parallel with the rising living standards. The ongoing severe economic conditions in North America and Europe, coupled with the strong yen resulted in sales declining by more than 10% in both regions. As a result, overseas sales declined 4.8% year on year to ¥33.8 billion.

Operating income rose substantially over the previous fiscal year, owing primarily to the steady implementation of the emergency measures.

HCB Results and Forecast

(Billions of yen)

Fiscal Year	2006	2007	2008	2009	2010 (Forecast)
Net sales*	65.7	71.6	63.6	**63.4**	64.0
Domestic	32.8	35.0	28.1	**29.6**	29.0
Overseas	32.9	36.6	35.5	**33.8**	35.0
North America	13.8	12.5	12.0	**10.8**	10.5
Europe	13.1	15.9	14.3	**12.7**	11.5
Asia	2.1	2.1	2.1	**2.3**	3.0
China	3.6	5.5	6.7	**7.4**	8.5
Direct exports	0.3	0.7	0.4	**0.7**	1.5
Operating income*	8.7	9.4	4.8	**7.1**	6.0
Operating income margin*	13.2%	13.1%	7.5%	**11.1%**	9.4%
R&D expenses	3.9	4.3	4.4	**5.0**	
Depreciation and amortization*	1.0	1.1	1.2	**1.3**	
Capital expenditures	1.5	2.4	1.8	**1.5**	

* From fiscal 2009, the Companies adopt the Accounting Standards Codification No.280, "Segment Reporting." 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 from the third quarter of fiscal 2009. The net sales, operating income, and operating income margin figures from fiscal 2008 have been restated to reflect the new classifications. The figures for fiscal 2006 and 2007 have not been restated.

* 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 2006-2008 figures for R&D expenses, depreciation and amortization, and capital expenditures have not been modified to reflect 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.

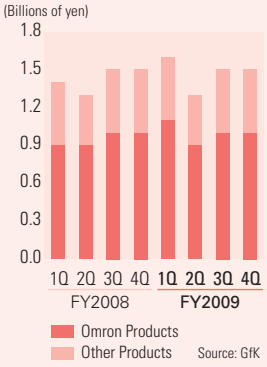
* The forecast for R&D expenses, depreciation and amortization, and capital expenditures is not publicized.

* The forecast for fiscal 2010 is as of July 28, 2010.

Check it out!

Analysis of external environment

Changes in domestic electronics market (blood pressure monitors)



Sales of blood pressure monitors remained steady through the adverse conditions in fiscal 2009.

Kiichiro Miyata
Executive Officer
President and CEO,
OMRON Healthcare Co., Ltd.

Business Strategy and Outlook for Fiscal 2010

Targeting business expansion in emerging economies where health awareness is rising

In the HCB segment, we forecast net sales to rise by 0.9% year on year to ¥64.0 billion and operating income to decline 15.5% to ¥6.0 billion in fiscal 2010. (We forecast a 1.4% decline in operating income before the subtraction of management guidance fees, to ¥7.0 billion in fiscal 2010.)

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 Japan and other 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 home-use healthcare devices and equipment for medical institutions. However, we also expect the aging of the population in advanced economies including Japan to lead to increasing attention to disease prevention.

In this environment, HCB plans to continue developing innovative equipment based on its "Healthcare at Home" concept of personal health management, which allows medical facilities to utilize data measured at home. In line with this, HCB is developing healthcare devices compatible with wireless Bluetooth, FeliCa contactless IC cards, and other communications technology, and devices that are compatible with various types of equipment, such as computers and mobile phones.

Overseas, we plan to actively introduce products catered 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

Launch of environmentally friendly blood pressure monitors powered by solar energy

In fiscal 2009, HCB launched its solar-powered blood pressure monitors. Recharged via solar panels embedded in the back of the device, the monitors reduce waste by not requiring disposable batteries, and lower CO_2 emissions by using solar energy. The solar powered devices also reliably function in areas without electricity and where batteries are not readily available. This capability can be critical for medical and healthcare management in areas struck by disasters, and HCB donated 500 monitors to areas devastated by the Haiti earthquake in January 2010.

Omron Solar-powered Manual Blood Pressure Monitor HEM-4500-SOL

The monitors are also used by "Nurses Overseas"* of Japan Heart, a volunteer international medical aid group providing medical assistance to children in Cambodia, Myanmar, and developing countries around the world. HCB will continue working to meet the challenge of "contributing to the improvement of the health of people around the world" by providing products useful to society.

* Nurses Overseas follows a guiding philosophy of "providing medical care where medical care is unavailable," and actively offers medical services worldwide with an emphasis on Cambodia, Myanmar, and Nepal.

Omron Blood Pressure Monitor HEM-7430

The HEM-7430 blood pressure monitor features three Omron-only functions, including a function to confirm the cuff is properly wrapped on the arm, to support accurate readings in a home setting.

Omron Body Composition Monitor HBF-375

The HBF-375 Omron body composition monitor presents data showing measurement changes in graph form enabling users to instantly see the results of their diet plans. The unit also provides individual data on the percentages of body fat and skeletal muscle for the trunk, arms and legs.

Omron MC-675 Digital Thermometer

Our MC-675 digital thermometer helps ensure accurate readings by automatically alerting the user when it slips out of place with a light and buzzer, which is a particularly helpful feature when taking the temperature of active children.

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 backlight and micro devices businesses were reorganized under the Other segment in the second half of fiscal 2009.

* Including "Eliminations and Corporate."

Fiscal 2009 in Review

Signs of gradual recovery amid a steep drop in income

Net sales in the Other segment declined 17.8% year on year to ¥41.3 billion, while the operating loss decreased from ¥7.3 billion in fiscal 2008 to ¥7.0 billion in fiscal 2009. The sales breakdown for the year was as follows.

Sales in the backlight business were sluggish in line with low demand for music players. In the micro devices business, the second quarter brought the start of a recovery in demand for custom integrated circuits (ICs) for both consumer and industrial applications and an upturn in contract production orders for semiconductors for liquid-crystal applications. Internal sales of micro devices also began increasing, including built-in sensors for blood pressure monitors.

The Environmental Solutions Business posted strong results for its in-house developed service to contribute to energy conservation and CO_2 emissions reduction, utilizing its knowledge information control technology, such as the world's first "visualization" system that automatically identifies potential areas for further energy reductions.

At the Electronic Systems & Equipments Division, sales achieved a modest recovery in the third quarter for the device business (contract manufacturing and development of electronic devices) as business conditions improved, but sales remained sluggish for the PC business (industrial embedded computers) and the UPS business (uninterruptible power supply units).

The operating income performance of the Other segment is improving year by year. The segment's overall operating loss is largely due to equipment maintenance expenses of the micro devices business.

Other Results and Forecast

(Billions of yen)

Fiscal Year	2006	2007	2008	**2009**	2010 (Forecast)
Net sales*	15.0	15.6	50.2	**41.3**	46.0
Domestic	14.9	15.4	30.5	**22.4**	22.5
Overseas	0.1	0.3	19.7	**18.9**	23.5
North America	0.0	0.0	0.0	**0.0**	0.0
Europe	0.0	0.0	0.0	**0.0**	0.0
Asia	0.0	0.0	0.0	**0.0**	0.0
China	0.0	0.0	17.0	**17.5**	21.5
Direct exports	0.1	0.1	2.7	**1.3**	2.0
Operating income*	0.4	0.1	(7.3)	**(7.0)**	(6.0)
Operating income margin*	2.9%	0.6%	—	—	—
R&D expenses	9.7	8.6	7.5	**1.4**	
Depreciation and amortization*	1.3	1.7	3.2	**1.1**	
Capital expenditures	3.6	1.4	1.4	**1.0**	

* From fiscal 2009, the Companies adopt the Accounting Standards Codification No.280, "Segment Reporting." Accordingly, the figures of the segment information for fiscal 2008 have been restated to conform with the current year presentation.
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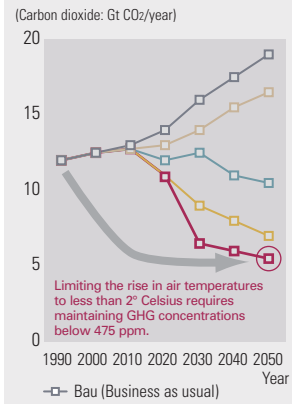
* Beginning in fiscal 2010, the Omron Group has been revising the management guidance fees for the purpose of concentrating capital funds at the headquarters in order to reinforce selection and concentration and allocate resources strategically. This inclusion has had an effect on the operating income of each segment.
* Fiscal 2006-2008 figures for R&D expenses, depreciation and amortization, and capital expenditures have not been modified to reflect 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 forecast for fiscal 2010 is as of July 28, 2010.

Check it out!

Analysis of external environment

Estimated global greenhouse gas emission volume



GHG: Greenhouse gas

Bau: The assumption of no specific GHG countermeasures

Source: Ministry of the Environment

Achieving a sustainable society will require reducing global CO_2 emissions levels to at least half the 1990 level by 2050.

Business Strategy and Outlook for Fiscal 2010

Establishing foundations for future businesses

In the Other segment, we forecast the posting of an 11.3% year-on-year increase in net sales, to ¥46.0 billion, and the recording of a ¥6.0 billion operating loss in fiscal 2010. (We forecast an operating loss of ¥5.3 billion before the subtraction of management guidance fees in fiscal 2010.)

We aim to improve the profitability of the backlight business by raising the level of its technical capabilities for volume production, fortifying its operating bases in China, and reorganizing its operations to improve business management efficiency. We plan to expand sales by increasing the volume of sales to overseas customers and by continuing to make inroads in low-cost product markets.

The micro devices business will focus on maintaining the volume of business for key existing IC and MEMS product lines and on pursuing collaborations with business partners in the development of new MEMS products.

The Environmental Solutions Business is active in both the energy-saving and energy-generation business fields, and will work to grow the CO_2 reduction solutions business and to establish forward-looking businesses aimed at realizing a low-carbon society.

The Electronic Systems & Equipments Division, which aims to establish the PC business, will focus on putting in place the business infrastructure while undertaking new product development.

The device and UPS businesses are employing an aggressive approach in the market to establish a stable volume of business and enhance the value added to their business content.

What's New

Omron follows Energy Conservation Grand Prize with plans to popularize the world's first (*1) CO_2 visualization system "ene-brain"

Omron and the City of Kyoto Board of Education have been conducting various activities to reduce energy consumption since 2006, centered on the installation of energy management systems enabling the real-time visualization of electric power consumption volume data at some 300 public schools in Kyoto City (including kindergartens, elementary and middle schools, and high schools).

In recognition of these "activities to 'visualize' energy usage volume and conserve energy at Kyoto municipal schools," Omron won the "Minister of Economy, Trade and Industry Award" in the "support services field" in the organizations category of the Energy Conservation Prize awards for fiscal 2009.

Omron also developed the "CO_2 Visualization System 'ene-brain'" to automatically analyze areas for improvement in reducing energy consumption. Omron began selling the system in January 2010. The system utilizes Omron's proprietary knowledge information control technology (*2), integrating the know-how of expert consultants to analyze energy consumption data collected by sensors and other devices for electricity, gas, and other energy sources, and to automatically identify areas where further reduction is possible. We plan to aggressively develop applications centered on the system using Omron's extensive lineup of energy measurement instruments and sensor networks.

*1. Omron research (as of December 10, 2009)

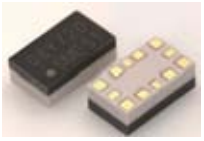
*2. Knowledge information control technology incorporates human know-how, knowledge, experience, and other elements into algorithms for computer processing.

Sheet-type Backlights for Liquid-crystal Applications

Omron's groundbreaking sheet-type backlights are brighter, consume less energy, and at 0.59 mm, are about two-thirds thinner than existing backlights, offering enhanced flexibility (the sheets can be used bent).

RF MEMS Switches

Omron created the world's smallest packaged MEMS chip that realizes high radio frequency (RF) transmissions of 10 GHz and reliable execution of over 100 million On/Off switches.



Frantio Platform Solutions

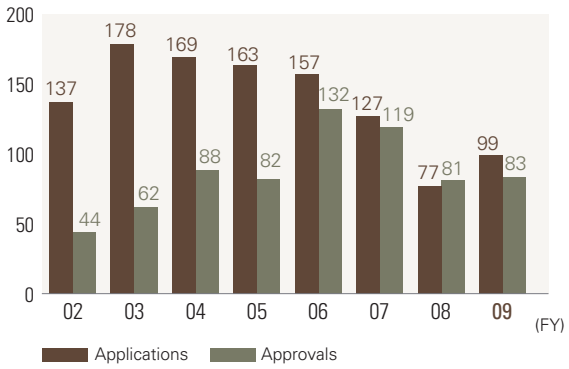
Frantio Platform Solutions incorporate Intel architecture and FPGA* to enhance the development efficiency for embedded devices.

* Field Programmable Gate Array (FPGA) is a semi-customizable integrated circuit (IC) designed to be configured by the user, which provides the advantages of "shorter development periods and re-programming capability."

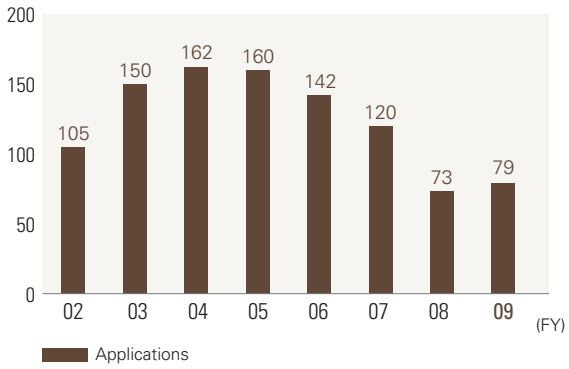
Intellectual Property Strategy

The Intellectual Property Center cultivates high-value technical assets to boost the Group's competitive strength, enhances the effectiveness of the Group's investment in research and development, and contributes to raising the success rate of the Group's business activities. Serving as a bridge between the Group's technology and business operations, the Center contributes to enhancing the profitability and promoting the growth of the Omron Group. The Center plays a crucial role in technology management, carrying out activities that will enable the Omron Group to continue maximizing its corporate value over the long term.

Patent Applications and Approvals in the United States



Patent Applications in China



Intellectual Property Activities Contributing to Business

The Intellectual Property Center invests in intellectual property focused on core business themes with the objective of contributing to business through the efficient and effective use of limited management resources. Investments are made from the immediate perspective of fortifying current core businesses and from the long-term perspective of advancing in the direction of next-generation technological innovation to ensure that the core businesses will remain vital in the future.

Investment target areas are selected using rigorous reviews of the investment effects and follow a policy of focusing necessary investment in areas determined to be absolutely essential, such as to reduce business risks and improve business positioning.

The Center also conducts identification and analysis of technological trends in new markets, such as the developing energy market, to ensure we are 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 conducts operations that contribute to the maximization of the results of developmental investment by strengthening the Group's internal coordination and ability to respond to rapidly changing market conditions. This is done by looking at the Group's fundamental technologies through a larger framework and by firmly incorporating them into each business unit's operations. The Center is a key component for supporting the growth of Omron's business value over the long term.

Promoting Globalization of Intellectual Property Capabilities

The globalization of our intellectual property has been advancing ahead of the Omron Group's global business development.

In China, we have expanded both our production and development capabilities 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 subsidiaries in the United States.

We are also laying the foundation for future intellectual property management in other newly industrializing economies with the potential for rapid market expansion, and are currently creating a structure that will enable initial control from within Japan.

We are making steady progress fortifying our foundation for global intellectual property capabilities through the active cultivation of staff capable of providing significant contributions to the Group's intellectual property at our global operating sites. We are also establishing an intellectual property management system and reducing intellectual property risks to achieve results that are key components of strong global intellectual capabilities.

Intellectual Property and R&D-related Data

Fiscal Year	2005	2006	2007	2008	2009
Number of patents					
Applications	1,509	1,300	1,255	1,119	794
Approvals	705	836	943	826	730
Total patents	4,538	5,206	5,717	5,205	5,218
R&D expenses (billions of yen)	50.5	52.0	51.5	48.9	37.8
Sales/R&D expense ratio	8.1%	7.1%	6.7%	7.7%	7.2%
R&D staff (number of employees)	1,591	1,630	1,622	1,509	1,449

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 a risk management framework that supports ongoing improvement in corporate value.

Corporate Governance

Fumio Tateisi
Director and Executive Vice Chairman

An Interview with the Vice Chairman on Omron's Corporate Governance

The Omron Principles serve as a "lighthouse" that both illuminates and guides the Group's operations day and night, 24 hours a day, 365 days a year.

——— What are the Corporate Motto and the corporate philosophy that underpin Omron's corporate governance?

Omron was established in 1933, and its Corporate Motto was created about 50 years ago, in 1959. It was Omron founder, Kazuma Tateisi, who came up with our current Corporate Motto.

Corporate Motto: "At work for a better life, a better world for all."

At the risk of sounding arrogant, way back in 1959 Omron's founder apparently already recognized the significance of corporate social responsibility (CSR), corporate governance, and returning profits to society—concepts that are considered important today.

We established the Omron Principles in 1990 based on the spirit of our Corporate Motto. They were amended slightly in 1998, and revised on May 10, 2006 (on the occasion of Omron's anniversary) to the principles we adhere to today.

The Omron Principles consist of our Corporate Core Value, Management Principles, Management Commitments, and Guiding Principles for Action. The Corporate Core Value is "Working for the benefit of society," while the three Management Principles are "Challenging ourselves to always do better," "Innovation driven by social needs," and "Respect for humanity." Adhering to our Management Commitments, we aim to conduct fair and transparent operations while maintaining an honest dialogue and building a relationship of trust with all stakeholders.

——— What features of Omron's management structure come under the domain of corporate governance initiatives?

Around 1999, when the world had already entered the age of global "mega-competition," there was growing demand in society for companies to strengthen their corporate governance. As a global corporation, Omron too had to establish some sort of governance system to accommodate capital markets. We also had to increase our corporate competitiveness and conduct our business operations in a highly transparent manner.

In 1999, we introduced an executive officer system and

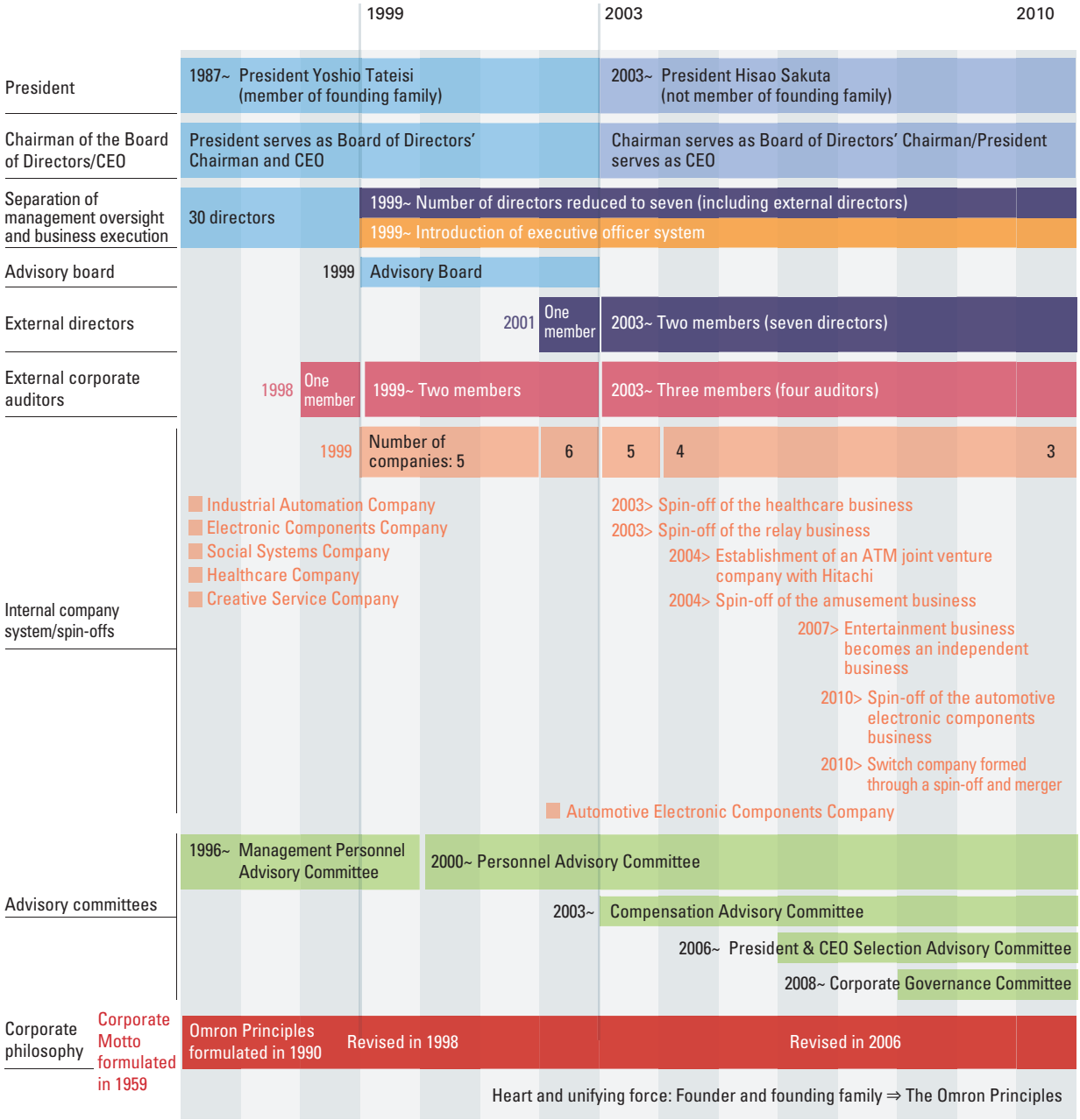
reduced the number of directors from 30 to 7 in order to raise the level of corporate governance. Since then, we have made considerable changes to the governance structure.

At present we have two outside directors. We have segregated management oversight and business execution functions, so that directors (excluding the president) do not execute business. This enhances the transparency and objectivity of decision-making by management.

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 incorporated the best elements of corporate governance carried out by companies that operate under a committee system.

Omron strives to raise management fairness and transparency through its hybrid form of governance system, which has four advisory committees: Personnel Advisory Committee, President & CEO Selection Advisory Committee, Compensation Advisory Committee, and Corporate Governance Committee. As in a company that maintains a committee system, we appoint external directors to the position of chairman of these four advisory committees. Corporate auditors are tasked with auditing the Company's accounts and legal compliance. Omron's

Corporate Governance Initiatives



governance system requires that the corporate auditors meet with the president four times a year and with the other directors once a year.

——— How are the management and supervisory roles shared between the five internal directors?

From fiscal 1987 through fiscal 2002, Yoshio Tateisi, Omron's current Chairman, served as President, as well as Chairman of the Board of Directors and Chief Executive Officer (CEO). However, when Hisao Sakuta, who is not a member of Omron's founding family, was appointed President in fiscal 2003, the Chairman took on the role of chairing the Board of Directors, and the President took on the role of CEO, thereby separating the two roles.

Internal directors who do not hold the position of President or Chairman (that is, myself as Vice Chairman and the two Vice Presidents) are not involved in business execution. We monitor and supervise the management of the Company from a stakeholder's perspective as a member of the Board. The two Vice Presidents and I attend the Executive Council as observers in order to monitor the activities of the executive officers. The purpose of our attendance at these meetings is to avoid a situation at Board of Directors' meetings where the President, through his role as head of business execution, is in possession of all the information while the other directors have no information at all.

——— What functions do the external directors fulfill?

The external directors attend monthly Board of Directors' meetings and directors' liaison meetings. At these meetings, they adopt an outside perspective from which they monitor whether or not the directors are functioning properly as representatives of the Company's shareholders and all other stakeholders. The external directors also monitor the entire process related to formulation and implementation of management strategies, such as the formulation of the long-term vision and medium-term management plans.

——— What do you think about the "independent officers" which must be registered from fiscal 2010?

At Omron, we consider external directors and external corporate auditors to be "external officers."

The Company's Personnel Advisory Committee formulated our in-house developed "External Officer Eligibility Criteria" for the selection of "external officers" while referring to criteria for independence defined by a range of institutions. We then adopted such criteria following the passing of a resolution by the Board of Directors. According to these criteria, an external officer cannot have been a representative or employee of the Omron Group's independent auditor for a five-year period prior to nomination; a director, auditor, executive officer and/or employee of any principal shareholder of the Omron Group; or a director, auditor, executive officer and/or employee of any of Omron's principal partners or suppliers. The Personnel Advisory Committee then selects candidates who meet these criteria as external officers.

In order to register each external officer as an independent officer with the Tokyo Stock Exchange, the Corporate Governance Committee, which is composed solely of outside directors and corporate auditors, met and deliberated this issue in January 2010. The Committee determined that our "External Officer Eligibility Criteria" complied with the Tokyo Stock Exchange's definition of an independent officer, and consulted the Board of Directors on the registering of all external officers as "independent officers." At a Board of Directors' meeting held in February 2010, the Board passed a resolution making all external officers independent officers, and registered them with the Tokyo Stock Exchange and the Osaka Securities Exchange. Details were also disclosed in a Corporate Governance report.

——— What are your thoughts on Omron's future system of corporate governance?

Omron's founder used to be the heart and unifying force of the Company, and the role was subsequently taken over by his family. However, in fiscal 2003 a person not related to the Tateisi family was appointed president for the first time. This was followed by the gradual devolution of authority and rapid globalization of the Company. As a result, overseas employees came to comprise two-thirds of Omron's total workforce. These changes have contributed to a diversification in values within the Omron Group. Amid such transformation, Yoshio Tateisi, who is Representative Director and Chairman, declared on May 10, 2006 (on the occasion of the Company's anniversary) that in order to establish steadfast corporate governance, "Omron's heart and unifying force should be transferred from its founder and founding family to the Omron Principles." Since then, we have endeavored to enhance corporate governance with the Omron Principles as the heart and unifying force of the Omron Group.

Omron's creation of a hybrid form of corporate governance is a distinct feature, as is basing our corporate governance system on the Omron Principles that serve as the Company's heart and unifying force as I just mentioned. In fact, a strong employee awareness of these principles has become an Omron tradition.

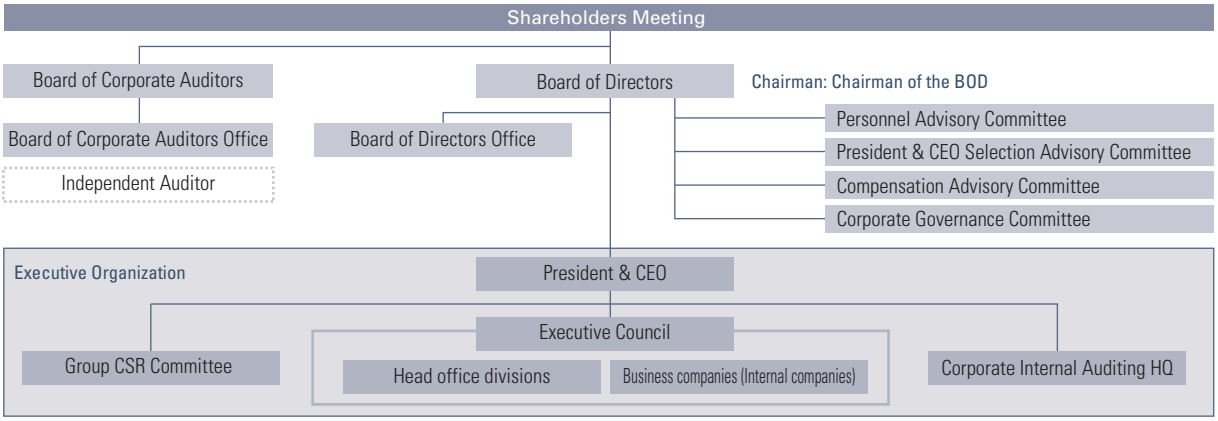
I often use the analogy of a "lighthouse" for the Omron

Principles when talking to people within the Company. I believe that the Omron Principles serve as a lighthouse that illuminates and steers the operations of the Group on their correct course day and night, 24 hours a day, 365 days a year.

When thinking of the further enhancement of corporate governance, a major requirement should be that it leads to the improvement of the Company's global competitiveness. We operate with a Board of Corporate Auditors, and since the separation of management oversight and business execution in fiscal 2003, the Executive Council has decided important business matters. This has increased the speed at which we can respond to changes in the global environment.

With respect to management policy and strategy, we value the monitoring function of outside directors when it comes to ensuring that the common sense of the Company does not go against the common sense of society at large. For this reason, we adopt Group-wide management with the aim of improving global competitiveness while having the outside directors monitor the formulation of each medium-term management plan and the formulation and implementation of management strategies, in addition to participating in discussions on the Company's long-term management vision. Even here, the philosophy behind the Omron Principles exerts a considerable underlying influence.

Corporate Governance Structure



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

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

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

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

Corporate Governance Committee
Chaired by an outside director, this committee discusses measures to continuously enhance corporate governance and increase fairness and transparency in management.

President & CEO Selection Advisory Committee
Chaired by an external director, this committee, dedicated to nomination of Presidents, deliberates on selection of the new President for the next term and a succession plan in preparation for a contingency.

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

Comment from the Chairman of the Corporate Governance Committee

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.

The Lehman Shock in 2008 did not leave Omron unscathed, as it caused a decline in net sales. At this time of crisis, when taking the wrong course would have had dire consequences, the Company's corporate governance came under the severest scrutiny. As a company whose line of business is closely related to capital investment, Omron and others like it suffered most of all from the economic downturn. By devising countermeasures comparatively quickly, however, we surmounted the crisis and our performance has since recovered rapidly. In many senses, we can attribute our recovery to the appropriate functioning of our corporate governance system.

When resolving an issue involving an important management-related matter, the issue at hand can affect the way that one person relates with another. If things get complicated, therefore, there is no end to how complicated they can become. In Omron's case, we have the Corporate Motto and the Omron Principles to fall back onto if needed. Quite a number of companies have their own corporate philosophy, but their philosophy is not well understood or shared by all employees. Nothing could be further from the truth at Omron, where the Omron Principles are shared Group-wide. When confronted with all sorts of situations, Omron has the advantage of being able to rely on the spirit of the Omron Principles to help it make decisions.

Surmounting the recent crisis has enhanced my awareness of the importance of the Omron Principles and corporate motto. From now on, I believe that the Corporate Governance Committee, of which I am Chairman, will adopt a similar perspective when addressing various issues.

Director and Corporate Auditor Remuneration

Remuneration for directors and corporate auditors is deliberated by the Compensation Advisory Committee, which is chaired by an outside director to ensure objectivity and increase transparency, and the committee's recommendations are submitted for consideration. After consideration of the recommendations, remuneration amounts for individual directors are determined by the 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 2009 Director and Corporate Auditor Remuneration

(Millions of yen)

	Number of People	Basic Compensation	Bonus	Total Remuneration
Directors	7	369	61	430
(External Directors)	(2)	(20)	(—)	(20)
Corporate Auditors	5	77	—	77
(External Auditors)	(3)	(46)	(—)	(46)
Total	12	446	61	507

- Director compensation consists of basic compensation (monthly salary), bonus, and stock-based compensation*.
- Outside 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.

Regarding the Internal Control Reporting System (the so-called J-SOX) requirements of the Financial Instruments and Exchange Act promulgated in June 2006, 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. 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 audits to ensure healthy and effective organizational operation

Omron conducts two types of audits to ensure the healthy and effective operation of its organization. The Internal Control Comprehensive 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 (North America, 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 three times in fiscal 2009 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 and the formulation of an employee ethics education system.

In addition, for affiliated companies in Japan, the Company appointed corporate ethics promotion officers selected from 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.

In the future, 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.

Overseas, the Company appointed corporate ethics promotion officers in the Greater China region in 2006 and in the Asia-Pacific region in 2008. We are also establishing a comprehensive compliance system in the Americas, including appointing a Compliance Officer responsible for promoting corporate ethics.

Hotline with clarified rules for whistle-blower protection

In Japan and North America, a whistle-blower hotline is in place inside and outside of the Company for use by Omron Group executives, full-time employees and temporary staff, as well as their families. 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. In Japan, beginning in fiscal 2008, reporting and consultation may also be conducted via an Intranet electronic bulletin board.

In fiscal 2009, a total of 17 hotline contacts for reporting and consultation were made in Japan and four in North America. The greatest number of contacts in Japan sought advice regarding how to create a workplace environment

where labor standards and diversity are both respected (there were 12 inquiries in total).

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 constantly 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 to fortify its integrated management system for confidential information and personal information, and formulated management rules shaped by the basic policy. The Company has since followed a schedule in Japan of annual employee education sessions and monitoring of workplace management conditions.

Moreover, the Company expanded its information security activities to include the implementation of measures in response to leak risk analysis for critical information and the investigation of information security management conditions at subcontractor sites. In addition, the Company continuously reviews management rules based on changes in the external environment and results of worksite monitoring, such as adding rules to minimize the risk of information leaks via mobile phones.

In this way, the Company is conducting information security management activities using the PDCA cycle group-wide under its information security management promotion system, centered on the Information Security Management Committee.

In fiscal 2007, the Company also established common rules for information security in its overseas operations and continues to institute rules suited to specific conditions in each overseas regional group. As of the end of fiscal 2009, the majority of Omron's overseas affiliated companies were fully enforcing the rules.

Omron will continue to apply the PDCA cycle approach group-wide in Japan to constantly improve its information security management. Overseas, we will seek to establish rules at all affiliated companies, begin the provision of information security education and also start conducting risk analysis.

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. In fiscal 2009, the Company's crisis simulation exercises, which had previously been held at the Company, were extended to affiliated companies in Japan.

In addition, the Company created the "Omron Group Crisis Response (First Action) Manual" using information accumulated from case studies and observations during crisis-response exercises to provide guidelines for the operation of an emergency response headquarters when a crisis event occurs.

Basic Policies Stipulated in Omron's Crisis Management Rules

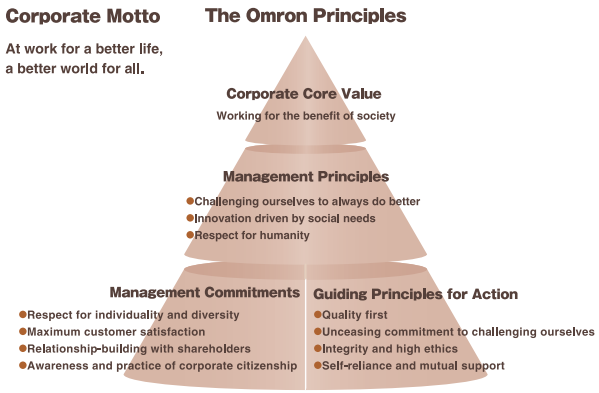
1. Place human life and personal safety at the top of the list of priorities.
2. Give high priority to legal/regulatory compliance and respect for social rules.
3. Minimize the negative impact of crises on customers and society.
4. Curtail the negative impact of crises on Omron's business and strive 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

The long-term management vision GD2010 that will culminate in fiscal 2010 places the Company's involvement in society at the forefront and outlines three aspects of our social participation: 1. Contributing to a better society through business operations; 2. Always demonstrating fairness and integrity in our corporate activities; and 3. Showing a commitment to addressing societal issues as a concerned party. We are 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.

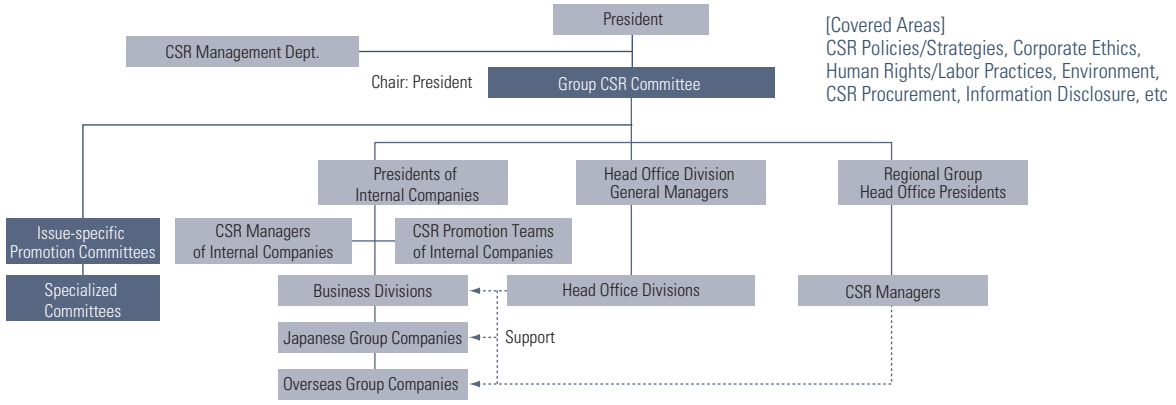
Assessment of CSR Performance Conditions at Global Production Bases

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 2009, CSR assessments were conducted at three production bases in the Greater China region and two in the Asia-Pacific region as well as at three suppliers in the Greater China region, enabling centralized purchasing. 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 requiring improvement. In each region, we plan to deepen employee understanding of personal rights issues by conducting CSR training for administrators and CSR managers and other activities along with continuous monitoring to ensure steady improvement in labor management.

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

CSR Management Structure



CSR through Business Activities: Targets and Results

GD 3rd Stage (FY2008–10) focus activities/targets

Seeking to create products and services that contribute to solving social issues with a focus on the four areas of "safety, security, health, and the environment."

*Rating: Self-assessment was conducted to comprehensively evaluate the progress of activities, including the degree of achievement of the Grand Design 2010, 3rd Stage (FY2008-10) targets, degree of global progress, external evaluations, and relative comparison with other companies.

○ More progress than initially expected △ Progress × Needs more effort

FY2009 results	Rating*	FY2010 policy/targets
Safety and Security (Products/services for various sectors of society)		
Ensuring safety and security for production sites Promoted safety businesses (by providing various safety sensors) to maintain safety at production sites worldwide. • Considered expanding the machinery and equipment safety service in operation at North American sites to the Asian and European regions. • Assessments were conducted at pilot customer sites, but the service was not started on a global scale.	△	**Ensuring safety and security for production sites** Continue seeking to upgrade control systems to provide flexible total safety control from input to output. Develop next-generation platforms for total safety systems that boost both capacity utilization rates and safety.
Toward a safer, more secure society Promoted the social sensor solutions business, which contributes to the safety and security of society in the four domains of train stations, roads, industry and commerce. • Commenced deliveries of the misplaced vehicle detection system. • External factors caused the postponement of the Driving Safety Support Systems (DSSS) demonstration tests, and results verification was not achieved.	○	**Toward safer, more secure road transportation** Introduce entry detection systems for highways and other traffic infrastructure. Conduct the Driving Safety Support Systems (DSSS) demonstration tests with automakers and verify the results.
Embedding safety and security equipment in personal computers Implemented and organized a common platform, standardization, and options for RAS sensing technology enhancing reliability, availability, and serviceability of industrial-use electronic devices using computer technology; integrated into new products; and commenced marketing.	○	**Embedding safety and security equipment in personal computers** Continue R&D of common platforms, standardization, and options for RAS sensing technology and expanding the range of products employing the technology.
Health (Products/services supporting lifestyle disease prevention/treatment)		
Offered globally home and professional use products and services that help in the prevention, treatment, and management of lifestyle diseases. • Increased the number of countries where digital blood pressure monitors are sold and expanded annual production volume. • Number of countries: 107 (as of February 2010) • Annual number of blood pressure monitors produced: See link www.healthcare.omron.co.jp/english/factory.html	○	Aim to increase sales by meeting needs in emerging and growth countries.
Environment (Products/services supporting a low-carbon society)		
Environmental solutions Promoted the CO_2 reduction solutions business to help companies prevent global warming. • Achieved average CO_2 emissions reduction rate of over 10% (value basis) at 10 client company sites employing Omron solutions. • Conducted in-house verification tests for further CO_2 emissions reductions at four sites.	○	**Environmental solutions** Formulate a business model for the advent of "the Smart Communities Society." • Participate in and verify the results of the government's demonstration tests for a Japanese smart grid.
Environmental components business • Contributed to reducing CO_2 by expanding the solar power conditioner (*1) business related to new energy sources. Year-on-year business growth: 330% (on a domestic unit sales basis) • Particle sensors (*2) to measure environmental cleanliness of production sites: Launched sales of two air sensor models that measure air temperature and humidity. Strong interest for environmental management applications at rechargeable battery manufacturers, with domestic unit sales up 126% year on year, from fiscal 2008. • Provided electricity leakage sensors and cell monitoring units (which are used as the battery management systems for the next-generation electric vehicles) in the i-MiEV of Mitsubishi Motors. *1 A solar power conditioner converts DC power from solar panels to home-use AC power, and sends it to the power supply network of a commercial electric company. *2 A particle sensor enables high-precision monitoring of airborne particles.	○	**Environmental components business** • Advance the environmental components business by releasing new solar power conditioner units and related products. • Introduce and promote solar power generation systems through proliferation of Anti-Islanding Control Technology (AICOT). • Increase to five types of control products that measure and control environmental conditions following the dual concept of "complete environment visualization" and "energy conservation." • Develop products to support proliferation of electric vehicles.

Inclusion in International SRI Indices

Omron's CSR activities have received high praise from around the world, and the Company's shares are included in two major socially responsible investment (SRI) indices (*1): the Morningstar Socially Responsible Investment Index (*2) and the Ethibel Sustainability Index (*3). Omron is also included in several SRI and eco funds (*4) such as the Corporate Governance Fund set up by Japan's Pension Fund Association. Since fiscal 2008, Omron has also been included in the SRI trust of ASN Bank, the largest SRI-only bank in the Netherlands (as of March 31, 2010).

*1 SRI Index
An SRI index refers to an index for social responsibility investment wherein a company's corporate social responsibility (CSR) is a key criterion for investment along with its financial performance.

*2 Morningstar Socially Responsible Investment Index
The Morningstar Socially Responsible Investment Index is an SRI index comprised exclusively of Japanese companies.

*3 Ethibel Sustainability Index
The Ethibel Sustainability Index includes companies evaluated for SRI by the strict standards of Ethibel, an SRI consulting agency in Belgium.

*4 Eco Fund
An eco fund is a type of investment trust that focuses investment on companies actively engaged in environmental issues.

For more details about Omron's CSR activities, please see our Sustainability Report 2010 (online edition).
http://www.omron.com/corporate/csr/ (Scheduled for release in October 2010)

Directors, Corporate Auditors, and Executive Officers

As of June 22, 2010

Kazuhiko Toyama
Director (external)

Masamitsu Sakurai
Director (external)

Hisao Sakuta
President and CEO

Yutaka Takigawa
Director and Executive Vice President

Fumio Tateisi
Director and Executive Vice Chairman

Yoshio Tateisi
Chairman of the BOD

Keiichiro Akahoshi
Director and Executive Vice President

Directors

Chairman of the BOD
Yoshio Tateisi

Director and Executive Vice Chairman
Fumio Tateisi

President and CEO
Hisao Sakuta

Directors and Executive Vice Presidents
Keiichiro Akahoshi
Yutaka Takigawa

Directors (external)
Kazuhiko Toyama
Masamitsu Sakurai

Corporate Auditors

Soichi Yukawa
Satoshi Ando
Hidero Chimori
Eisuke Nagatomo

Executive Advisor

Nobuo Tateisi

Executive Officers

Senior Managing Officer
Yoshinobu Morishita

Managing Officers
Koichi Imanaka
Takuji Yamamoto
Yoshinori Suzuki
Kazunobu Amemiya
Yutaka Fujiwara
Akio Sakumiya
Shigeki Fujimoto
Masaki Arao
Yoshihito Yamada

Executive Officers
Tatsunosuke Goto
Yoshisaburo Mogi
Koichi Tada
Kiichiro Kondo
Masahiro Ijiri
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

Financial Section (U.S. GAAP)

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Notes: Financial Highlights, Six-year Financial Summary, Fiscal 2009 Management's Discussion and Analysis, and Business and Other Risks are unaudited.

Financial Highlights

Omron Corporation and Subsidiaries
Years ended March 31, 2010, 2009, and 2008

	Millions of yen (except per share data)			Thousands of U.S. dollars (Note 2) (except per share data)
	FY2009	FY2008	FY2007	**FY2009**
For the year:				
Net sales	**¥ 524,694**	¥ 627,190	¥ 762,985	**$ 5,641,871**
Income (loss) from continuing operations before income taxes and equity in loss (earnings) of affiliates	**10,195**	(39,133)	64,166	**109,624**
Income (loss) from continuing operations	**3,621**	(29,449)	39,546	**38,935**
Net income (loss) attributable to shareholders	**3,518**	(29,172)	42,383	**37,827**
Per share data (yen and U.S. dollars):				
Income (loss) from continuing operations				
Basic	**¥ 16.0**	¥ (132.2)	¥ 172.5	**$ 0.17**
Diluted	**16.0**	—	172.4	**0.17**
Net income (loss) attributable to shareholders				
Basic	**16.0**	(132.2)	185.9	**0.17**
Diluted	**16.0**	—	185.8	**0.17**
Cash dividends (Note 1)	**17.0**	25.0	42.0	**0.18**
Capital expenditures (cash basis)	**¥ 20,792**	¥ 37,477	¥ 37,848	**$ 223,570**
Research and development expenses	**37,842**	48,899	51,520	**406,903**
At year end:				
Total assets	**¥ 532,254**	¥ 538,280	¥ 617,367	**$ 5,723,162**
Total shareholders' equity	**306,327**	298,411	368,502	**3,293,838**

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, 2010 of ¥93 = $1.

Six-year Summary

Omron Corporation and Subsidiaries
Years ended March 31

	Millions of yen (except per share data)					
	FY2009	FY2008	FY2007	FY2006	FY2005	FY2004
Net sales (Notes 2, 4, 5, 6, 7)**:**						
Industrial Automation Business	**¥ 206,197**	¥ 271,951	¥ 339,815	¥ 317,735	¥ 280,749	¥ 258,141
Electronic and Mechanical Components Business	**70,717**	76,494	100,668	96,240	89,607	93,315
Automotive Electronic Components Business	**75,163**	82,109	107,521	93,321	77,593	64,558
Social Systems Solutions Business	**57,981**	72,336	76,876	98,707	86,637	111,584
Healthcare Business	**63,359**	63,592	71,706	65,731	63,029	50,715
Other Businesses	**51,277**	60,708	66,399	52,132	18,387	20,414
	524,694	627,190	762,985	723,866	616,002	598,727
Costs and expenses:						
Cost of sales	**340,352**	408,668	469,643	445,625	383,335	353,429
Selling, general and administrative expenses	**133,426**	164,284	176,569	164,167	157,909	141,185
Research and development expenses	**37,842**	48,899	51,520	52,028	55,315	49,441
Subsidy from the government	**—**	—	—	—	(41,339)	—
Other expenses (income), net	**2,879**	44,472	1,087	(2,233)	(2,724)	2,225
	514,499	666,323	698,819	659,587	552,496	546,280
Income (loss) from continuing operations before income taxes and equity in loss (earnings) of affiliates	**10,195**	(39,133)	64,166	64,279	63,506	52,447
Income taxes	**3,782**	(10,495)	24,272	25,595	26,701	21,482
Equity in loss (earnings) of affiliates	**2,792**	811	348	1,352	493	1,483
Income (loss) from continuing operations	**3,621**	(29,449)	39,546	37,332	36,312	29,482
Income from discontinued operations, net of tax (Note 3)	**—**	—	3,054	1,186	802	958
Cumulative effect of accounting change, net of tax	**—**	—	—	—	(1,201)	—
Net income (loss)	**3,621**	(29,449)	42,600	38,518	35,913	30,440
Net income (loss) attributable to noncontrolling interests	**103**	(277)	217	238	150	264
Net income (loss) attributable to shareholders	**3,518**	(29,172)	42,383	38,280	35,763	30,176
Per share data (yen):						
Income (loss) from continuing operations						
Basic	**¥ 16.0**	¥ (132.2)	¥ 172.5	¥ 159.8	¥ 152.8	¥ 122.5
Diluted	**16.0**	—	172.4	159.7	152.7	120.8
Net income (loss) attributable to shareholders						
Basic	**16.0**	(132.2)	185.9	165.0	151.1	126.5
Diluted	**16.0**	—	185.8	164.9	151.1	124.8
Cash dividends (Note 1)	**17.0**	25.0	42.0	34.0	30.0	24.0
Capital expenditures (cash basis)	**¥ 20,792**	¥ 37,477	¥ 37,848	¥ 44,689	¥ 40,560	¥ 38,579
Total assets	**532,254**	538,280	617,367	630,337	589,061	585,429
Total shareholders' equity	**306,327**	298,411	368,502	382,822	362,937	305,810
Value indicators:						
Gross profit margin (%)	**35.1**	34.8	38.4	38.4	37.8	41.0
Income (loss) before tax/Net sales (%)	**1.9**	(6.2)	8.4	8.9	10.3	8.8
Return on sales (%)	**0.7**	(4.7)	5.6	5.3	5.8	5.0
Return on assets (%)	**1.9**	(6.8)	10.3	10.5	10.8	8.9
Return on equity (%)	**1.2**	(8.7)	11.3	10.3	10.7	10.4
Inventory turnover (times)	**4.19**	4.54	4.96	5.27	5.34	5.09
Price/earning ratio (times)	**135.8**	(8.7)	10.7	19.1	22.2	18.5
Assets turnover (times)	**0.98**	1.09	1.22	1.19	1.05	1.02
Debt/equity ratio (times)	**0.738**	0.804	0.675	0.647	0.623	0.914
Interest coverage ratio (times)	**22.15**	6.01	44.34	57.82	69.95	52.05

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. As of October 1, 2004, the ATM and other information equipment business that was included in the Social Systems Business was transferred to an affiliate accounted for using the equity method.
3. In accordance with the Accounting Standards Codification No.360, "Property, Plant and Equipment" (previously Statement of Financial Accounting Standards No.144, "Accounting for the Impairment of Disposal of Long-Lived Assets"), the figures of the consolidated statements of income for the prior years related to the discontinued operations have been separately reported from the ongoing operating results to conform with the current year presentation. See Note 15 to the consolidated financial statements.
4. From the fiscal year ended March 31, 2010, 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") The figures of the segment information for the prior years have been restated to conform with the current year presentation.
5. On the fiscal year ended March 31, 2010, "Electronic Components Business" was re-formed to "Electronic and Mechanical Components Business."
6. From the fiscal year ended March 31, 2010, "Social Systems Solutions Business" was changed to "Social Systems Solution and Service Business."
7. "Other Businesses" includes "Eliminations and Corporate."

Fiscal 2009 Management's Discussion and Analysis

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

Market Environment

1. Macroeconomic Environment

The prolonged global recession, the likes of which are said to occur only once in a 100 years, created extremely severe business conditions in the first half of fiscal 2009. The global economy finally started to turn in autumn when the effects of economic measures implemented in countries around the world began gradually appearing.

In these conditions, real domestic GDP growth in Japan slowed to 5.2% shrinkage on a calendar-year basis and a 1.9% fiscal year contraction, marking the second straight year of negative growth. Nevertheless, this rate of negative growth slowed from the 3.7% contraction in the previous fiscal year. The Japanese economy moved into a gradual recovery trend in the second half, largely driven by import demand from China, which was among the first major economies to rally back.

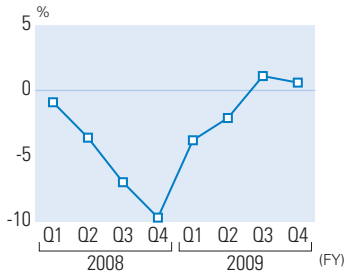
Growth Rates of Real GDP for Each Country/Region (Calendar-year basis)

	Japan		U.S.	EU	China	India	Brazil	Total
2008	-1.2	* -3.7	0.0	0.6	9.6	6.4	5.1	3.0
2009	-5.2	* -1.9	-2.6	-4.1	9.1	5.7	-0.2	-0.6
2010 Estimates	2.4		3.3	1.0	10.5	9.4	7.1	4.6

Source: IMF "World Economic Outlook," July 2010
Note: Fiscal-year basis for figures marked with asterisk (*)

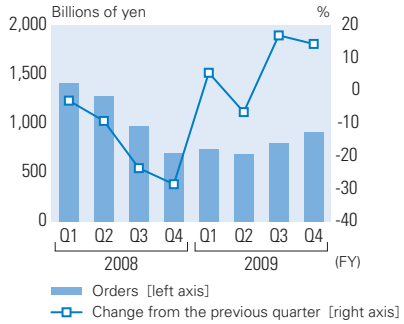
Domestic Macroeconomic Environment

Real Private Capital Investment



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

Machinery Orders (Manufacturing)



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

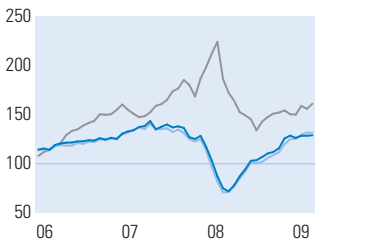
2. The Omron Group Market Environment

Demand for factory automation (FA) equipment, a core product of the Omron Group, continued low into the first quarter of the fiscal year amid a general sense of excess production capacity that produced a declining trend in demand for investment in equipment.

Beginning in the second quarter, the major fiscal and monetary policies, environment-themed policies to stimulate consumption, and other measures implemented by governments around the world generated growing demand centered on consumer and environment-related products, leading to gradually improving equipment investment demand from the manufacturing industry, the Group's core customer base.

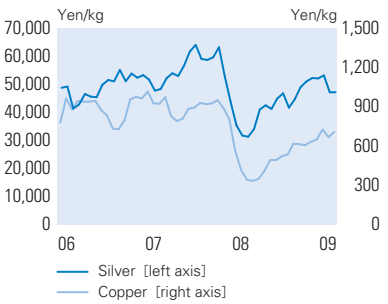
While demand conditions improved, revenues were constricted by the appreciating yen, whose average exchange rates rose to ¥92.9 versus the U.S. dollar, up ¥7.8 from the previous fiscal year, and to ¥130.3 versus the euro, a ¥14.2 year-on-year rise.

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

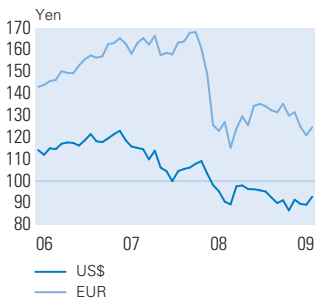


Source: Ministry of Economy, Trade and Industry

Silver and Copper Prices



Exchange Rates



Overview of Consolidated Results and Financial Condition

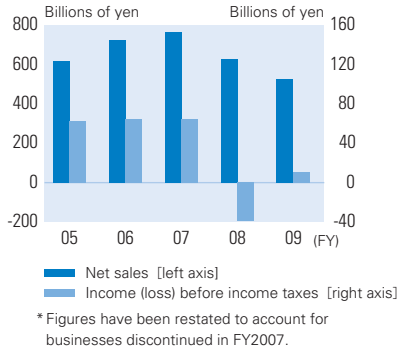
Note: Segment operating income is prepared using the single-step method (that does not show individual income levels) based on U.S. GAAP. For an easier comparison to other companies, operating income represents gross profit minus selling, general and administrative (SG&A) expenses, and research and development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

In this market environment, the combined impact from the global recession extending into the second quarter, restrained capital investment in the manufacturing industry, and the strong yen resulted in a 16.3% year-on-year decline in consolidated net sales to ¥524.7 billion in fiscal 2009. While sales revenue declined, the Group-wide effort to reduce costs produced a substantial 144.9% year-on-year improvement in operating income to ¥13.1 billion. Income before income taxes amounted to ¥10.2 billion, and net income attributable to shareholders amounted to ¥3.5 billion.

Total assets declined 1.1% from the previous fiscal year, primarily due to reduced inventories. The improvement in net profit raised total shareholders' equity by 2.7% year on year, which raised the equity ratio to 57.5% from 55.4% at the end of the previous fiscal year.

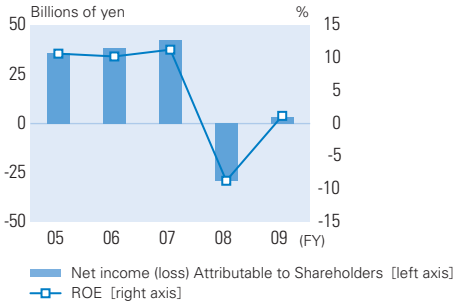
Return on equity (ROE) amounted to 1.2%, and the return on investment capital (ROIC) was 2.2%.

Net Sales & Income before Income Taxes



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

Net Income Attributable to Shareholders & ROE



Review and Analysis of the Statements of Income

Sales

Consolidated net sales amounted to ¥524.7 billion, a year-on-year decline of ¥102.5 billion or 16.3%, which was largely due to the substantial drop in demand in the first half and the strong yen.

While the global economic crisis caused substantial declines in demand, as the year progressed sales steadily improved for the electronic components, automotive electronic components, and domestic FA businesses.

By region, sales declined 18.0% in Japan (including direct exports) and fell 23.9% in North America, 24.7% in Europe, and 1.7% in the Asia Pacific. In contrast, sales in the Greater China region rose 2.5%.

Cost of Sales and SG&A Expenses

The decline in sales led to a 16.7% year-on-year decrease in cost of sales. The cost to sales ratio decreased 0.3 percentage point to 64.9%. The decrease was primarily due to a respite in the rise of raw materials prices and emergency measures including reductions in variable costs and manufacturing fixed costs.

SG&A expenses were reduced by ¥30.9 billion, or 18.8%, from the previous fiscal year as the Company responded to the decline in sales with comprehensive efforts to lower expenses and strictly limit large investments. The Company likewise reduced R&D expenses by ¥11.1 billion, or 22.6%. The SG&A expense-to-sales ratio accordingly declined by 0.8 percentage point to 25.4%, and the R&D expense-to-sales ratio decreased 0.5 percentage point to 7.2%.

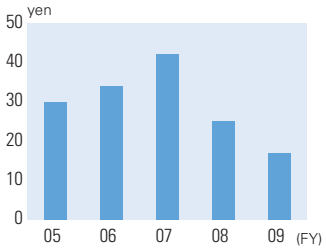
Other Expenses (Income) * See Note 12 on page 93

The amount of other expenses, net was a net loss of ¥2.9 billion, representing a ¥41.6 billion decrease in loss in this category from the previous fiscal year when the Company recorded impairment losses for goodwill, property, plant and equipment, and investment securities.

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

As a result of the above, income before income taxes amounted to ¥10.2 billion in fiscal 2009, an increase of ¥49.3 billion from the ¥39.1 billion loss before income taxes

Dividends per Share



in the previous fiscal year. Net income attributable to shareholders amounted to ¥3.5 billion, an increase of ¥32.7 billion from the ¥29.2 billion net loss in fiscal 2008.

Basic net income attributable to shareholders per share improved to ¥16.0 from a ¥132.2 net loss attributable to shareholders per share in the previous fiscal year.

Based on our profit distribution policy (see page 23) and in consideration of the earnings results, ordinary dividends of ¥17 per share were distributed in the fiscal year under review.

Costs, Expenses, and Income as Percentages of Net Sales

	FY2009	FY2008	FY2007
Net sales	**100.0%**	100.0%	100.0%
Cost of sales	**64.9**	65.2	61.6
Gross profit	**35.1**	34.8	38.4
SG&A expenses	**25.4**	26.2	23.1
R&D expenses	**7.2**	7.7	6.7
Other expenses, net	**0.0**	0.0	(0.1)
Income (loss) from continuing operations before income taxes and equity in loss (earnings) of affiliates	**1.9**	(6.2)	8.4
Income taxes	**0.7**	(1.6)	3.2
Income (loss) from continuing operations	**0.7**	(4.7)	5.2
Income from discontinued operations, net of tax	**—**	—	0.4
Net income (loss) attributable to shareholders	**0.7**	(4.7)	5.6

Segment Information

Note: Segment operating income is prepared using the single-step method (that does not show individual income levels) based on U.S. GAAP. For easier comparison to other segment companies, operating income represents gross profit minus 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 40-51 for detailed segment business results, fiscal 2010 outlook, and strategy.

1. Review of Operations by Business Segment

IAB (Industrial Automation Business)

IAB net sales declined 24.2% year on year to ¥206.2 billion and operating income fell 23.5% to ¥13.9 billion. Demand reached bottom for sensors and other items in the second quarter on recovering production activity in the automotive and electronic components industries. In the third quarter, signs began appearing of a rise in production among customers in the semiconductor industry and reviving demand for energy-related products. Measures to stimulate domestic consumption in China began producing effects in the Greater China region at the start of last year, but the overall limited production and restrained capital investment in the manufacturing industry through the first quarter strongly impacted the IAB segment results.

EMC (Electronic & Mechanical Components Business)

EMC net sales fell 7.6% year on year to ¥70.7 billion. Emergency measures and improved productivity generated 59.6% growth in operating income to ¥6.7 billion. Adjustments to domestic inventories were completed in the first quarter in the business and consumer equipment as well as the automotive components sectors, but the subsequent degree of recovery was lower than in previous years. Overseas demand recovered in the Greater China and Asia-Pacific regions, particularly for relays for air conditioners and other consumer electronics, flexible printed circuit (FPC) connectors for optical disks, and mobile phone input devices.

AEC (Automotive Electronic Components Business)

AEC net sales declined 8.5% year on year to ¥75.2 billion and operating income improved to ¥1.7 billion from a ¥7.1 billion operating loss in the previous fiscal year. The bankruptcy of a major automaker in North America, this segment's primary market, and the accompanying production shutdowns had a substantial impact on AEC results. At the same time, results were helped by measures taken by various countries to stimulate car purchases and a move toward gradual recovery from the weakening demand for automotive electronic components.

SSB (Social Systems Solutions Business)

SSB net sales declined 19.8% year on year to ¥58.0 billion, and operating income fell 48.9% to ¥2.7 billion. Demand for the SSB segment products dropped substantially following a slowdown in investment in new railway construction plans and IC card equipment installation and the increasing restraint of capital investment by railway companies against a backdrop of persisting economic stagnation and reduced holiday toll rates for automobile

expressways. The restrained investment activity also impacted the social sensor solutions and related maintenance businesses and the software business.

HCB (Healthcare Business)

HCB net sales edged down 0.4% year on year to ¥63.4 billion, and operating income increased 48.0% to ¥7.1 billion.

In Japan, digital thermometer demand surged in response to the H1N1 influenza outbreak. However, demand for medical equipment for hospital use fell below the previous-year level on restrained and postponed equipment investment from hospitals and medical practitioners. Overseas demand remained sluggish in Europe and the United States in the unfavorable economic conditions but was brisk in the Greater China region, primarily due to growing health management awareness in the country's provincial towns and cities.

Growth in Net Sales by Business Segment

	FY2009	FY2008	FY2007
IAB	**(24.2)%**	(20.0)%	6.9%
EMC	**(7.6)**	(24.0)	4.6
AEC	**(8.5)**	(23.6)	15.2
SSB	**(19.8)**	(5.9)	(22.1)
HCB	**(0.4)**	(11.3)	9.1
Other	**(15.5)**	(8.6)	27.4

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

Other

The Other segment's net sales declined 17.8% year on year to ¥41.3 billion, and operating loss amounted to ¥7.0 billion, compared with the ¥7.3 billion loss in the previous fiscal year. Sales were brisk in the environmental business for energy-conservation services using electricity usage visualization systems and other services. Improving market conditions in the electronic systems and equipment business supported a gradual recovery for contracted production and development operations. In the Micro Devices business, demand recovered for custom integrated circuit devices as well as for devices for consumer and industrial applications. The business also recorded increasing contract-manufacturing orders for semiconductors for LCD-related projects. Backlight business sales remained sluggish amid declining demand for music players.

Composition of Net Sales by Business Segment

	FY2009	FY2008	FY2007
IAB	**39.3%**	43.4%	44.5%
EMC	**13.5**	12.2	13.2
AEC	**14.3**	13.1	14.1
SSB	**11.1**	11.5	10.1
HCB	**12.1**	10.1	9.4
Other	**9.7**	9.7	8.7

Notes: 1. Sales composition is based on the segment categories presented in the Six-year Summary (page 64).
2. The Other segment includes "Eliminations and Corporate."

2. Review of Operations by Region

Japan

Production activity gradually picked up during the year in the domestic automotive, electronic components, and semiconductor industries, but domestic sales (excluding direct exports) declined 25.5% year on year for the IAB segment and 12.7% for the EMC segment owing to the strong impact from the limited production and restrained capital investment conditions in the industrial sector that persisted from the second half of fiscal 2008. SSB segment domestic sales were down 18.7% due to the restrained capital investment by railway companies. Net sales (including direct exports) in Japan declined 18.0% year on year to ¥269.1 billion, while the emergency measures and other initiatives produced 37.3% growth in operating income to ¥11.5 billion.

North America

North America sales in the IAB segment declined 40.3% year on year amid stagnant conditions in the oil-related and automotive industries. AEC segment sales fell 13.9% due to the major impact from production halts caused by the bankruptcy of a major automaker. Net sales in North America declined 23.9% year on year to ¥61.2 billion, and the operating loss decreased to ¥0.5 billion, from a ¥0.7 billion operating loss in the previous fiscal year.

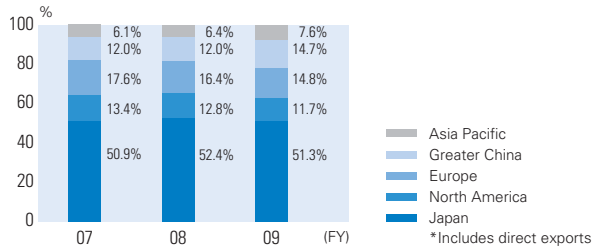
Europe

Signs appeared during the year that demand was moving into recovery. However, full-fledged recovery failed to materialize, and sales ended up down 27.6% year on year in the IAB segment and 11.1% in the HCB segment. Net sales in Europe ultimately fell 24.7% year on year to ¥77.6 billion, and operating income decreased 70.1% to ¥1.9 billion.

Greater China

In the Greater China region, encompassing China, Hong Kong, and Taiwan, rising capacity utilization rates and increases in capital investment accompanying expanding domestic demand enabled the IAB segment to post sales results roughly even with the previous fiscal year. AEC segment sales jumped 32.0% in the region, with a strong boost from government policies to stimulate new car purchases. HCB segment sales rose 9.7% on increasing awareness of personal health management. Total net sales in the Greater China region rose 2.5% year on year to ¥77.1 billion and operating income increased 187.7% to ¥9.0 billion.

Sales Breakdown by Region



Asia Pacific

Demand levels improved in the Asia Pacific in the second half of fiscal 2009, but full-year sales declined 3.7% in the IAB segment and 9.4% in the EMC segment. Net sales in the Asia Pacific were down 1.7% year on year to ¥39.7 billion. However, successful cost-cutting efforts resulted in a 140.3% rise in operating income to ¥3.5 billion.

Financial Condition

Assets

Total assets amounted to ¥532.3 billion in fiscal 2009, representing a decrease of ¥6.0 billion, or 1.1%, from the end of the previous fiscal year. The decline was primarily caused by strict control of new capital investment and reduced inventories, which outbalanced the increased valuation of investment securities from the rising trend in stock values since the end of fiscal 2008 and an increase in notes and accounts receivable accompanying the recovery in sales in the second half.

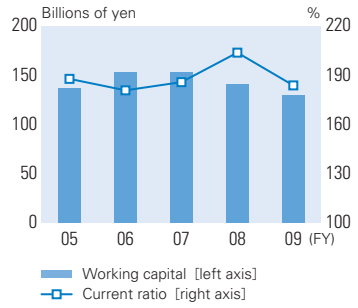
Liabilities and Shareholders' Equity

Total liabilities amounted to ¥225.1 billion, down ¥13.2 billion from the end of the previous fiscal year. The decline was the result of an increase in notes and accounts payable being offset by a decrease in termination and retirement benefits due to higher valuation of the pension plan assets and a decrease in loans associated with the reduction in assets.

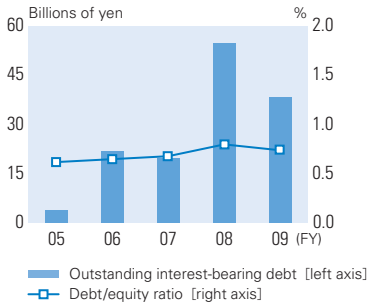
Total shareholders' equity increased to ¥306.3 billion, an increase of ¥7.9 billion from the end of the previous fiscal year. The shareholders' equity ratio rose 2.1 percentage points to 57.5%, from 55.4% at the previous fiscal year-end, and the debt/equity ratio decreased from 0.80 to 0.74.

Shareholders' equity per share based on the number of shares outstanding at the end of the fiscal year (excluding treasury stock) was ¥1,391.41, compared with ¥1,355.41 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 ¥51.7 billion, a ¥5.1 billion increase from the end of the previous fiscal year.

Cash Flow from Operating Activities

Net cash provided by operating activities amounted to ¥42.8 billion, an increase of ¥11.4 billion from the previous fiscal year, primarily due to the increase in net income and the decrease in working capital from reduced inventories and other factors.

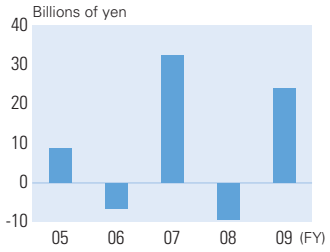
Cash Flow from Investing Activities

Cash flow used in investing activities amounted to ¥18.6 billion, a ¥22.0 billion decrease in outflow from the previous fiscal year, as a result of strictly limiting capital investment.

Cash Flow from Financing Activities

Net cash used in financing activities amounted to ¥20.4 billion, a ¥42.2 billion increase from the net outflow in the previous fiscal year, which was due to dividend distributions and the repayment 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 23, 2010 (date of submission of the Securities Report).

(1) Economic Conditions

The primary business of the Omron Group is consumer and commercial electronic components used in the manufacture of electrical and electronic equipment, as well as control system equipment used by manufacturing sectors and in capital investment-related areas. Accordingly, demand for Omron Group products is affected by economic conditions in these markets.

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

(2) Risks Accompanying Overseas Business Activities

The Omron Group actively conducts business activities such as production and sales in overseas markets. The Group may be subject to operating difficulties in 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.

(3) Exchange Rate Fluctuation

The Omron Group has 114 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 2009 was 50.7%, 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.

(4) Product Defects

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

While Omron takes every precaution against the occurrence of defects, it is virtually impossible 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 in the future. Japan's revised Consumer Product Safety Act and the recent creation of the Consumer Affairs Agency and the National Consumer Affairs Center of Japan have elevated corporate responsibility and awareness of consumer protection issues. Product quality is also a major issue overseas as defects that require large-scale product recalls or that carry damage compensation liability beyond the coverage capability of product liability insurance could not only incur substantial costs to the Group, but could also seriously damage trust in the Omron Group and brand. Such a situation could lead to declining sales for the Group, and has the potential to negatively impact the Group's operating results and financial condition.

In addition, to respond to an EU directive banning the use of lead, cadmium, and certain other chemical substances in electric and electronic products in the European Union from July 2006, the Omron Group has been taking steps to eliminate those substances from all of the Group products worldwide. In cooperation with its suppliers, the Group is investigating the status of regulated chemical substances in all of the components and materials the Group uses, and is accelerating efforts to switch to alternative environmentally-friendly components and materials. Despite these efforts, risk exists that a quality control oversight at a supplier or other incident that compromises the content integrity of a Group product could result in damage compensation liability or a directive violation that could negatively impact the Group's operating results and financial condition.

(5) Research and Development Activities

Based on a policy of securing a balance between growth and income, the Omron Group invests aggressively in R&D as part of its technology-centered business operations 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.

(6) 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.

(7) 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.

(8) Natural Disasters

A natural disaster, fire, or other calamity, including a large-scale earthquake in Japan's Tokai, Tonankai, or Tokyo metropolitan areas, could lead to reduced production capability or temporary disruption of distribution and sales routes. The Omron Group has implemented the necessary safety measures and has taken steps to facilitate the continuity and early restoration of business operations in the case of such an event. The Group maintains 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.

The Omron Group is also formulating action plans, including establishing policies and business continuity plans, for the entire Group such as preventive measures for a worldwide flu epidemic. A rapidly spreading influenza virus that develops into a worldwide pandemic within a short period could lead to temporary closures of operating facilities and reductions in operations considered unnecessary and nonessential that could impact the Group's 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, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 2)
ASSETS	**2010**	2009	**2010**
Current assets:			
Cash and cash equivalents	**¥ 51,726**	¥ 46,631	**$ 556,193**
Notes and accounts receivable – trade	**126,250**	113,551	**1,357,527**
Allowance for doubtful receivables	**(2,531)**	(2,562)	**(27,215)**
Inventories (Note 3)	**77,655**	84,708	**835,000**
Deferred income taxes (Note 13)	**19,988**	16,522	**214,925**
Other current assets	**12,670**	17,141	**136,237**
Total current assets	**285,758**	275,991	**3,072,667**
Property, plant and equipment:			
Land	**26,376**	26,753	**283,613**
Buildings	**127,344**	120,244	**1,369,290**
Machinery and equipment	**140,200**	143,801	**1,507,527**
Construction in progress	**2,733**	9,061	**29,387**
Total	**296,653**	299,859	**3,189,817**
Accumulated depreciation	**(173,659)**	(167,324)	**(1,867,301)**
Net property, plant and equipment	**122,994**	132,535	**1,322,516**
Investments and other assets:			
Investments in and advances to affiliates	**13,637**	15,638	**146,634**
Investment securities (Note 4)	**38,556**	31,682	**414,581**
Leasehold deposits	**7,452**	7,784	**80,129**
Deferred income taxes (Note 13)	**45,737**	53,783	**491,796**
Other (Note 6)	**18,120**	20,867	**194,839**
Total investments and other assets	**123,502**	129,754	**1,327,979**
Total	**¥ 532,254**	¥ 538,280	**$ 5,723,162**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 2) 2010
Current liabilities:			
Short-term debt (Note 8)	**¥ 16,612**	¥ 32,970	**$ 178,624**
Notes and accounts payable – trade	**68,874**	58,179	**740,581**
Accrued expenses	**25,891**	24,791	**278,398**
Income taxes payable	**2,710**	711	**29,140**
Other current liabilities (Note 13)	**21,160**	17,899	**227,527**
Current portion of long-term debt (Note 8)	**20,315**	488	**218,441**
Total current liabilities	**155,562**	135,038	**1,672,711**
Long-term debt (Note 8)	**1,290**	21,401	**13,871**
Deferred income taxes (Note 13)	**886**	941	**9,527**
Termination and retirement benefits (Note 10)	**66,964**	80,443	**720,043**
Other long-term liabilities	**417**	476	**4,484**
Shareholders' equity (Note 11)**:**			
Common stock, no par value:			
Authorized: 487,000,000 shares in 2010 and 2009, respectively			
Issued: 239,121,372 shares in 2010 and 2009, respectively	**64,100**	64,100	**689,247**
Capital surplus	**99,081**	99,059	**1,065,387**
Legal reserve	**9,363**	9,059	**100,677**
Retained earnings	**230,859**	231,388	**2,482,355**
Accumulated other comprehensive income (loss) (Note 17)	**(52,614)**	(60,744)	**(565,742)**
Treasury stock, at cost — 18,966,294 shares in 2010 and 18,958,944 shares in 2009	**(44,462)**	(44,451)	**(478,086)**
Total shareholders' equity	**306,327**	298,411	**3,293,838**
Noncontrolling interests	**808**	1,570	**8,688**
Total net assets	**307,135**	299,981	**3,302,526**
Total	**¥ 532,254**	¥ 538,280	**$ 5,723,162**

See notes to consolidated financial statements.

Consolidated Statements of Operations

Omron Corporation and Subsidiaries
Years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2010	2009	2008	**2010**
Net sales	**¥ 524,694**	¥ 627,190	¥ 762,985	**$ 5,641,871**
Costs and expenses:				
Cost of sales	**340,352**	408,668	469,643	**3,659,699**
Selling, general and administrative expenses	**133,426**	164,284	176,569	**1,434,688**
Research and development expenses	**37,842**	48,899	51,520	**406,903**
Other expenses, net (Note 12)	**2,879**	44,472	1,087	**30,957**
Total	**514,499**	666,323	698,819	**5,532,247**
Income (loss) from continuing operations before income taxes and equity in loss (earnings) of affiliates	**10,195**	(39,133)	64,166	**109,624**
Income taxes (Note 13)	**3,782**	(10,495)	24,272	**40,667**
Equity in loss (earnings) of affiliates	**2,792**	811	348	**30,022**
Income (loss) from continuing operations	**3,621**	(29,449)	39,546	**38,935**
Income from discontinued operations, net of tax (Note 14)	**—**	—	3,054	**—**
Net income (loss)	**3,621**	(29,449)	42,600	**38,935**
Net loss (income) attributable to noncontrolling interests	**103**	(277)	217	**1,108**
Net income (loss) attributable to shareholders	**¥ 3,518**	¥ (29,172)	¥ 42,383	**$ 37,827**

	Yen			U.S. dollars (Note 2)
	2010	2009	2008	**2010**
Per share data (Note 15)**:**				
Income (loss) from continuing operations				
Basic	**16.0**	(132.2)	172.5	**0.17**
Diluted	**16.0**	—	172.4	**0.17**
Income from discontinued operations				
Basic	**—**	—	13.4	**—**
Diluted	**—**	—	13.4	**—**
Net income (loss) attributable to shareholders				
Basic	**16.0**	(132.2)	185.9	**0.17**
Diluted	**16.0**	—	185.8	**0.17**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

Omron Corporation and Subsidiaries
Years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2010	2009	2008	**2010**
Net income (loss)	**¥ 3,621**	¥ (29,449)	¥ 42,600	**$ 38,935**
Other comprehensive income (loss), net of tax (Note 17)**:**				
Foreign currency translation adjustments:				
Foreign currency translation adjustments arising during the year	**(1,400)**	(16,708)	(11,979)	**(15,054)**
Reclassification adjustment for the portion realized in net income	**—**	—	—	**—**
Net change in foreign currency translation adjustments during the year	**(1,400)**	(16,708)	(11,979)	**(15,054)**
Pension liability adjustments:				
Pension liability adjustments arising during the year	**4,531**	(10,838)	(6,707)	**48,720**
Reclassification adjustment for the portion realized in net income	**(514)**	(487)	(369)	**(5,526)**
Net change in pension liability adjustments during the year	**4,017**	(11,325)	(7,076)	**43,194**
Unrealized gains (losses) on available-for-sale securities:				
Unrealized holding gains (losses) arising during the year	**4,966**	(6,722)	(6,647)	**53,398**
Reclassification adjustment for losses on impairment realized in net income	**305**	2,987	1,315	**3,280**
Reclassification adjustment for net gains on sales realized in net income	**(350)**	(3)	(905)	**(3,763)**
Reclassification adjustment for net gains on contribution of securities to retirement benefit trust realized in net income	**—**	—	—	**—**
Net unrealized gains (losses)	**4,921**	(3,738)	(6,237)	**52,915**
Net gains (losses) on derivative instruments:				
Net gains (losses) on derivative instruments designated as cash flow hedges during the year	**737**	787	1,178	**7,925**
Reclassification adjustment for net gains (losses) realized in net income	**(186)**	(1,714)	(727)	**(2,000)**
Net gains (losses)	**551**	(927)	451	**5,925**
Other comprehensive income (loss)	**8,089**	(32,698)	(24,841)	**86,980**
Comprehensive income (loss)	**11,710**	(62,147)	17,759	**125,915**
Comprehensive income (loss) attributable to noncontrolling interests	**62**	(448)	580	**667**
Comprehensive income (loss) attributable to shareholders	**¥ 11,648**	¥ (61,699)	¥ 17,179	**$ 125,248**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Omron Corporation and Subsidiaries
Years ended March 31, 2010, 2009 and 2008

		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, April 1, 2007	249,121,372	¥ 64,100	¥ 98,828	¥ 8,256	¥ 258,057	¥ (3,013)	¥ (43,406)	¥ 382,822	¥ 1,438	¥ 384,260
Amendment to adoption of ASC.No.740 (previous FIN No.48)					(266)			(266)		(266)
Net income					42,383			42,383	217	42,600
Cash dividends, ¥42 per share					(9,415)			(9,415)		(9,415)
Transfer to legal reserve				417	(417)			—		—
Other comprehensive income (loss)						(25,204)		(25,204)	363	(24,841)
Acquisition of treasury stock							(22,348)	(22,348)		(22,348)
Sale of treasury stock			1				7	8		8
Retirement of treasury stock	(10,000,000)				(23,858)		23,858	—		—
Exercise of stock options			(4)		(33)		423	386		386
Grant of stock options			136					136		136
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**

	Thousands of U.S. dollars (Note 2)								
	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total Share-holders' Equity	Noncontrolling interests	Total Net Assets
Balance, March 31, 2009	$ 689,247	$1,065,151	$ 97,409	$2,488,043	$ (653,163)	$(477,968)	$ 3,208,719	$16,882	$3,225,601
Net income				**37,827**			**37,827**	**1,108**	**38,935**
Cash dividends paid to OMRON Corporation shareholders, $0.18 per share				**(40,247)**			**(40,247)**		**(40,247)**
Cash dividends paid to noncontrolling interests, $0.18 per share								**(8,194)**	**(8,194)**
Equity transactions with noncontrolling interests and other								**(667)**	**(667)**
Transfer to legal reserve			**3,268**	**(3,268)**			—		—
Other comprehensive income (loss)					**87,421**		**87,421**	**(441)**	**86,980**
Acquisition of treasury stock						**(140)**	**(140)**		**(140)**
Sale of treasury stock		**(0)**				**22**	**22**		**22**
Grant of stock options		**236**					**236**		**236**
Balance, March 31, 2010	**$ 689,247**	**$1,065,387**	**$ 100,677**	**$2,482,355**	**$ (565,742)**	**$(478,086)**	**$ 3,293,838**	**$ 8,688**	**$3,302,526**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Omron Corporation and Subsidiaries
Years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2010	2009	2008	**2010**
Operating activities:				
Net income (loss)	**¥ 3,621**	¥ (29,449)	¥ 42,600	**$ 38,935**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**27,014**	33,496	36,343	**290,473**
Net loss on sales and disposals of property, plant and equipment	**558**	1,983	963	**6,000**
Loss on impairment of property, plant and equipment	**217**	21,203	168	**2,333**
Net gain on sales of investment securities	**(636)**	(64)	(1,571)	**(6,839)**
Loss on impairment of investment securities and other assets	**632**	5,401	2,297	**6,796**
Loss on impairment of goodwill	**—**	16,813	—	**—**
Termination and retirement benefits	**(5,110)**	(1,390)	(1,722)	**(54,946)**
Deferred income taxes	**(1,031)**	(13,895)	(131)	**(11,086)**
Equity in loss of affiliates	**2,792**	811	348	**30,022**
Net gain on sale of business	**—**	—	(5,177)	**—**
Changes in assets and liabilities:				
Notes and accounts receivable – trade, net	**(14,440)**	47,526	4,977	**(155,269)**
Inventories	**4,977**	5,776	(3,002)	**53,516**
Other assets	**4,457**	(7,689)	644	**47,925**
Notes and accounts payable – trade	**13,298**	(34,046)	5,305	**142,989**
Income taxes payable	**1,995**	(8,044)	(2,663)	**21,452**
Accrued expenses and other current liabilities	**4,554**	(8,290)	(10,846)	**48,968**
Other, net	**(139)**	1,266	463	**(1,495)**
Total adjustments	**39,138**	60,857	26,396	**420,839**
Net cash provided by operating activities	**42,759**	31,408	68,996	**459,774**
Investing activities:				
Proceeds from sales or maturities of investment securities	**1,004**	1,742	3,955	**10,796**
Purchase of investment securities	**(15)**	(6,151)	(7,456)	**(161)**
Capital expenditures	**(20,792)**	(37,477)	(37,848)	**(223,570)**
Decrease (increase) in leasehold deposits	**335**	228	417	**3,602**
Proceeds from sales of property, plant and equipment	**1,490**	1,046	5,038	**16,022**
Equity transaction with noncontrolling interests	**(106)**	—	—	**(1,140)**
Decrease (increase) in investment in and loans to affiliates	**(931)**	(16)	(850)	**(10,011)**
Proceeds from sale of business, net	**431**	—	8,089	**4,634**
Payment for acquisition of business entities, net	**—**	—	(8,026)	**—**
Net cash used in investing activities	**(18,584)**	(40,628)	(36,681)	**(199,828)**
Financing activities:				
Net borrowings (repayments) of short-term debt	**(16,282)**	15,291	(3,523)	**(175,075)**
Proceeds from issuance of long-term debt	**305**	20,000	28	**3,280**
Repayments of long-term debt	**(524)**	(916)	(772)	**(5,634)**
Dividends paid by the Company	**(3,083)**	(9,507)	(8,252)	**(33,151)**
Dividends paid to noncontrolling interests	**(762)**	(13)	(7)	**(8,194)**
Acquisition of treasury stock	**(13)**	(2,995)	(22,348)	**(140)**
Sale of treasury stock	**1**	7	7	**11**
Exercise of stock options	**—**	—	386	**—**
Net cash used in financing activities	**(20,358)**	21,867	(34,481)	**(218,903)**
Effect of exchange rate changes on cash and cash equivalents	**1,278**	(6,640)	(205)	**13,742**
Net increase (decrease) in cash and cash equivalents	**5,095**	6,007	(2,371)	**54,784**
Cash and cash equivalents at beginning of the year	**46,631**	40,624	42,995	**501,409**
Cash and cash equivalents at end of the year	**¥ 51,726**	¥ 46,631	¥ 40,624	**$ 556,193**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Omron Corporation and Subsidiaries

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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

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

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

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

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

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

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 provides products such as LCD backlights, semiconductors, MEMS, energy saving businesses, eco-businesses, electronic devices.

Basis of Financial Statements

The accompanying consolidated financial statements are stated in Japanese yen. Based upon requirements about 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, 2010 or for the year ended March 31, 2010.

Principles of Consolidation

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

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

The consolidated financial statements include all the Company's subsidiaries (at March 31, 2009: 162 companies, at March 31, 2010: 154 companies).

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, 2009

— Hitachi-Omron Terminal Solutions, Corp and others.
Total: 18 companies

As of March 31, 2010

— Hitachi-Omron Terminal Solutions, Corp and others.
Total: 16 companies

Use of Estimates

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

Cash Equivalents

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

Allowance for Doubtful Receivables

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

Marketable Securities and Investments

The Companies classify all of their marketable 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. The Companies principally consider that an other-than-temporary impairment has occurred when the decline in fair value below the carrying value continues for over nine consecutive months. The Companies may also consider other factors, including their ability and intent to hold the applicable investment securities until maturity, and the severity of the decline in fair value.

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

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

Property, Plant and Equipment
Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment has been computed principally on a declining balance method based upon the estimated useful lives of the assets. However, certain of the Company's subsidiaries located outside Japan have computed it 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" (previously SFAS No.142, "Goodwill and Other Intangible Assets"), which requires that goodwill no longer be amortized, but instead tested for impairment at least annually. ASC No.350 (previously SFAS No.142) also requires recognized intangible assets be amortized over their respective estimated useful lives and reviewed for impairment. Any recognized intangible asset determined to have an indefinite useful life is not to be amortized, but instead tested for impairment until its life is determined to no longer be indefinite.

Long-Lived Assets
Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset 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 of. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell.

Advertising Costs
Advertising costs are charged to earnings as incurred. Advertising expense was ¥4,957 million ($53,301 thousand), ¥7,146 million and ¥8,648 million for the years ended March 31, 2010, 2009 and 2008, respectively.

Shipping and Handling Charges
Shipping and handling charges were ¥6,005 million ($64,570 thousand), ¥7,399 million and ¥8,121 million for the years ended March 31, 2010, 2009 and 2008, 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" (previously SFAS No.87, "Employers' Accounting for Pensions," previously SFAS No.132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits" and previously SFAS No.158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans") based on the fiscal year-end fair value of plan assets and the projected benefit obligations of employees. 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.

The Companies adopted ASC No.740, "Accounting for Uncertainty in Income Taxes"(previously FASB Interpretation ("FIN") No.48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No.109"). The amount of tax benefit related to tax position were recognized greater than 50 percent likely of being realized based on available information at the reporting date.

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

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

Derivatives
Derivative instruments and hedging activities are accounted for in accordance with ASC No.815, "Derivatives and Hedging"(previously SFAS No.133, "Accounting for Derivative Instruments and Hedging Activities," previously SFAS No.138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No.133," previously SFAS No.149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," and previously SFAS No.161, "Disclosures about Derivative Instruments and Hedging Activities-an amendment of FASB Statement No.133"). 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 in the balance sheet and measure those instruments at fair value.

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

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

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

Revenue Recognition
The Companies recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred and title and risk of loss has transferred, the sales price is fixed or determinable, and collectibility is probable.

Stock-Based Compensation
The Companies applied ASC No.718, "Compensation-Stock Compensation" (previously revised SFAS No.123, "Share Based Payment"), and recognized a 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" (previously SFAS No.52, "Foreign Currency Translation"). 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. And, 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" (previously SFAS No.130, "Reporting 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. And Comprehensive Income (Loss) is disclosed to Consolidated Statements of Comprehensive Income (Loss).

New Accounting Standards
In June 2009, the FASB issued ASC No.105, "Generally Accepted Accounting Principles" (previously SFAS No.168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles"). ASC No.105 establishes rules that The ASC has become the source of authoritative U.S.GAAP. ASC No.105 is effective for fiscal years and interim periods ending after September 15, 2009. The Companies modified references that had been previously made to various former authoritative U.S. GAAP pronouncements to fit ASC No.105.

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)" (previously EITF ASU No.08-01, "Multiple-Deliverable Revenue Arrangements"). 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. 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 (previously EITF ASU No.09-03, "Certain Revenue Arrangements That Include Software Elements"). 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.

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 ¥93 to $1, the approximate rate of exchange at March 31, 2010. Such translation should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

3. Inventories

Inventories at March 31 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Finished products	**¥ 43,228**	¥ 49,122	**$ 464,817**
Work-in-process	**12,129**	13,068	**130,419**
Materials and supplies	**22,298**	22,518	**239,764**
Total	**¥ 77,655**	¥ 84,708	**$ 835,000**

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, 2010 and 2009 were as follows:

	Millions of yen							
	2010				2009			
	Cost (*)	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**	Cost (*)	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale securities								
Debt securities	**¥ 58**	**¥ —**	**¥ —**	**¥ 58**	¥ 19	¥ —	¥ —	¥ 19
Equity securities	**19,723**	**13,846**	**(85)**	**33,484**	20,602	7,042	(1,237)	26,407
Total	**¥ 19,781**	**¥ 13,846**	**¥ (85)**	**¥ 33,542**	¥ 20,621	¥ 7,042	¥ (1,237)	¥ 26,426

	Thousands of U.S. dollars			
	2010			
	Cost (*)	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale securities				
Debt securities	$ 624	$ —	$ —	$ 624
Equity securities	212,075	148,882	(914)	360,043
Total	$ 212,699	$ 148,882	$ (914)	$ 360,667

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

	Millions of yen							
	2010				2009			
	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	¥ 200	¥ —	¥ —	¥ 200	¥ 200	¥ —	¥ —	¥ 200

	Thousands of U.S. dollars			
	2010			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Held-to-maturity securities				
Debt securities	$ 2,151	$ —	$ —	$ 2,151

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

	Millions of yen				Thousands of U.S. dollars	
	2010		2009		2010	
	Cost	Fair value	Cost	Fair value	Cost	Fair value
Due within one year	¥ 25	¥ 25	¥ —	¥ —	$ 269	$ 269
Due after one year through five years	¥ 158	¥ 158	¥ 119	¥ 119	$ 1,699	$ 1,699
Due over five years	¥ 75	¥ 75	¥ 100	¥ 100	$ 806	$ 806

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

	Millions of yen				Thousands of U.S. dollars	
	2010		2009		2010	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
Less than 12 months						
Equity securities	¥ 486	¥ (85)	¥ 3,740	¥ (1,237)	$ 5,226	$ (914)

Proceeds from sales of available-for-sale securities were ¥938 million ($10,086 thousand), ¥26 million and ¥3,403 million for the years ended March 31, 2010, 2009 and 2008, respectively.

Gross realized gains on sales were ¥592 million ($6,366 thousand), ¥7 million and ¥1,534 million for the years ended March 31, 2010, 2009 and 2008, respectively.

Realized losses on sales were ¥1 million for the years ended March 31, 2009, and there were no gross realized losses on sales for the years ended March 31, 2010 and 2008.

Losses on impairment of available-for-sale securities recognized to reflect declines in market value considered to be other than temporary were ¥517 million ($5,559 thousand), ¥5,062 million and ¥2,228 million for the years ended March 31, 2010, 2009 and 2008, respectively.

Aggregate cost of non-marketable equity securities accounted for under the cost method totaled ¥4,839 million ($52,032 thousand) and ¥5,256 million at March 31, 2010 and 2009, respectively. Investments with an aggregate cost of ¥4,812 million ($51,742 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.

5. Acquisition

In June 2007, the Company acquired 95% of the issued common stock of Laserfront Technologies Co., Ltd. (now OMRON Laserfront Inc., "OLFT") for cash in the aggregate amount of ¥8,099 million.

This acquisition was to expand laser business by enhancing line-up of products focusing on laser processing technology.

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

	Millions of yen
Current assets	¥ 6,186
Property, plant and equipment	619
Investments and other assets (*)	7,354
Current liabilities	(3,863)
Long term liabilities	(1,940)
Minority interest	(257)
Net assets acquired	¥ 8,099

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

6. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill at March 31, 2010 and 2009 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2010		2009		2010	
	Gross amount	Accumulated amortization	Gross amount	Accumulated amortization	Gross amount	Accumulated amortization
Intangible assets subject to amortization:						
Software	¥ 34,000	¥ 24,547	¥ 30,280	¥ 21,900	$ 365,591	$ 263,946
Other	3,274	2,502	3,458	2,535	35,205	26,903
Total	¥ 37,274	¥ 27,049	¥ 33,738	¥ 24,435	$ 400,796	$ 290,849

Aggregate amortization expense related to intangible assets was ¥4,775 million ($51,344 thousand), ¥6,462 million and ¥6,769 million for the years ended March 31, 2010, 2009 and 2008, 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		
2011	¥ 3,792	$ 40,774
2012	2,762	29,699
2013	1,776	19,097
2014	1,236	13,290
2015	334	3,591

Intangible assets not subject to amortization at March 31, 2010 and 2009 were immaterial.

The carrying amount of goodwill in each segment at March 31, 2009 and changes in its carrying amount in each segment for the year ended March 31, 2009 were as follows:

	Millions of yen						
	IAB	EMC	AEC	SSB	HCB	Other	Total
Balance at beginning of year							
Goodwil	¥ 11,792	¥ 1,229	¥ 680	¥ —	¥ 6,554	¥ 1,981	¥ 22,236
Accumulated impairment loss	—	—	—	—	—	—	—
Total	11,792	1,229	680	—	6,554	1,981	22,236
Acquisition	—	—	—	—	—	—	—
Impairment	(9,406)	(265)	(588)	—	(6,554)	—	(16,813)
Sales of business entity	—	—	—	—	—	—	—
Foreign currency translation adjustments and other	(1,411)	48	(92)	—	—	—	(1,455)
Balance at end of year							
Goodwil	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

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

	Millions of yen						
	IAB	EMC	AEC	SSB	HCB	Other	Total
Balance at beginning of year							
Goodwil	**¥ 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							
Goodwil	**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						
	IAB	EMC	AEC	SSB	HCB	Other	Total
Balance at beginning of year							
Goodwil	**$ 111,624**	**$ 13,731**	**$ 6,323**	**$ —**	**$ 70,473**	**$ 21,301**	**$ 223,452**
Accumulated impairment loss	**(101,140)**	**(2,849)**	**(6,323)**	**—**	**(70,473)**	**—**	**(180,785)**
Total	**10,484**	**10,882**	**—**	**—**	**—**	**21,301**	**42,667**
Acquisition	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Impairment	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Sales of business entity	**—**	**(7,989)**	**—**	**—**	**—**	**(462)**	**(8,451)**
Foreign currency translation adjustments and other	**(215)**	**(2,054)**	**—**	**—**	**—**	**—**	**(2,269)**
Balance at end of year							
Goodwil	**111,409**	**3,688**	**6,323**	**—**	**70,473**	**20,839**	**212,732**
Accumulated impairment loss	**(101,140)**	**(2,849)**	**(6,323)**	**—**	**(70,473)**	**—**	**(180,785)**
Total	**$ 10,269**	**$ 839**	**$ —**	**$ —**	**$ —**	**$ 20,839**	**$ 31,947**

In accordance with ASC No.350, "Intangibles-Goodwill and Other" (previously SFAS No.142, "Goodwill and Other Intangible Assets"), the Companies recognized the impairment losses for the fiscal year ended March 31, 2009. Due to the sharp deterioration of business environment in automobile sector, FPD sector and medical equipment sector, the fair value of the associated reporting unit was decreased. The impairment losses are included in other expenses, net in the consolidated financial statements of operations. And, the fair value of the reporting unit was estimated using the expected present value of future cash flows. Furthermore, the amounts of impairment losses are disclosed after being reclassified into new operating segments, which resulted from series of reorganizations.

7. Impairment Loss on Long-Lived Assets

In accordance with ASC No.360, "Property, Plant and Equipment" (previously SFAS No.144, "Accounting for the Impairment or Disposal of Long-Lived Assets"), the Companies recognized the impairment losses for the fiscal year ended March 31, 2009 on long-lived assets in Industrial Automation business, Electronic and Mechanical Components Business, Automotive Electronic Component Business and Other Business. The amounts were ¥5,361 million, ¥354 million, ¥9,699 million and ¥5,789 million, respectively. Due to the sharp deterioration of the business environment in the automobile, FPD and semiconductor sectors, the carrying amount of certain groups of assets exceeded their fair value. The impairment losses are included in other expenses, net in the consolidated statements of operations. The fair value of the group assets was estimated using the expected present value of future cash flows. Furthermore, the amounts of impairment losses are disclosed after being reclassified into new operating segments, which resulted from a series of reorganizations.

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

8. Short-Term Debt and Long-Term Debt

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

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Commercial Paper			
The weighted average annual interest rates	**¥ 16,000**	¥ 31,000	**$ 172,043**
2009 0.8%			
2010 0.1%			
Unsecured debt:			
The weighted average annual interest rates	**612**	1,970	**6,581**
2009 3.9%			
2010 1.8%			
Total	**¥ 16,612**	¥ 32,970	**$ 178,624**

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

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Unsecured debt:			
The weighted average annual interest rates			
2009 1.3%	**¥ 20,000**	¥ 20,000	**$ 215,054**
2010 1.3%			
Other	**1,605**	1,889	**17,258**
Total	**21,605**	21,889	**232,312**
Less portion due within one year	**20,315**	488	**218,441**
Long-term debt, less current portion	**¥ 1,290**	¥ 21,401	**$ 13,871**

The annual maturities of long-term debt outstanding at March 31, 2010 were as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31		
2011	¥ 20,315	$ 218,441
2012	49	527
2013	50	538
2014	52	559
2015	54	581
Thereafter	1,085	11,666
Total	¥ 21,605	$ 232,312

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

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

Total interest cost incurred and charged to expense for the years ended March 31, 2010, 2009 and 2008 amounted to ¥650 million ($6,989 thousand), ¥1,257 million and ¥1,537 million, respectively.

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, 2010, 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		
2011	¥ 3,008	$ 32,344
2012	2,431	26,140
2013	2,011	21,624
2014	1,629	17,516
2015	1,358	14,602
Thereafter	6,684	71,871
Total	¥ 17,121	$ 184,097

Rental expense amounted to ¥12,507 million ($134,484 thousand), ¥13,787 million and ¥13,292 million for the years ended March 31, 2010, 2009 and 2008, respectively.

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

The Company and its domestic subsidiaries fund a portion of the obligations under these plans. The general funding policy is to contribute amounts computed in accordance with actuarial methods acceptable under Japanese tax law.

Obligations and Funded Status

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

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Change in benefit obligation:			
Benefit obligation at beginning of year	**¥ 162,952**	¥ 159,025	**$ 1,752,172**
Service cost, less employees' contributions	**3,978**	3,976	**42,774**
Interest cost	**3,259**	3,180	**35,043**
Actuarial loss (gain)	**1,267**	2,877	**13,624**
Benefits paid	**(5,701)**	(5,064)	**(61,301)**
Settlement paid	**(898)**	(1,042)	**(9,656)**
Benefit obligation at end of year	**¥ 164,857**	¥ 162,952	**$ 1,772,656**
Change in plan assets:			
Fair value of plan assets at beginning of year	**¥ 80,245**	¥ 89,729	**$ 862,850**
Actual return on plan assets	**10,533**	(9,723)	**113,258**
Employers' contributions	**8,616**	5,272	**92,645**
Benefits paid	**(4,574)**	(3,991)	**(49,183)**
Settlement paid	**(898)**	(1,042)	**(9,656)**
Fair value of plan assets at end of year	**¥ 93,922**	¥ 80,245	**$ 1,009,914**
Fair value of assets in retirement benefit trust at beginning of year	**7,040**	10,828	**75,699**
Actual return on assets in retirement benefit trust	**316**	(3,788)	**3,398**
Fair value of assets in retirement benefit trust at end of year	**¥ 7,356**	¥ 7,040	**$ 79,097**
Funded status at end of year	**¥ (63,579)**	¥ (75,667)	**$ (683,645)**

Other Current Liabilities

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

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Other current liability	**¥ (1,048)**	¥ (859)	**$ (11,269)**
Termination and retirement benefit	**(62,531)**	(74,808)	**(672,376)**
Total	**¥ (63,579)**	¥ (75,667)	**$ (683,645)**

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

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Net actuarial loss	**¥ 78,485**	¥ 87,474	**$ 843,925**
Prior service cost	**(16,002)**	(17,855)	**(172,065)**
	¥ 62,483	¥ 69,619	**$ 671,860**

The accumulated benefit obligation at March 31 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Accumulated benefit obligation	**¥ 160,077**	¥ 158,225	**$ 1,721,258**

Components of Net Periodic Benefit Cost

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

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Service cost, less employees' contributions	**¥ 3,978**	¥ 3,976	¥ 3,992	**$ 42,774**
Interest cost on projected benefit obligation	**3,259**	3,180	3,091	**35,043**
Expected return on plan assets	**(3,316)**	(3,128)	(2,955)	**(35,656)**
Amortization	**873**	826	625	**9,387**
Net periodic benefit cost	**¥ 4,794**	¥ 4,854	¥ 4,753	**$ 51,548**

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, 2011 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Net actuarial loss	¥ 2,963	$ 31,860
Prior service cost	(1,853)	(19,925)

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, 2010 and 2009 are as follows:

	2010	2009
Discount rate	**2.0%**	2.0%
Compensation increase rate	**2.0%**	2.0%

Weighted-average assumptions used to termination and retirement benefit cost for the years ended March 31, 2010, 2009 and 2008 are as follows:

	2010	2009	2008
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 investment policies are designed to ensure that adequate plan assets are available to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, the Company formulates a model portfolio comprised of the optimal combination of equity and debt securities in order to produce a total return that will match the expected return on a mid-term to long-term basis.

Joint trusts of Equity securities consist of approximately 50% Japanese companies' listing stocks and 50% foreign companies' listing stocks. And, Joint trusts of Debt securities consist of approximately 50% Japanese government bonds and 50% foreign government bonds.

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. And, 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 to achieve it.

Target allocation of plan assets is 20% equity securities, 66% debt securities and life insurance general account assets and 14% other. Equity securities are mainly composed of stocks that are listed on the securities exchanges. The Company has investigated the business condition of the investee companies and appropriately diversified the 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 issue, including rating, interest rate, and repayment dates and appropriately diversified the investments. As for investments in life insurance general account assets, the 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 for the year ended March 31, 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
Equity securities								
Domestic stocks	¥ 2,533	¥ —	¥ —	¥ 2,533	$ 27,237	$ —	$ —	$ 27,237
Overseas stocks	1,945	—	—	1,945	20,914	—	—	20,914
Joint trusts (*)	—	16,939	—	16,939	—	182,140	—	182,140
Debt securities								
Joint trusts	—	46,128	—	46,128	—	496,000	—	496,000
Other assets								
Life insurance general:								
account assets	—	13,899	—	13,899	—	149,452	—	149,452
Others	43	11,580	855	12,478	462	124,516	9,193	134,171
Total	¥ 4,521	¥ 88,546	¥ 855	¥ 93,922	$ 48,613	$ 952,108	$ 9,193	$ 1,009,914

(*) Joint trusts of Equity securities include common stock of the Company in the amounts of ¥11 million ($ 118 thousand) for the year ended March 31, 2010.

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 are valued at their net asset values that are calculated by the sponsor of the fund. These life insurance general account assets are valued at net asset value.

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) for the year ended March 31, 2010 are as follows:

	Millions of yen			Thousands of U.S. dollars		
	Private equity	Hedge fund	Total	Private equity	Hedge fund	Total
Balance at beginning of year	¥ 1,025	¥ 1,408	¥ 2,433	$ 11,022	$ 15,140	$ 26,162
Total gain and loss (realized or unrealized)						
Current period's holding	122	5	127	1,311	54	1,365
Current period's sale	—	—	—	—	—	—
Purchase, issuance and settlement	(800)	(905)	(1,705)	(8,602)	(9,731)	(18,333)
Current period's transfer to (from) Level 3	—	—	—	—	—	—
Balance at end of year	¥ 347	¥ 508	¥ 855	$ 3,731	$ 5,463	$ 9,194

Cash Flows

Contributions

The Companies expect to contribute ¥8,912 million ($95,828 thousand) to their domestic termination and retirement benefit plans in the year ending March 31, 2011.

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		
2011	¥ 6,517	$ 70,075
2012	7,017	75,452
2013	7,227	77,710
2014	6,948	74,710
2015	7,273	78,204
2016–2020	37,142	399,376

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 ¥3,401 million ($36,570 thousand) and ¥2,801 million ($30,118 thousand), respectively, at March 31, 2010 and ¥2,691 million and ¥2,135 million, respectively, at March 31, 2009.

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, 2010 and 2009 was ¥4,546 million ($48,882 thousand) and ¥4,776 million, respectively. The aggregate net periodic benefit cost for such plans for the years ended March 31, 2010, 2009 and 2008 was ¥515 million ($5,538 thousand), ¥702 million and ¥258 million, respectively.

11. Shareholders' Equity

Japanese companies are subjected to the Corporate Law.

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

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

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

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

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

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. Under the Corporate Law, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million. Such amount available for the dividends under the Corporate Law was ¥56,040 million ($602,581 thousand) at March 31, 2010, based on the amount recorded in the parent company's general books of account.

Stock Options

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

Under the above plan, the exercise price of each option exceeded the market price of the Company's common stock on the date of grant and the options expire 5 years after the date of the grant. Generally, options become fully vested and exercisable after 2 years. A summary of the Company's fixed stock option plan activity and related information for the year ended March 31, 2010 are as follows:

		Yen	
Fixed options	Shares (number)	Weighted-average exercise price	Weighted-average fair value of options granted during the year
Options outstanding at March 31, 2007	905,000	¥ 2,570	
Granted	237,000	3,432	¥ 744
Exercised	(181,000)	2,131	
Expired	(3,000)	1,913	
Options outstanding at March 31, 2008	958,000	¥ 2,868	
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**	
Options exercisable at March 31, 2010	**659,000**	**¥ 3,026**	

Fixed options	Shares (number)	U.S. dollars: Weighted-average exercise price	U.S. dollars: Weighted-average fair value of options granted during the year
Options outstanding at March 31, 2009	838,000	$ 31.51	
Granted	—	—	$ —
Exercised	—	—	
Expired	(179,000)	27.74	
Options outstanding at March 31, 2010	659,000	$ 32.54	
Options exercisable at March 31, 2010	659,000	$ 32.54	

The following summarizes information about fixed stock options at March 31, 2010:

	Shares (number)	Weighted-average remaining contractual life	Range of exercise prices: Yen	Range of exercise prices: U.S. dollars	Weighted-average exercise price: Yen	Weighted-average exercise price: U.S. dollars
Options outstanding	659,000	1.30 years	¥ 2,550 to ¥ 3,432	$ 27.42 to $ 36.90	¥ 3,026	$ 32.54
Options exercisable	659,000	1.30 years	¥ 2,550 to ¥ 3,432	$ 27.42 to $ 36.90	¥ 3,026	$ 32.54

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

	2008
Risk-free interest rate	1.343%
Volatility	27.8%
Dividend yield	1.166%
Expected life	3.5 years

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

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. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. It is management's opinion that the Company's stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

Stock-based compensation cost recognized for the year ended March 31, 2010 was ¥22 million ($237 thousand). As of March 31, 2010, there was no unrecognized compensation expense.

There were no cash received from options exercised under the plan for the year ended March 31, 2010.

When options are exercised, the Company will reissue the Company's treasury stock.

12. Other Expenses, Net

Other expenses, net for the years ended March 31, 2010, 2009 and 2008 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Net loss on sales and disposals of property, plant and equipment	**¥ 558**	¥ 1,983	¥ 963	**$ 6,000**
Loss on impairment of property, plant and equipment	**217**	21,203	168	**2,333**
Loss on impairment of goodwill	**—**	16,813	—	**—**
Loss on impairment of investment securities and other assets	**632**	5,401	2,297	**6,796**
Net gain on sales of investment securities	**(636)**	(64)	(1,571)	**(6,839)**
Interest income, net	**(72)**	(173)	(828)	**(774)**
Foreign exchange loss, net	**723**	(1,060)	1,251	**7,774**
Dividend income	**(609)**	(786)	(525)	**(6,548)**
Net loss on sales of business entity	**966**	—	—	**10,387**
Other, net	**1,100**	1,155	(668)	**11,828**
Total	**¥ 2,879**	¥ 44,472	¥ 1,087	**$ 30,957**

13. Income Taxes

The provision for income taxes for the years ended March 31, 2010, 2009 and 2008 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Current income tax expense	**¥ 4,813**	¥ 3,400	¥ 24,403	**$ 51,753**
Deferred income tax expenses, exclusive of the following	**(904)**	(14,866)	(367)	**(9,720)**
Change in the valuation allowance	**(127)**	971	236	**(1,366)**
Total	**¥ 3,782**	¥ (10,495)	¥ 24,272	**$ 40,667**

Total amount of income taxes for the years ended March 31, 2010, 2009 and 2008 are respectively allocated to the following items:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
"Income Taxes" in consolidated statement of operations	**¥ 3,782**	¥ (10,495)	¥ 24,272	**$ 40,667**
Accumulated other comprehensive income (loss)				
Foreign currency translation adjustments	**72**	(517)	(42)	**774**
Pension liability adjustments	**2,792**	(7,869)	(4,918)	**30,022**
Unrealized gains (losses) on available-for-sale securities	**3,420**	(2,598)	(4,334)	**36,774**
Net gains (losses) on derivative instruments	**383**	(645)	314	**4,118**
Total	**¥ 10,449**	¥ (22,124)	¥ 15,292	**$ 112,355**

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 2010, 2009 and 2008.

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

	2010	2009	2008
Japanese statutory effective tax rates	**41.0%**	41.0%	41.0%
Increase (decrease) in taxes resulting from:			
permanently non-deductible items	**1.1**	(1.6)	0.9
Tax credit for research and development expenses	**(3.5)**	1.2	(4.6)
Losses of subsidiaries for which no tax benefit was provided	**2.3**	(11.9)	1.0
Difference in subsidiaries' tax rates	**(3.6)**	6.7	(1.7)
Change in the valuation allowance	**(0.9)**	(7.1)	0.4
Other, net	**0.7**	(1.5)	0.8
Income taxes burden rates after the application of tax effect accounting	**37.1**	26.8	37.8

The approximate effect of temporary differences and tax credit and loss carry forwards that gave rise to deferred tax balances at March 31, 2010 and 2009 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2010		2009		2010	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Inventory valuation	**¥ 5,933**	**¥ —**	¥ 6,145	¥ —	**$ 63,796**	**$ —**
Accrued bonuses and vacations	**4,871**	**—**	4,626	—	**52,376**	**—**
Termination and retirement benefits	**4,338**	**—**	6,446	—	**46,645**	**—**
Enterprise taxes	**499**	**—**	—	246	**5,366**	**—**
Marketable securities	**—**	**4,056**	—	1,350	**—**	**43,613**
Property, plant and equipment	**3,360**	**—**	4,607	—	**36,129**	**—**
Allowance for doubtful receivables	**2,034**	**—**	3,018	—	**21,871**	**—**
Pension liability adjustment	**25,619**	**—**	28,544	—	**275,473**	**—**
Other temporary differences	**15,538**	**884**	13,683	3,888	**167,076**	**9,505**
Tax credit carryforwards	**4,370**	**—**	4,275	—	**46,989**	**—**
Operating loss carryforwards	**12,982**	**—**	13,691	—	**139,591**	**—**
Subtotal	**¥ 79,544**	**¥ 4,940**	¥ 85,035	¥ 5,484	**$ 855,312**	**$ 53,118**
Valuation allowance	**(9,776)**	**—**	(10,343)	—	**(105,118)**	**—**
Total	**¥ 69,768**	**¥ 4,940**	¥ 74,692	¥ 5,484	**$ 750,194**	**$ 53,118**

The total valuation allowance decreased by ¥567 million ($6,097 thousand) in 2010 and increased by ¥1,752 million in 2009.

As of March 31, 2010, the Companies had operating loss carryforwards approximating ¥34,865 million ($374,892 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. Under Japanese Tax Reform on March, 2009, up to 95% of a dividend received by a company from the foreign subsidiaries is free of tax. As a result of these conditions, the accumulated unremitted earnings of the foreign subsidiaries which the Company has not recognized deferred tax liabilities were ¥84,642 million ($910,129 thousand) and ¥71,174 million at March 31, 2010 and 2009, 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" (previously FIN No.48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No.109"). As a result of this adoption, the Companies decreased ¥266 million of the beginning retained earnings of the year beginning April 1, 2007. The Companies believe that the total amount of unrecognized tax benefits as of March 31, 2010 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 for the year on and before ended March 31, 2009 have been finished. With few exceptions, tax examinations in foreign countries for the year on and before ended March 31, 2003 have been finished.

14. Discontinued Operations

On April 1, 2007, the Company sold the entire business of Omron Entertainment Co., Ltd, which had been a consolidated subsidiary, to a third party. In accordance with ASC No.360, "Property, Plant and Equipment" (previously SFAS No.144), the Companies presented the gains (net of tax) of its disposal of the business and the results of discontinued operations (including operations of subsidiaries that either have been disposed of or classified as held for sale) as separate line item in the consolidated statements of operations under "Income from discontinued operations, net of tax."

Prior years' consolidated statements of operations including segment information and other related matters were restated to compare with the consolidated statements of operations for the year ended March 31, 2009. On the other hand, the cash flows attributable to the operating, investing and financing activities of the discontinued operations were not presented separately from the cash flows attributable to activities of the continuing operations.

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

The following table summarizes selected financial information for the year ended March 31, 2008 for the discontinued operations.

	Millions of yen
	2008
Net sales	¥ —
Cost of sales and expenses	—
Income from discontinued operations before income taxes	—
Net gain on sales of business entities	5,177
Income taxes	2,123
Income from discontinued operations, net of tax	¥ 3,054

15. Per Share Data

The Company accounts for its net income per share in accordance with ASC No.260, "Earnings Per Share" (previously SFAS No.128, "Earnings Per Share"). Basic net income per share has been computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during each year. Diluted net income per share reflects the potential dilution of convertible bonds and stock options, and has been computed by the if-converted method for convertible bonds and by the treasury stock method for stock options.

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

	Millions of yen			Thousands of U.S. dollars
Numerator	**2010**	2009	2008	**2010**
Income (loss) from continuing operations	**¥ 3,621**	¥ (29,172)	¥ 39,329	**$ 38,935**
Diluted income (loss) from continuing operations	**¥ 3,621**	¥ (29,172)	¥ 39,329	**$ 38,935**

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Income from discontinued operations, net of tax	**¥ —**	¥ —	¥ 3,054	**$ —**
Diluted income from discontinued operations, net of tax	**¥ —**	¥ —	¥ 3,054	**$ —**

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Net income (loss) attributable to shareholders	**¥ 3,518**	¥ (29,172)	¥ 42,383	**$ 37,828**
Diluted net income (loss) attributable to shareholders	**¥ 3,518**	¥ (29,172)	¥ 42,383	**$ 37,828**

Denominator	2010	2009	2008
Weighted average common shares outstanding	**220,158,389**	220,747,962	228,005,106
Dilutive effect of:			
Stock options	**—**	—	61,624
Diluted common shares outstanding	**220,158,389**	220,747,962	228,066,730

16. Supplemental Information for Cash Flows

Supplemental cash flow information for the years ended March 31, 2010, 2009 and 2008 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Interest paid	**¥ 652**	¥ 1,257	¥ 1,536	**$ 7,011**
Income taxes paid	**2,813**	18,776	27,216	**30,247**
Non-cash investing and financing activities				
Liabilities assumed in connection with capital expenditures	**299**	1,567	2,202	**3,215**
Decrease in retained earnings as a result of extinguishment of treasury stock	**—**	—	23,858	**—**

17. Other Comprehensive Income (Loss)

The change in each component of accumulated other comprehensive income (loss) for the years ended March 31, 2010, 2009 and 2008 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Foreign currency translation adjustments				
Beginning balance	**¥ (22,319)**	¥ (5,782)	¥ 6,560	**$ (239,989)**
Change for the year	**(1,359)**	(16,537)	(12,342)	**(14,613)**
Ending balance	**(23,678)**	(22,319)	(5,782)	**(254,602)**
Pension liability adjustments				
Beginning balance	**(40,570)**	(29,245)	(22,169)	**(436,237)**
Change for the year	**4,017**	(11,325)	(7,076)	**43,194**
Ending balance	**(36,553)**	(40,570)	(29,245)	**(393,043)**
Unrealized gains (losses) on available-for-sale securities				
Beginning balance	**2,763**	6,501	12,738	**29,710**
Change for the year	**4,921**	(3,738)	(6,237)	**52,914**
Ending balance	**7,684**	2,763	6,501	**82,624**
Net gains (losses) on derivative instruments				
Beginning balance	**(618)**	309	(142)	**(6,645)**
Change for the year	**551**	(927)	451	**5,925**
Ending balance	**(67)**	(618)	309	**(720)**
Total accumulated other comprehensive loss				
Beginning balance	**(60,744)**	(28,217)	(3,013)	**(653,161)**
Change for the year	**8,130**	(32,527)	(25,204)	**87,420**
Ending balance	**¥ (52,614)**	¥ (60,744)	¥ (28,217)	**$ (565,741)**

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, 2010, 2009 and 2008 were as follows:

	Millions of yen								
	2010			2009			2008		
	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	**¥ (1,328)**	**¥ (72)**	**¥ (1,400)**	¥(17,225)	¥ 517	¥(16,708)	¥(12,021)	¥ 42	¥(11,979)
Reclassification adjustment for the portion realized in net income	**—**	**—**	**—**	—	—	—	—	—	—
Net change in foreign currency translation adjustments during the year	**(1,328)**	**(72)**	**(1,400)**	(17,225)	517	(16,708)	(12,021)	42	(11,979)
Pension liability adjustments:									
Pension liability adjustments arising during the year	**7,681**	**(3,150)**	**4,531**	(18,368)	7,530	(10,838)	(11,369)	4,662	(6,707)
Reclassification adjustment for the portion realized in net income	**(872)**	**358**	**(514)**	(826)	339	(487)	(625)	256	(369)
Net pension liability adjustments	**6,809**	**(2,792)**	**4,017**	(19,194)	7,869	(11,325)	(11,994)	4,918	(7,076)
Unrealized gains (losses) on available-for-sale securities:									
Unrealized holding gains (losses) arising during the year	**8,417**	**(3,451)**	**4,966**	(11,393)	4,671	(6,722)	(11,266)	4,619	(6,647)
Reclassification adjustment for losses on impairment in net income	**516**	**(212)**	**304**	5,062	(2,075)	2,987	2,229	(914)	1,315
Reclassification adjustment for net gains on sales in net income	**(592)**	**243**	**(349)**	(5)	2	(3)	(1,534)	629	(905)
Net unrealized gains (losses)	**8,341**	**(3,420)**	**4,921**	(6,336)	2,598	(3,738)	(10,571)	4,334	(6,237)
Net gains (losses) on derivative instruments:									
Net gains (losses) on derivative instruments designated as cash flow hedges during the year	**1,250**	**(513)**	**737**	1,333	(546)	787	1,997	(819)	1,178
Reclassification adjustment for net gains (losses) realized in net income	**(316)**	**130**	**(186)**	(2,905)	1,191	(1,714)	(1,232)	505	(727)
Net gains (losses)	**934**	**(383)**	**551**	(1,572)	645	(927)	765	(314)	451
Other comprehensive income (losses)	**¥ 14,756**	**¥ (6,667)**	**¥ 8,089**	¥(44,327)	¥11,629	¥(32,698)	¥(33,821)	¥ 8,980	¥(24,841)

	Thousands of U.S. dollars		
	2010		
	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during the year	**$ (14,280)**	**$ (774)**	**$ (15,054)**
Reclassification adjustment for the portion realized in net income	**—**	**—**	**—**
Net change in foreign currency translation adjustments during the year	**(14,280)**	**(774)**	**(15,054)**
Pension liability adjustments:			
Pension liability adjustments arising during the year	**82,591**	**(33,870)**	**48,721**
Reclassification adjustment for the portion realized in net income	**(9,376)**	**3,849**	**(5,527)**
Net pension liability adjustments	**73,215**	**(30,021)**	**43,194**
Unrealized gains (losses) on available-for-sale securities:			
Unrealized holding gains (losses) arising during the year	**90,505**	**(37,107)**	**53,398**
Reclassification adjustment for losses on impairment in net income	**5,548**	**(2,279)**	**3,269**
Reclassification adjustment for net gains on sales in net income	**(6,365)**	**2,612**	**(3,753)**
Net unrealized gains (losses)	**89,688**	**(36,774)**	**52,914**
Net gains (losses) on derivative instruments:			
Net gains (losses) on derivative instruments designated as cash flow hedges during the year	**13,441**	**(5,516)**	**7,925**
Reclassification adjustment for net gains (losses) realized in net income	**(3,398)**	**1,398**	**(2,000)**
Net gains (losses)	**10,043**	**(4,118)**	**5,925**
Other comprehensive income (losses)	**$ 158,666**	**$ (71,687)**	**$ 86,979**

18. Financial Instruments and Risk Management

Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values as of March 31, 2010 and 2009, of the Companies' financial instruments.

	Millions of yen				Thousands of U.S. dollars	
	2010		2009		2010	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Nonderivatives						
Long-term debt, including current portion	**¥ (21,605)**	**¥ (21,606)**	¥ (21,889)	¥ (21,897)	**$ (232,312)**	**$ (232,323)**
Derivatives						
Included in Other current assets (liabilities)						
Forward exchange contracts	**29**	**29**	(779)	(779)	**312**	**312**
Foreign currency swaps	**(27)**	**(27)**	(27)	(27)	**(290)**	**(290)**
Interest rate swaps	**(65)**	**(65)**	(24)	(24)	**(699)**	**(699)**

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

Nonderivatives

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

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

(3) Long-term debt 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.

19. Derivatives and Hedging Activities

The Companies enter into foreign exchange forward contracts and combined purchased and written foreign currency swap contracts to hedge foreign currency transactions (primarily the U.S. dollar and the EURO).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 are major financial institutions.

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. Substantially all of the accumulated other comprehensive income (loss) in relation to foreign exchange forward contracts at March 31, 2010 is expected to be reclassified into earnings within twelve months.

The notional amounts of contracts to exchange foreign currency outstanding at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Forward exchange contracts	**¥ 28,780**	¥ 63,784	**$ 309,462**
Foreign currency swaps	**¥ 2,026**	¥ 2,646	**$ 21,785**
Interest rate swaps	**¥ 20,000**	¥ 20,000	**$ 215,054**

The fair values of derivatives at March 31, 2009 were as follows:

Derivatives designated as hedges

Assets	Millions of yen 2009
Forward exchange contracts	¥ 875

Liabilities	Millions of yen 2009
Forward exchange contracts	¥ (1,654)
Foreign currency swaps	(27)
Interest rate swaps	(24)

The fair values of derivatives at March 31, 2010 were as follows:

Derivatives designated as hedges

Assets	Millions of yen	Thousands of U.S. dollars
	2010	
Forward exchange contracts	**¥ 217**	**$ 2,333**

Liabilities	Millions of yen	Thousands of U.S. dollars
	2010	
Forward exchange contracts	**¥ (188)**	**$ (2,022)**
Foreign currency swaps	**(27)**	**(290)**
Interest rate swaps	**(65)**	**(699)**

The effects on consolidated statements of operations in fourth quarter of the year ended March 31, 2009 were as follows:

Derivatives designated as hedges

Cash flow hedge	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	
	Fourth quarter of 2009	
Forward exchange contracts	¥ 809	¥ (1,714)
Foreign currency swaps	(8)	0
Interest rate swaps	(14)	—

The amount of the hedging ineffectiveness was not material.

The effects on consolidated statements of operations for 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	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Cash flow hedge	2010			
Forward exchange contracts	¥ 771	$ 8,290	¥ (186)	$ (2,000)
Foreign currency swaps	(9)	(97)	0	0
Interest rate swaps	(24)	(258)	—	—

The amount of the hedging ineffectiveness was not material.

20. Commitments and Contingent Liabilities

The Company has commitments at March 31, 2010 of ¥11,506 million ($123,720 thousand) related to contracts for outsourcing computer services through 2013. The contracts require an annual service fee of ¥3,586 million ($38,559 thousand) for the year ending March 31, 2010. The contract is cancelable at any time subject to a penalty of 15% of aggregate service fees payable for the remaining term of the contract.

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

Concentration of Credit Risk

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

Guarantees

The Company provides guarantees for bank loans of other companies. The guarantees for the other companies are made to ensure that those companies operate with less finance costs. The maximum payments in the event of default at March 31, 2010 and 2009 are ¥295 million ($3,172 thousand) and ¥712 million, respectively. The carrying amounts of the liabilities recognized under those guarantees at March 31, 2010 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, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Balance at beginning of year	¥ 1,501	¥ 1,619	$ 16,140
Addition	1,483	1,475	15,946
Utilization	(1,547)	(1,593)	(16,634)
Balance at end of year	¥ 1,437	¥ 1,501	$ 15,452

21. Fair Value Measurements

ASC No.820, "Fair Value Measurements and Disclosures" (previously SFAS 157 "Fair Value Measurements" ("SFAS 157")) 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 (previously SFAS 157) 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 as of March 31, 2009:

	Amount of Fair Value Measurements			
	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Debt securities	¥ 19	¥ —	¥ —	¥ 19
Equity securities	26,407	—	—	26,407
Derivatives				
Foreign exchange forward contracts	—	875	—	875
Liabilities				
Derivatives				
Foreign exchange forward contracts	—	1,654	—	1,654
Interest rate swaps	—	24	—	24
Foreign currency swaps	—	27	—	27

The following table presents assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2010:

	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	**¥ 58**	**¥ —**	**¥ —**	**¥ 58**	**$ 624**	**$ —**	**$ —**	**$ 624**
Equity securities	**33,484**	**—**	**—**	**33,484**	**360,043**	**—**	**—**	**360,043**
Derivatives								
Foreign exchange forward contracts	**—**	**217**	**—**	**217**	**—**	**2,333**	**—**	**2,333**
Liabilities								
Derivatives								
Foreign exchange forward contracts	**—**	**188**	**—**	**188**	**—**	**2,022**	**—**	**2,022**
Interest rate swaps	**—**	**65**	**—**	**65**	**—**	**699**	**—**	**699**
Foreign currency swaps	**—**	**27**	**—**	**27**	**—**	**290**	**—**	**290**

Investment Securities
Investment securities mainly consist of listed stocks. These are classified as Level 1, because the fair value of the investment securities is valued using a quoted market price in active markets for identical assets and can be observed.

Derivatives
Derivatives consist of foreign exchange forward contracts, foreign currency swaps and interest rate swaps. These are classified as Level 2, because the fair value is valued using the observable market data such as foreign exchange rates or interest rates.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis
Long-lived assets with a carrying amount of ¥217 million ($2,333 thousand) were written down to their fair value of ¥0 million ($0 thousand), resulting in an impairment loss of ¥217 million ($2,333 thousand), which was included in earnings for the fiscal year ended March 31, 2010. These assets were classified as Level 3, because these fair values were not valued using observable inputs.

Non-marketable investment securities with a carrying amount of ¥142 million ($1,527 thousand) were written down to their fair value of ¥27 million ($290 thousand), resulting in an other-than-temporary impairment charge of ¥115 million ($1,237 thousand), which was included in earnings for the fiscal year ended March 31, 2010. These investments were classified as Level 3, because these fair values were not valued using observable inputs.

22. Segment Information

The Companies have adopted ASC No.280, "Segment Reporting" (previously SFAS No.131, "Disclosures about segments of Enterprise and Related Information") since the year ended March 31, 2010.

Segment Information
ASC No.280 (previously SFAS No.131) 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 Companies disclosure operating segments in five segments: "Industrial Automation Business," "Electronic and Mechanical Components Business," "Automotive Electronic Components Business," "Social Systems Solutions Business" and "Healthcare Business," which are mainly based on the Companies' consideration of their lines of business, positioning within the Companies of their businesses. And, the Companies totalize operating segments other than the above five segments and disclosures them in "Other."

The primary products included in each segment are as follows:

(1) Industrial Automation Business (IAB): Relays, sensors, switches, 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): Smart entry devices, power window switches, various auto motive relays.
(4) Social Systems Solutions Business (SSB): Railway infrastructure systems, traffic control and road control systems, security systems, payment systems.
(5) Healthcare Business (HCB): Digital blood pressure monitors, digital thermometers, body composition monitors, pedometers, patient monitors, nebulizers.
(6) Other: Computer peripheral equipments, MEMS acoustic sensors, remote monitoring notice systems, LCD backlight.

The accounting policies of the segment information are substantially the same as those described in the significant accounting policies in Note 1.

Revenues and expenses directly associated with specific segments are disclosed in the figures of each segment's operating result.

Based on the Companies' allocation method used by their 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."

In addition, on the year ended March 31, 2010, the Companies re-formed "Electronic Components Business" to "Electronic and Mechanical Components Business" to aim to enhance their Mechanical-Compo. And, the Companies transferred their LCD backlight business and their micro device business under Electronic Components Business umbrella to a new organization under direct control of the President. With these changes, the Companies' operating segments are altered from "Industrial Automation Business," "Electronic Components Business," "Automotive Electronic Components Business," "Social Systems Business," "Healthcare Business" and "Other" to "Industrial Automation Business," "Electronic and Mechanical Components Business," "Automotive Electronic Components Business," "Social Systems Solutions Business" and "Healthcare Business." To reflect the results, the Companies have restated the figures of the segment information for the prior years to conform to the current year presentation.

For the year ended March 31, 2008	Millions of yen								
	IAB	EMC	AEC	SSB	HCB	Other	Total	Eliminations and others	Consolidated
I Sales and Segment profit (loss)									
[1] Sales to external customers	¥ 339,815	¥ 100,668	¥ 107,521	¥ 76,876	¥ 71,706	¥ 56,187	¥ 752,773	¥ 10,212	¥ 762,985
[2] Intersegment Sales	10,085	35,231	2,926	4,341	103	53,855	106,541	(106,541)	—
Total	349,900	135,899	110,447	81,217	71,809	110,042	859,314	(96,329)	762,985
Segment profit (loss)	¥ 48,208	¥ 17,387	¥ 705	¥ 6,863	¥ 9,019	¥ (10,586)	¥ 71,596	¥ (6,343)	¥ 65,253
II Assets, depreciation and capital expenditures									
Assets	¥ 234,508	¥ 117,137	¥ 75,027	¥ 77,032	¥ 47,228	¥ 33,739	¥ 584,671	¥ 32,696	¥ 617,367
Depreciation and amortization	8,687	8,598	7,793	1,774	1,651	837	29,340	7,003	36,343
Capital expenditures	5,985	13,120	8,206	1,155	1,714	1,016	31,196	5,876	37,072

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 and eliminations of internal transactions among segments.
-No.3 Depreciation and amortization and Capital expenditures include expenses and expenditures arising from intangible assets.
-No.4 The above figures are different from those presented on pages 40–51 due to reclassification.

For the year ended March 31, 2009	Millions of yen								
	IAB	EMC	AEC	SSB	HCB	Other	Total	Eliminations and others	Consolidated
I Sales and Segment profit (loss)									
[1] Sales to external customers	¥ 271,951	¥ 76,494	¥ 82,109	¥ 72,336	¥ 63,592	¥ 50,242	¥ 616,724	¥ 10,466	¥ 627,190
[2] Intersegment Sales	10,483	47,562	3,515	5,753	240	5,263	72,816	(72,816)	—
Total	282,434	124,056	85,624	78,089	63,832	55,505	689,540	(62,350)	627,190
Segment profit (loss)	¥ 18,175	¥ 4,223	¥ (7,115)	¥ 5,194	¥ 4,767	¥ (7,318)	¥ 17,926	¥ (12,587)	¥ 5,339
II Assets, depreciation and capital expenditures									
Assets	¥ 173,503	¥ 98,902	¥ 49,927	¥ 73,591	¥ 38,288	¥ 25,453	¥ 459,664	¥ 78,616	¥ 538,280
Depreciation and amortization	7,630	11,165	6,178	1,800	1,579	1,566	29,918	3,578	33,496
Capital expenditures	4,017	7,678	4,461	800	1,333	4,077	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, 2010	Millions of yen								
	IAB	EMC	AEC	SSB	HCB	Other	Total	Eliminations and others	Consolidated
I Sales and Segment profit (loss)									
[1] Sales to external customers	¥ 206,197	¥ 70,717	¥ 75,163	¥ 57,981	¥ 63,359	¥ 41,312	¥ 514,729	¥ 9,965	¥ 524,694
[2] Intersegment Sales	5,324	43,961	691	3,898	86	8,318	62,278	(62,278)	—
Total	211,521	114,678	75,854	61,879	63,445	49,630	577,007	(52,313)	524,694
Segment profit (loss)	¥ 13,900	¥ 6,739	¥ 1,731	¥ 2,654	¥ 7,055	¥ (7,028)	¥ 25,051	¥ (11,977)	¥ 13,074
II Assets, depreciation and capital expenditures									
Assets	¥ 185,019	¥ 104,354	¥ 52,520	¥ 69,794	¥ 45,808	¥ 27,705	¥ 485,200	¥ 47,054	¥ 532,254
Depreciation and amortization	5,360	8,480	2,099	1,378	1,342	1,113	19,772	7,242	27,014
Capital expenditures	1,954	4,231	3,607	1,181	1,500	984	13,457	6,067	19,524

For the year ended March 31, 2010	Thousands of U.S dollars								
	IAB	EMC	AEC	SSB	HCB	Other	Total	Eliminations and others	Consolidated
I Sales and Segment profit (loss)									
[1] Sales to external customers	$2,217,172	$ 760,398	$ 808,204	$ 623,452	$ 681,280	$ 444,215	$5,534,721	$ 107,151	$5,641,872
[2] Intersegment Sales	57,247	472,699	7,430	41,914	925	89,441	669,656	(669,656)	0
Total	2,274,419	1,233,097	815,634	665,366	682,205	533,656	6,204,377	(562,505)	5,641,872
Segment profit (loss)	$ 149,462	$ 72,463	$ 18,612	$ 28,538	$ 75,861	$ (75,570)	$ 269,366	$ (128,785)	$ 140,581
II Assets, depreciation and capital expenditures									
Assets	$1,989,452	$1,122,086	$ 564,731	$ 750,473	$ 492,559	$ 297,903	$5,217,204	$ 505,957	$5,723,161
Depreciation and amortization	57,634	91,183	22,570	14,817	14,430	11,968	212,602	77,871	290,473
Capital expenditures	21,011	45,495	38,785	12,699	16,129	10,581	144,700	65,237	209,937

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) from continuing operations before income taxes and equity in loss of affiliates for the years ended March 31, 2010, 2009 and 2008 is as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Total amount of segment profit	¥ 25,051	¥ 17,926	¥ 71,596	$ 269,366
Other expenses, net	2,879	44,472	1,087	30,957
Eliminations and others	(11,977)	(12,587)	(6,343)	(128,785)
Income (loss) from continuing operations before income taxes and equity in loss of affiliates	¥ 10,195	¥ (39,133)	¥ 64,166	$ 109,624

Geographic Information

Information by the Companies' sales to external customers and property, plant and equipment separated into major geographic area as of and for the years ended March 31, 2010, 2009 and 2008 is as follows:

For the year ended March 31, 2008	Millions of yen					
	Japan	North America	Europe	Greater China	Asia Pacific	Consolidated
Sales to external customers	¥ 388,586	¥ 101,884	¥ 134,389	¥ 91,467	¥ 46,659	¥ 762,985
Property, plant and equipment	¥ 102,180	¥ 11,044	¥ 9,600	¥ 21,365	¥ 8,486	¥ 152,675

For the year ended March 31, 2009	Millions of yen					
	Japan	North America	Europe	Greater China	Asia Pacific	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, 2010	Millions of yen					
	Japan	North America	Europe	Greater China	Asia Pacific	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, 2010	Thousands of U.S dollars					
	Japan	North America	Europe	Greater China	Asia Pacific	Consolidated
Sales to external customers	**$ 2,894,011**	**$ 657,570**	**$ 834,484**	**$ 829,419**	**$ 426,387**	**$ 5,641,871**
Property, plant and equipment	**$ 916,634**	**$ 54,925**	**$ 58,957**	**$ 224,226**	**$ 67,774**	**$ 1,322,516**

Annotations about the above Geographic information:

-No.1 Segmentation of country or area is based upon the degree of geographical connection.

-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) Asia Pacific: Singapore, Republic of Korea and Australia

-No.3 As for Sales and Property, plant and equipment, there is no important country required as a separate disclosure.

-No.4 For the years ended March 31, 2010, 2009 and 2008, there are no sales to important single external customer, which is required to be disclosed.

23. Subsequent Events

From the fiscal year ended March 31, 2010, the Companies adopted ASC No.855, "Subsequent Events" (previously SFAS No.165, "Subsequent Events"). ASC No.855 (previously SFAS No.165) 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 as of June 22, 2010, which was the date that Yukashouken-houkokusho (Annual Securities Report filed under the Financial Instruments and Exchange Act of Japan) for the fiscal year ended March 31, 2010 was available to be issued after being authorized by the Company's Board of Directors.

Deloitte.

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Karasuma-higashiiru, Shijo-dori
Shimogyo-ku, Kyoto 600-8008
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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, 2010 and 2009, 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, 2010, 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 report dated June 8, 2009, we expressed a qualified opinion, because certain information required by Accounting Standards Codification ("ASC") No.280, "Segment Reporting" had not been presented in the 2009 and 2008 consolidated financial statements. As discussed in Note 22 to the consolidated financial statements, the Company has now presented segment information required by ASC No.280 in 2009 and 2008 consolidated financial statements. Accordingly, our present opinion on the 2009 and 2008 consolidated financial statements, as expressed herein, is different from that expressed in our prior report on the previously issued 2009 and 2008 consolidated financial statements.

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, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, 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, 2010

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

Hisao Sakuta, 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, 2010 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.

Hisao Sakuta
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, 2010

To the Board of Directors of OMRON Corporation.

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner, Engagement Partner, Certified Public Accountant: Yuji Morita
Designated Unlimited Liability Partner, Engagement Partner, Certified Public Accountant: Hiroyuki Asaga
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 income, comprehensive income, shareholders' equity and cash flows, and consolidated supplementary schedules of OMRON Corporation and consolidated subsidiaries for the fiscal year from April 1, 2009 to March 31, 2010. 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, 2010, 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.

Supplementary Information

As discussed in Note II-R to the consolidated financial statements, the segment information has been presented in accordance with the Accounting Standards Codification No.280, "Segment Reporting" (previously Statement of Financial Accounting Standards No.131) since the year ended March 31, 2010.

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, 2010. 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, 2010 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, 2010

Date of Establishment
May 10, 1933

Number of Employees (Consolidated)
36,299

Paid-in Capital
¥64,100 million

Common Stock
Authorized
487,000,000 shares
Issued
239,121,372 shares
Number of shareholders
33,847

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

Depositary and Transfer Agent for American Depositary Receipts
JPMorgan Chase Bank, N. A.
4 New York Plaza, New York, NY 10004, U. S. A.

ADR Holder Contact :
JPMorgan
Service Center
P.O. Box 64504
St. Paul, MN
55164-0504 U.S.A.
Tel 1-800-990-1135
E-mail jpmorgan.adr@wellsfargo.com

Homepage
http://www.omron.co.jp (Japanese)
http://www.omron.com (English)

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Shiokoji Horikawa, Shimogyo-ku, Kyoto
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Tel 81-75-344-7000
Fax 81-75-344-7001

Tokyo Head Office
3-4-10, Toranomon, Minato-ku, Tokyo
105-0001, Japan
Tel 81-3-3436-7011
Fax 81-3-3436-7035

Overseas Headquarters

Europe
Omron Europe B.V.
(The Netherlands)
Tel 31-23-568-1300
Fax 31-23-568-1391

North America
Omron Management Center of America, Inc. (Illinois)
Tel 1-224-520-7650
Fax 1-224-520-7680

Asia-Pacific
Omron Asia Pacific Pte. Ltd.
(Singapore)
Tel 65-6835-3011
Fax 65-6835-2711

Greater China
Omron (China) Co., Ltd.
(Shanghai)
Tel 86-21-5888-1666
Fax 86-21-5888-7633/7933

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

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

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

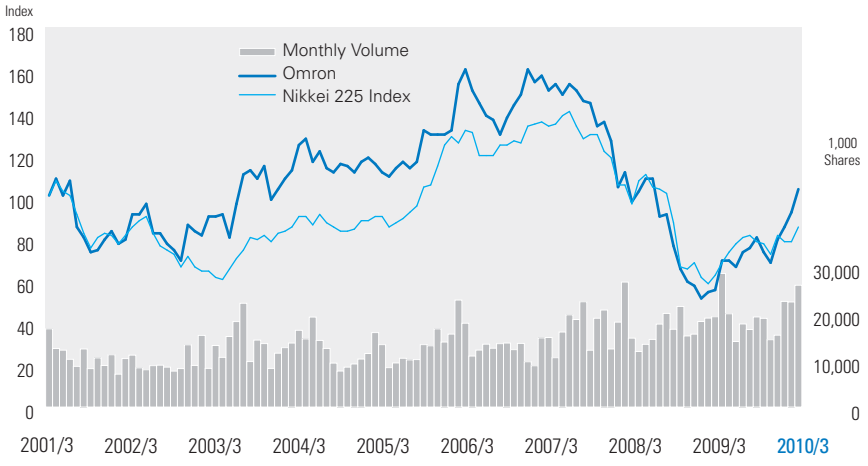
Research & Development

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

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

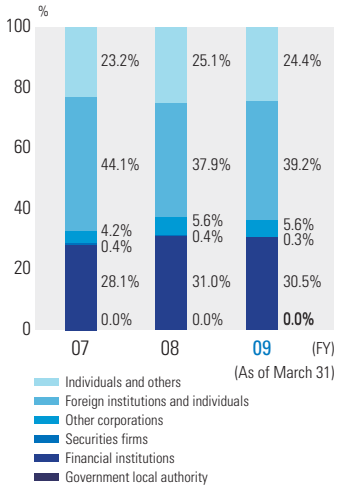
Okayama Office
Tel 81-86-277-6111
Fax 81-86-276-6013

Stock Price Osaka Securities Exchange



Note: Share index (2001/3E=100)

Ownership and Distribution of shares



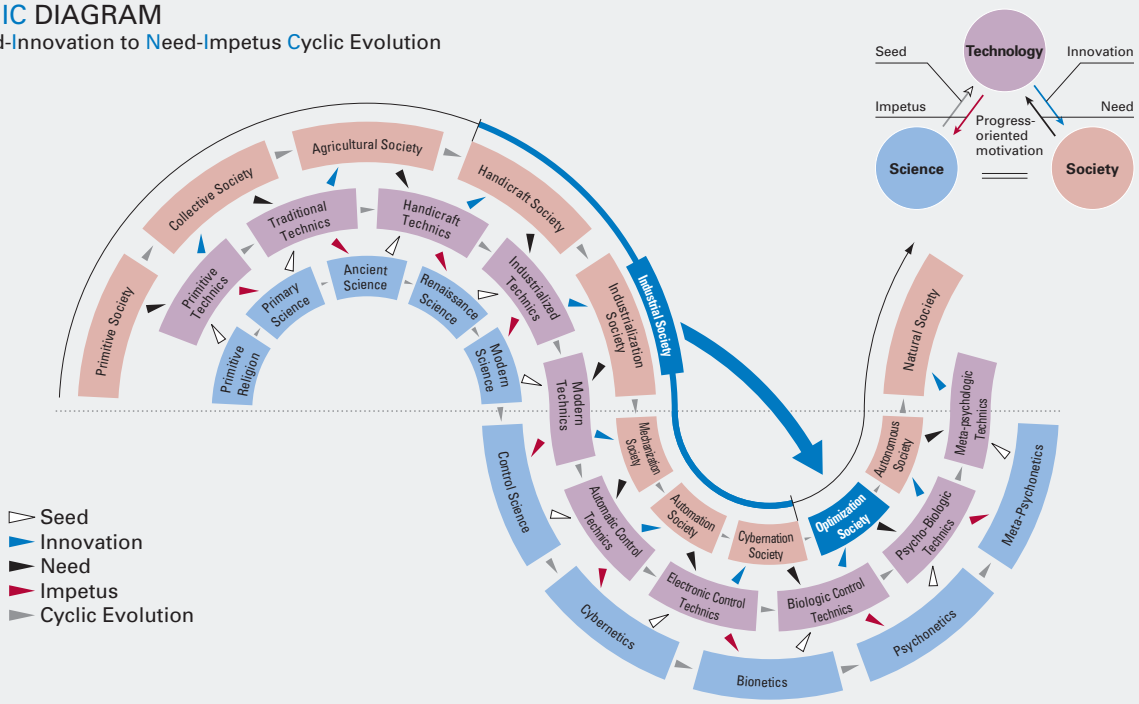
Yearly High and Low Prices

FY	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
High (¥)	3,200	2,560	2,115	2,740	2,885	3,620	3,590	3,510	2,385	2,215
Low (¥)	1,702	1,390	1,320	1,648	2,150	2,210	2,615	1,950	940	1,132

* Stock prices listed in the First Section of Osaka Securities Exchange

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

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

The Future Envisioned by Omron's Founder

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

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

Omron in the Optimization Society

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

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

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

Omron: Advancing Sensing and Control Technology

Core technology: Sensing & Control

Omron has a long history of developing and advancing a variety of sensing and control technology products that are ahead of our time. The company continues to apply the SINIC theory as a compass to anticipate social needs in various fields and offers leading-edge product and technologies.

Founding 1933

Microswitches

10th Year 1943

Electromagnetic Relays

20th Year 1953

Proximity Switches

Contactless Switches

Coin-operated Timers

Pressure Switches

30th Year 1963

Automatic Ticket Gates

Miniature Power Relays

Automatic Food Ticket Vending Machines

Automated Teller Machines (ATMs)

Photoelectric Switches

Calculators

40th Year 1973

Sequence Controllers

Electronic Blood Pressure Monitors

Electronic Temperature Controllers

Servomotors

Electronic Registers

Solid-state Relays

50th Year 1983

PCB Solder Inspection Equipment

Digital Thermometers

Radio Frequency Smart Entry Systems

Electric Power Steering Controllers

Travel Time Measurement Systems

60th Year 1993

Switch Mode Power Supplies

Smart Sensors

LCD Backlights

Ultra-small Pressure Sensors for Wrist Blood Pressure Monitors

Body Composition Monitors

70th Year 2003

Current Business Divisions

IAB	EMC	AEC	SSB	HCB	Other
Industrial Automation Business	Electronic and Mechanical Components Business	Automotive Electronic Components Business	Social Systems Solutions Business	Healthcare Business	

This mark certifies the use of Green Power (solar power).

By using Green Power to print the Annual Report 2010, OMRON Corporation is promoting the use of natural energy resources in Japan.

OMRON Corporation

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http://www.omron.com (English)