

Integrated Report 2012

Year ended March 31, 2012

OMRON

Sensing tomorrow™



“Working for the benefit of society” with unwavering resolve

Corporate Motto

At work for a better life,
a better world for all.

The Omron Principles



For over half a century, the Omron Group has operated in accordance with our corporate motto: “At work for a better life, a better world for all.” A more direct representation of the sentiment embodied in this slogan is the corporate core value “Working for the benefit of society” that lies at the heart of the Omron Principles and serves as a proclamation of our commitment to coexist in harmony with society.

Aware of our role as a member of international society, the Omron Group will act in accordance with the Omron Principles and continue “Working for the benefit of society.” We will strive to earn the trust of our stakeholders by acting with integrity, we aim to be a pioneer in contributing to the development of a sustainable society. To this end, we will work to ensure the fairness and transparency of corporate activities and will continue to be a proactive benefactor of society.

Omron’s Sensing and Control Technology
Brings Machines Closer to People



Integrated

Annual Report & CSR Report 2012

User Guide

Each page of this PDF features navigation buttons, category tabs, and other functions to make it easier to use and to facilitate information searches.

■ **Category tabs** (can be used to move to the first page of each category when clicked)



Facets of Human Society | Global Business, Local Citizen | 10-Year Financial Highlights | Omron through the Year

■ **Icons**

Move to the CONTENTS page

Move to the page listed

Move to an external website

For more information, please refer to the Company’s websites (listed below):

● Omron’s Global Website
<http://www.omron.com/>

● Investor Relations
<http://www.omron.com/ir/>

● Corporate Social Responsibility (CSR)
<http://www.omron.com/about/csr/>

The scope of this report covers the 165 companies of the Omron Group, consisting of 153 consolidated subsidiaries and 12 non-consolidated subsidiaries and affiliates accounted for under the equity method (as of March 31, 2012).

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, Americas, 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.

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Publication of *Integrated Report 2012*

Previously, Omron has published its annual reports, which contain information on its management vision, business strategies, and financial condition, and its sustainability reports, which detail corporate social responsibility (CSR) and other initiatives, as two separate reports. These two reports have been integrated into a single report entitled *Integrated Report 2012*.

In addition to bolstering non-financial information, we have taken steps to illustrate the connection between financial and non-financial information. Rather than simply explaining the Omron Principles and the policy of risk management, corporate governance, and internal control systems, we have endeavored to further illuminate our efforts in these areas by providing concrete examples of initiatives whenever possible. For example, this report contains statements from site managers explaining in detail how Omron's business continuity plan functioned in response to the unprecedented Great East Japan Earthquake, which devastated Japan on March 11, 2011, and how the Company conducted supply chain management to fulfill its supply responsibility as a component manufacturer.

The goal of this report is to provide all Omron stakeholders, whether inside or outside of the Company, with an overview of its management and to be the best possible report and the only one necessary for this purpose. We hope that you will use this, Omron's first integrated report, to develop an understanding of the various business activities of the Company, which it will employ in targeting enhanced corporate value over the long term, and its business activities that aim to prove its value to society. Omron's integrated reports will be published once a year.

I would like to ask all our stakeholders for their continued support and understanding.

In creating this report, we incorporated several items raised during a forum investigating how non-financial data can contribute to ongoing corporate value, which was held by an industry and trade research section of the Ministry of Economy, Trade and Industry. This forum was held over the period from November 2011 to March 2012, and as a member of this research section I attended this forum myself. I would like to express my sincere appreciation to the members of the Ministry research team for providing us with this valuable opportunity.

Satoshi Ando
Executive Officer

Senior General Manager, Investor Relations Headquarters

Message from the President

We Will Seize the Opportunities Created by Market Changes to Accelerate the New Long-Term Vision, VG2020.

A Look Back at My First Year as President

More than one year has passed since I assumed the position of president in June 2011. This year has been one plagued with adversity as we were faced with the lingering impacts of the Great East Japan Earthquake, the severe flooding in Thailand, and the strong yen. These difficulties tested our ability to adapt to drastic changes. On the other hand, I believe we made considerable strides during the year. Endeavoring to overcome these trials helped unify Omron's management team and inspired all members of the Omron Group to take the initiative in standing up to these difficulties. Also during this year, we developed new products and reinforced our network targeting emerging markets. At the same time, we pushed forward with measures to improve profitability. These efforts have reaffirmed my confidence in our capacity to meet the goals defined in VG2020.

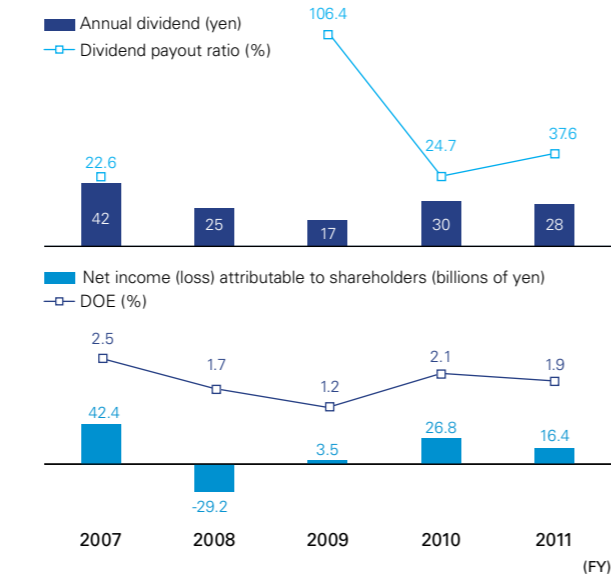
Fiscal 2011 Performance and Shareholder Returns

First, I would like to report on our fiscal 2011 performance. Our efforts to develop businesses and introduce new products targeting emerging markets contributed to sales, and net sales edged up 0.3% year on year, to ¥619.5 billion, accordingly. However, the impacts of the strong yen and rising raw material prices resulted in a 16.4% drop in operating income, to ¥40.1 billion. Regardless of this performance, I feel our efforts during the year to respond to the changing operating

environment enabled us to establish foundations for profitable growth and enhance our ability to respond to such changes.

In regard to shareholder returns, in fiscal 2011, we paid annual cash dividends of ¥28.00 per share, down from ¥30.00 in fiscal 2010, resulting in a dividend payout ratio of 37.6% and a dividend on equity (DOE) ratio of 1.9%. We will continue to target a dividend payout ratio of at least 20% and DOE ratio of 1.9%. After securing capital required for investments in future growth and sufficient internal reserves, we will distribute the surplus to our shareholders.

DOE, Dividends, Net Income (Loss) Attributable to Shareholders



What Must be and Must Not be Changed

During the year, dramatic changes have taken place in the global economy. As the operating environment places increasingly heavy pressure on corporate management, Omron's responsiveness to such changes is being challenged. Amidst rapidly transforming market conditions, sudden natural disasters, and intensified competition, it is clear we must respond more quickly, flexibly, and proactively than before. Our employees, products, and solutions must evolve constantly in response to changing conditions. We are thus working to ensure management can make the

necessary changes, such as those related to global human resources systems or investment policies, in a quick and decisive manner whenever needed.

However, the central aspects of our operations will not be changed: these central aspects are embodied by the Omron Principles that form the heart of our corporate philosophy. Omron regards having a corporate philosophy as something that is highly important, and we are proud of the fact that we faithfully implement our principles. The corporate core value defined by these principles is "Working for the benefit of society," and our corporate motto is "At work for a better life, a better world for all." I believe this motto, originally coined over 50 years ago by founder Kazuma Tateishi as a simple way of expressing our philosophy, serves a purpose to the Company similar to that of the spine for humans. Even if we are not aware of it, our spine supports us and allows us to stand properly. If we practice management based on the spirit of this motto, which embodies the belief that companies should not only pursue profit but also act as responsible corporate citizens by giving back to the society in which they operate, I am convinced that Omron will continue to grow and that this growth will drive the development of society.

Our experience with the Great East Japan Earthquake, which devastated Japan in 2011, proved these principles are firmly entrenched throughout the Company. Following this disaster, many Omron employees voluntarily contributed to reconstruction efforts at the stricken regions, providing support in the healthcare field and in social infrastructure areas such as transportation and the maintenance of financial systems. In addition, the entire Group came together to fulfill its responsibility of supplying products to customers, an endeavor I think was successful. The spirit of "Working for the benefit of society" was naturally and voluntarily practiced by employees, not imposed on them.

As we accelerate the globalization of our operations, it is my hope this philosophy will become further rooted throughout our operations. In hopes of accomplishing this, in May 2012, we dubbed the anniversary of Omron's founding as "OMRON Group FOUNDER'S DAY," which is positioned as a day for us to reconfirm our purpose together with all Omron employees across the globe. In times of adversity, it is even more important to look back at our founding and renew our intrepid spirit to continue taking on challenges into the future.

To Achieve Stronger Growth

Fiscal 2012 will be devoted to advancing the new VG2020 long-term vision based on the three pillars of reinforcement of the Industrial Automation (IA) Business, sales expansion in emerging markets, and focus on the environmental solutions business. I am confident that this is the best course of action for us. To achieve higher levels of growth in the future, we will maximize our efforts geared toward meeting the goals outlined in VG2020 by creating new value and operating our business in a speedy manner. I would like to ask for the continued support of all our stakeholders, and I hope you will look forward to the future of the Omron Group with anticipation.



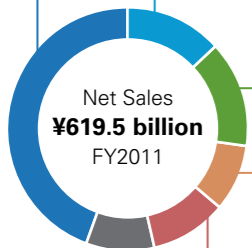
August 2012

Y. Yamada

Yoshihito Yamada
President and CEO

Consolidated Income Forecast

	(Billions of yen)		
	FY2012 (Forecast)	FY2011	FY2010
Net sales	650.0	619.5	617.8
Gross profit	243.5	227.9	231.7
SG&A expenses	152.0	145.7	142.4
R&D expenses	45.5	42.1	41.3
Operating income	46.0	40.1	48.0
Other expenses, net	3.0	6.6	6.3
Income before income taxes	43.0	33.5	41.7
Net income (loss) attributable to shareholders	28.5	16.4	26.8
USD (yen)	78.7	79.3	85.8
EUR (yen)	99.0	110.3	113.5



44%

INDUSTRIAL AUTOMATION BUSINESS (IAB)

Manufacturing and sales of control systems and components for factory automation and industrial equipment
IAB has established a complete lineup of state-of-the-art equipment that plays a principal role in automation. The sensors that provide automation systems with the senses of "vision" and "touch," the controllers that serve as their "brain," the drives that form their "limbs," and the networks that connect these various items as the "nerve system." With these sophisticated products, we are contributing to quality, safety, and the environment by supporting the innovation of manufacturing industries around the world.



13%

ELECTRONIC AND MECHANICAL COMPONENTS BUSINESS (EMC)

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 components to supply products to customers in a wide range of industries.



14%

AUTOMOTIVE ELECTRONIC COMPONENTS BUSINESS (AEC)

Production and sales of electronic components for automobiles
AEC caters specifically to the ever-evolving automotive electronics field, a subsection of the automobile industry, which continues to grow on a global basis. This business continues to contribute to the realization of safer and more secure and comfortable driving by producing technologies and products designed to create "the best matching of automobiles to people."



Contributing to Society

9%

SOCIAL SYSTEMS, SOLUTIONS AND SERVICE BUSINESS (SSB)

Providing solutions and services for contributing to a safer and more secure and comfortable society
SSB provides various equipment, systems, and services to support secure and comfortable living environments and a safe societal infrastructure.



10%

HEALTHCARE BUSINESS (HCB)

Providing health and medical devices and services for homes and medical institutions
HCB is aiming to expand business with a focus on emerging economies by developing innovative products and services to enable people around the world to accurately and easily monitor their health.



9%

OTHER BUSINESSES

Several other business incubation operations under the direct control of the president
The main objective of operations in these businesses is to undertake incubation activities for future business expansion. They advance business in future growth areas including the environmental field, where energy-conservation and CO₂-reduction needs are expected to continue growing, and the expanding smartphone market.



Leading Market Share

*As of August 2012

Control-Related Equipment (Domestic Market Share)



Source: Nippon Electric Control Equipment Industries Association (NECA)

Railway Infrastructure Equipment (Domestic Market Share)



Source: Omron internal survey

Home-Use Digital Blood Pressure Monitors (Global Market Share)



Source: Omron internal survey

* In addition to the above, elimination and corporate of 1% is included in net sales.



Global Network

Global Business

Omron aims to be a global value-creating group. Underlying this goal is our strong determination to bring about a brighter tomorrow by generating new value that can only be conceived by assuming a "Planet Earth" perspective, in addition to more conventional human and social perspectives.

To 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, the Americas, Europe, Greater China, and the Asia Pacific region. Omron's 35,992 full time employees provide optimal local support to its business partners worldwide, through the Company's comprehensive support system ranging from development to production, distribution, and maintenance.

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

Global Business, Local Citizen

Respect for Diversity

Currently, one-half of the Omron Group's total net sales derive from outside of Japan, while two-thirds of its employees are at overseas sites. Looking ahead, the new Value Generation 2020 (VG2020) long-term management strategy calls on us to pursue growth through the further globalization of our operations. In this pursuit, Omron will need to expand across national and regional borders and overcome religious, ethnic, and gender boundaries to bring out the creativity of each and every one of its employees and inspire them to come up with new innovations. We will work to generate new value by developing an accurate understanding of diversifying needs and values through interactions with our various stakeholders.



Quest to Be a Good Corporate Citizen

In "Working for the benefit of society," the Omron Group aims to ensure the impartiality and transparency of management, while it works to install a stakeholder-centered perspective into management, based on which the Group will practice integrity in its dialogues with stakeholders, including employees, customers, shareholders, and communities, and build bonds of trust with these stakeholders. Further, as a member of global society, we will contribute to the economic and cultural development of local communities. At the same time, we will work to resolve various social issues, such as those related to conserving resources and preserving the environment.



10-Year Financial Highlights

Omron Corporation and Subsidiaries

Financial Information

IR Library

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.

	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	Thousands of U.S. dollars (Note 1)	
										Millions of yen	U.S. dollars (Note 1)
Operating Results (for the year):											
Net sales	¥522,535	¥575,157	¥598,727	¥616,002	¥723,866	¥762,985	¥627,190	¥524,694	¥617,825	¥619,461	\$7,554,402
Gross profit	201,816	235,460	245,298	232,667	278,241	293,342	218,522	184,342	231,702	227,887	2,779,110
Selling, general and administrative expenses (excluding research and development expenses)	133,406	139,569	141,185	157,909	164,167	176,569	164,284	133,426	142,365	145,662	1,776,366
Research and development expenses	40,235	46,494	49,441	55,315	52,028	51,520	48,899	37,842	41,300	42,089	513,280
Operating income	28,175	49,397	54,672	60,782	62,046	65,253	5,339	13,074	48,037	40,136	489,463
EBITDA (Note 2)	57,851	77,059	83,314	91,607	95,968	101,596	38,835	40,088	71,021	62,753	765,280
Net income (loss) attributable to shareholders	511	26,811	30,176	35,763	38,280	42,383	(29,172)	3,518	26,782	16,389	199,866
Cash Flows (for the year):											
Net cash provided by operating activities	¥ 41,854	¥ 80,687	¥ 61,076	¥ 51,699	¥ 40,539	¥ 68,996	¥ 31,408	¥ 42,759	¥ 41,956	¥ 31,946	\$ 389,585
Net cash used in investing activities	(30,633)	(34,484)	(36,050)	(43,020)	(47,075)	(36,681)	(40,628)	(18,584)	(20,210)	(26,486)	(323,000)
Free cash flow (Note 3)	11,221	46,203	25,026	8,679	(6,536)	32,315	(9,220)	24,175	21,746	5,460	66,585
Net cash provided by (used in) financing activities	(1,996)	(28,119)	(40,684)	(38,320)	(4,697)	(34,481)	21,867	20,358	3,333	(33,492)	(408,439)
Financial Position (at year-end):											
Total assets	¥567,399	¥592,273	¥585,429	¥589,061	¥630,337	¥617,367	¥538,280	¥532,254	¥562,790	¥537,323	\$6,552,720
Total interest-bearing liabilities	71,260	56,687	24,759	3,813	21,813	19,809	54,859	38,217	46,599	18,774	228,951
Total shareholders' equity	251,610	274,710	305,810	362,937	382,822	368,502	298,411	306,327	312,753	320,840	3,912,683
Yen U.S. dollars (Note 1)											
Per Share Data:											
Net income (loss) attributable to shareholders (basic)	¥ 2.1	¥ 110.7	¥ 126.5	¥ 151.1	¥ 165.0	¥ 185.9	¥ (132.2)	¥ 16.0	¥ 121.7	¥ 74.5	\$ 0.91
Shareholders' equity	1,036.0	1,148.3	1,284.8	1,548.1	1,660.7	1,662.3	1,355.4	1,391.4	1,421.0	1,457.5	17.77
Cash dividends (Note 4)	10.0	20.0	24.0	30.0	34.0	42.0	25.0	17.0	30.0	28.0	0.34
Ratios:											
Gross profit margin	38.6%	40.9%	41.0%	37.8%	38.4%	38.4%	34.8%	35.1%	37.5%	36.8%	
Operating income margin	5.4%	8.6%	9.1%	9.9%	8.6%	8.6%	0.9%	2.5%	7.8%	6.5%	
EBITDA margin	11.1%	13.4%	13.9%	14.9%	13.3%	13.3%	6.2%	7.6%	11.5%	10.1%	
Return on shareholders' equity (ROE)	0.2%	10.2%	10.4%	10.7%	10.3%	11.3%	(8.7)%	1.2%	8.7%	5.2%	
Ratio of shareholders' equity to total assets	44.3%	46.4%	52.2%	61.6%	60.7%	59.7%	55.4%	57.5%	55.6%	59.7%	

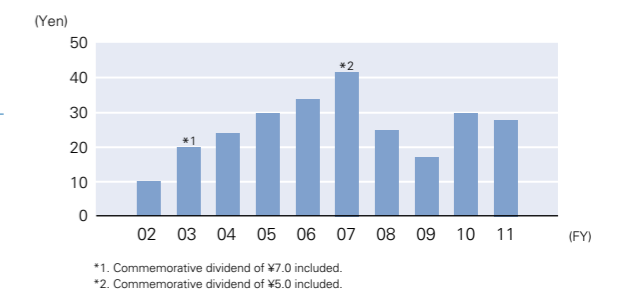
Net Sales and Operating Income Margin



Net Income (Loss) Attributable to Shareholders and ROE



Cash Dividends Dividends & Shareholder Returns



Long-term corporate vision

Grand Design 2010 (GD2010)

FY2001–FY2003

FY2004–FY2007

FY2008–FY2010

1st Stage

Establishing a Profit Structure

Concentrating on cost structure reform and restructuring the Company as a profit-generating business

Achievements

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

2nd Stage

Balancing Growth & Earnings

Reinforcing business foundations through aggressive investment in growth areas, such as M&A, and cost cutting

Achievement

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

3rd Stage

Achieving a Growth Structure

Fortification of growth business (high profitability)

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

Revival Stage

(from February 2009 to March 2011)

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

Value Generation 2020 (VG2020)

FY2011–FY2020

GLOBE STAGE

(FY2011–FY2013)

Establishment of profit and growth structures on a global basis

Goals

- Sales: ¥700 billion
- Operating Income: ¥63 billion
- Gross Profit Margin: 39%
- Operating Income Margin: 9%

EARTH STAGE

(FY2014–FY2020)

New value generation for growth

Goals

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

Notes: 1. U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate on March 31, 2012, of ¥82 = \$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.

Management Topics

<p>April 21 Release of striped bitterling (<i>acheilognathus cyanostigma</i>) into on-site biotope employing purified factory wastewater—contributing to the protection of regional biodiversity</p> <p>June 1 Establishment of NTT Smile Energy Co., Ltd., as a joint venture with NTT West to provide services supporting residential energy savings</p>	<p>June 30 OMRON Kyoto Taiyo Co., Ltd., receives Monozukuri Grand Prize from the Society of Plant Engineers Japan</p> <p>July 1 Deployment of “smart energy savings” throughout the Omron Group in Japan</p> <p>September 8 Acquisition of Chinese power latching relay manufacturer</p>	<p>October Donation to support victims of flooding in Thailand</p> <p>December 7 NTT Docomo and OMRON Healthcare announce alliance in health and medical business</p> <p>January Establishment of regional head office in India and commencement of operations</p> <p>February First Omron Group manufacturing facility in Mexico commences production</p>	<p>March Establishment of joint venture between OMRON (China) Co., Ltd., and Hangzhou Tongling Automation Co., Ltd., a Chinese system integrator and sales agent</p> <p>March 22 Receipt of 2012 Grand Prize in Key Firm of Integrity Awards</p> <p>March 29 Donation of ¥3.11 million provided to the city of Kyoto as an “Om-Walk” matching gift for reconstruction following the Great East Japan Earthquake</p>
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<p>2011</p> <p>Q1</p> <table border="1"> <tr><td colspan="2" style="text-align: right;">(YoY change)</td></tr> <tr><td>Consolidated net sales</td><td>¥151.4 billion +3.0%</td></tr> <tr><td>Consolidated operating income</td><td>¥12.2 billion +9.4%</td></tr> </table>	(YoY change)		Consolidated net sales	¥151.4 billion +3.0%	Consolidated operating income	¥12.2 billion +9.4%	<p>Q2</p> <table border="1"> <tr><td colspan="2" style="text-align: right;">(YoY change)</td></tr> <tr><td>Consolidated net sales</td><td>¥151.8 billion +0.6%</td></tr> <tr><td>Consolidated operating income</td><td>¥10.6 billion -20.8%</td></tr> </table>	(YoY change)		Consolidated net sales	¥151.8 billion +0.6%	Consolidated operating income	¥10.6 billion -20.8%	<p>Q3</p> <table border="1"> <tr><td colspan="2" style="text-align: right;">(YoY change)</td></tr> <tr><td>Consolidated net sales</td><td>¥149.6 billion -2.5%</td></tr> <tr><td>Consolidated operating income</td><td>¥7.4 billion -41.7%</td></tr> </table>	(YoY change)		Consolidated net sales	¥149.6 billion -2.5%	Consolidated operating income	¥7.4 billion -41.7%	<p>2012</p> <p>Q4</p> <table border="1"> <tr><td colspan="2" style="text-align: right;">(YoY change)</td></tr> <tr><td>Consolidated net sales</td><td>¥166.6 billion +0.1%</td></tr> <tr><td>Consolidated operating income</td><td>¥10.0 billion -7.9%</td></tr> </table>	(YoY change)		Consolidated net sales	¥166.6 billion +0.1%	Consolidated operating income	¥10.0 billion -7.9%
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April	May	June	July	August	September	October	November	December	January	February	March																

Product-Related Topics

- Industrial Automation Business (IAB)
- Electronic and Mechanical Components Business (EMC)
- Automotive Electronic Components Business (AEC)
- Social Systems, Solutions and Service Business (SSB)
- Healthcare Business (HCB)
- Other Businesses

July
Launch of new KP□K series of power conditioners, Japan's first with built-in multiple-unit “Anti-Islanding Control Technology (AICOT)”



July 11
Launch of world's first fiber laser marker employing flexible pulse control technology, enabling fine marking and processing



July
Development and commencement of mass production of world's first connector using electroforming technology



July 29
Launch of new Sysmac next-generation machine automation controller integrating functions needed for machine control



August 1
Launch of code reader capable of reading codes on paper and labels as well as direct markings on metal, substrates, and glass surfaces



August 1
Launch of simple electricity logger for reforming energy-saving activities at manufacturing sites



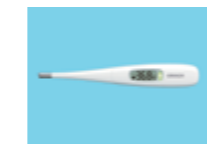
August 29
Launch of the HDS-2000 Dual Scan medical instrument for measuring visceral fat, the first in the world using the impedance method for calculating visceral fat areas safely, simply, and accurately



September 1
Launch of one of the industry's most compact rocker switches with the industry's first delay/off function



September 1
Launch of MC-680 predictive thermometer capable of detecting temperature in only 15 seconds



September 20
Launch of the HBF-214/212 body composition monitor, featuring compact, thin-profile design and convenient storage



September 20
Launch of BY80S and BY120S compact and lightweight uninterruptible power supply units with sinusoidal wave output



Early November
Launch of Multipeak power monitoring device, the industry's first device capable of simultaneous predictive monitoring of peak power consumption in business offices and individual areas



November 1
Launch of HJA-310 Calorie Scan activity monitor for indicating calorie reduction necessary to reach monthly dieting targets and determine daily effort



December 1
Launch of cutting-edge fiber amplifier with unparalleled usability, completely redesigned and with the industry's first smart tuning function



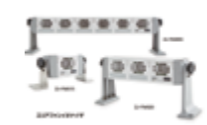
December 1
Launch of temperature controller featuring outstanding visibility thanks to black-and-white display and extra-large characters



January 6
Omron Social Solutions Co., Ltd., receives Barrier-Free Universal Design Promotion Merit Award



January 12
Launch of area fan ionizer that is the thinnest and most lightweight in its class and for which location is not an issue



January 20
Launch of next-generation series device for external monitoring of post-reflow substrates equipped with revolutionary image-processing technology



February 20
Launch of HBP-1600, Japan's first spot-check monitor for automatic transmission to electronic medical record of blood pressure, temperature, and other measurement data



March 5
Launch of Smile Scan Tablet, a real-time facial expression sensor that determines the extent to which someone is smiling which has become and has been made easier to use and can be employed for work purposes



Fiscal 2012
April 10
Launch of MC-642L women's basal thermometer, the first in Japan to read temperatures in approximately 10 seconds



April 10
Launch of HSL-001 sleep duration tracker that records the time it takes users to fall asleep as well as their total sleep time by reading the movements of bedding



We Will Aggressively and Quickly Practice Global Horizontal-Vertical Matrix Management to Advance the Measures Set Out in VG2020.



Yoshihito Yamada
President and CEO

Q1 The new long-term vision, VG2020, was announced in July 2011. Later, in April 2012, you revised your targets for the "GLOBE STAGE" (FY2011–2013), the first phase of this vision, to reflect the drastic changes in the market environment. In what specific ways were the targets revised?

Drastic changes in the market environment, such as the strong yen and the instability of financial systems in Europe, forced us to revise our targets for the "GLOBE STAGE" of VG2020. Regardless, I saw no need to adjust the five basic tasks: (1) reinforcement of the Industrial Automation (IA) Business (IAB & EMC), (2) sales expansion in emerging markets, (3) focus on the environmental solutions business, (4) profit structure reform, and (5) strengthening global human resources. Of these tasks, I feel the reinforcement of the IA Business, one of Omron's clear areas of strength, and sales expansion in emerging markets are the most important.

This is because of the rising demand for factory automation in manufacturing industries in emerging markets. In China, for example, soaring personnel expenses, or in other words, fixed costs, are becoming a burden for management, which has subsequently become a serious issue. For these reasons, it is growing increasingly difficult to conduct successful production operations simply by employing a large number of employees. This situation is boosting the demand for factory automation and is also creating a highly favorable environment for Omron's business. Aiming to take advantage of this environment, we increased the number of sales bases in China from approximately 30 to 50 in



We will not change the main strategies of VG2020.
We will accelerate the plan.

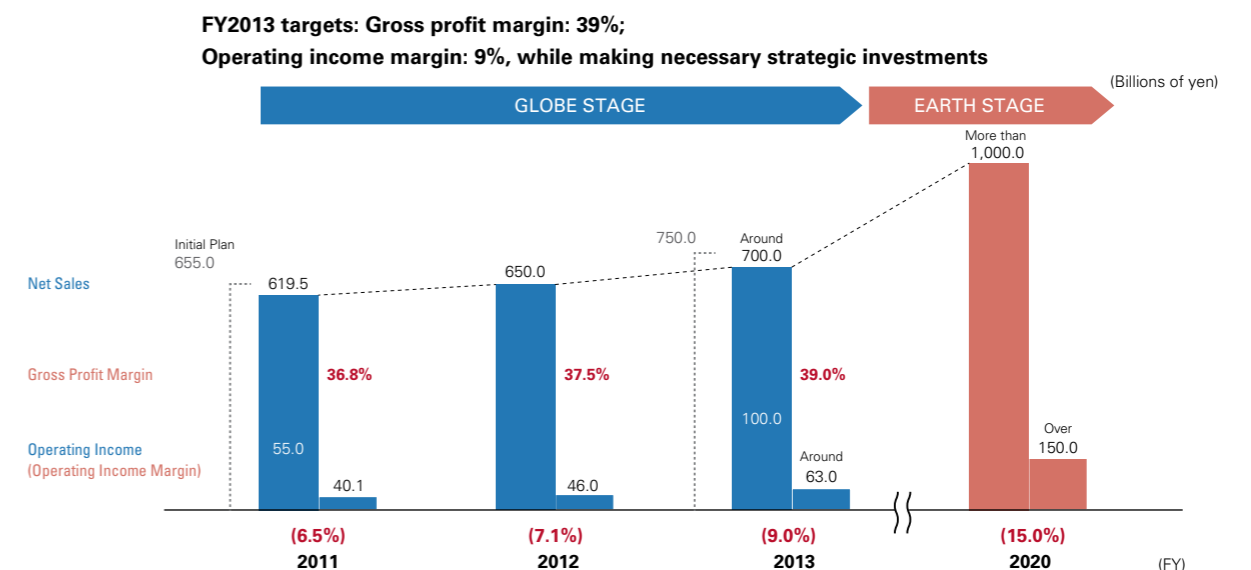
GLOBE STAGE: Goals & Tasks

Policy	Establishment of a global profit and growth structure
Goals	FY2013 Gross profit margin: 39% ; Operating income margin: 9% ; ROE: 11% ; Net sales: approx. ¥700 billion; Operating income: approx. ¥63 billion <small>(Assumed exchange rates: 1US\$ = ¥78; 1EUR = ¥104)</small>
Tasks (unchanged)	1. Reinforcement of Industrial Automation (IA) business (IAB & EMC) 2. Sales expansion in emerging markets 3. Focus on environmental solutions business 4. Profit structure reform 5. Strengthening global human resources

fiscal 2011. We also established Automation Centers in Japan, China, and Europe to strengthen our customer support network. Through these centers, we will provide manufacturers around the world with products and services that optimally meet their needs. One of the key strengths of Omron lies in the utilization of its vast expertise in relation to production lines. This strength enables the Company to offer customers solutions that not only employ its own products, but also effectively combine these products with those of other companies, allowing the Company to provide customers with optimal value. Omron will further accelerate the development of Automation Centers around the world, in emerging countries as well as in the United States and other developed nations.

I am certain that the strategies defined by VG2020, such as sales expansion in emerging markets and the reinforcement of the IA Business, will lead the Company in the right direction.

GLOBE STAGE Road Map





Forging stronger team relations among business lines (vertical) and between corporate headquarters and business divisions (horizontal) will allow us to fully demonstrate the power of the Omron Group.

Q2 Are there any other changes undergone by markets that you view as opportunities?

The changes in the environmental solutions business, one of the key businesses in VG2020, are particularly beneficial. After the Great East Japan Earthquake, serious electricity shortages occurred, and their persistence has become a social issue that must be urgently addressed. The ongoing limited electricity supplies are forcing companies and individuals to think of ways to conserve electricity and reduce usage during peak hours.

One of the responses to this issue has been the rapid expansion in the usage of solar power. In July 2012, the Government of Japan launched a system for purchasing electricity generated using renewable energy sources, which is anticipated to greatly stimulate the growth of the solar power market. We are already witnessing the benefits of growth in this market, as solar power conditioners, which are used to convert power from solar cells from DC to AC, have experienced a substantial increase in sales, rising 20% year on year in fiscal 2011. We are also developing a wide range of solar power-related businesses, including the provision of an integrated system for monitoring the operation of solar power systems and managing on-site maintenance by utilizing remote monitoring.

Further, in order to effectively utilize limited electricity supplies, there is a rising need for a means to control maximum electricity demand through the usage of energy consumption monitoring systems. The Omron Group has introduced such systems and is already seeing impressive results. Also, several customers have introduced these systems and are experiencing favorable results. These market changes represent significant opportunities for Omron.



Power conditioner for solar power generation system

Q3 Focusing on the IA Business will be one of your key strategies. What are your plans for other business areas?

That is a question often asked by people from both inside and outside the Company. Other businesses, too, are important to Omron.

Currently, our Automotive Electronic Components Business (AEC), Social Systems, Solutions and Service Business (SSB), and Healthcare Business (HCB) are run as independent (spin-off) companies, each of which has established its own unique position in its respective business domains. We believe it is important to target growth for these businesses that matches their individual characteristics. Faced with harsh market conditions, we implemented initiatives in these three businesses to accelerate business development through faster decision making. Targeting further acceleration, we delegated responsibility for these businesses in an appropriate manner to enable more-optimal business operation. The effects are beginning to appear in various areas. The previously unprofitable AEC saw significant improvements, and in fiscal 2011, it had an operating income margin of 3.2%, despite the impact of the severe flooding in Thailand. In fiscal 2012, we anticipate this business will become stronger and will record a margin of 5.3% (forecasts released on July 30, 2012), which is an exceptionally high level for the automotive industry. The HCB, meanwhile, will be operated in a manner prioritizing speed and close connections with the sites where our products are used. Through such management, we will work to meet our ambitious goals for fiscal 2012 of improving sales by approximately 15%

in China, 75% in India, and 30% in other emerging markets. We will utilize the unique strengths of each business and conduct management with the aim of further cementing the positions these businesses have already established.

The SSB is also an important business to us, and we will strengthen it by promoting coordination between this business and the Environmental Solutions Business HQ and IAB. The goal of these initiatives will be to create new environmental solutions businesses for factories and public facilities. I believe this will enable us to generate business synergies that are characteristic of Omron into the future.

Also, we will forge stronger vertical team relations down business lines and horizontal relations between them and create new value through the strategic allocation of management resources, including products, technologies, human resources, and capital. This is an important management strategy that will enable us to fully utilize the power of the Omron Group.

Q4 You mentioned forging stronger vertical and horizontal team relations. Specifically, what initiatives are being implemented?

One example is our efforts to expand operations in emerging countries. Omron established regional headquarters in Japan, the United States, the Netherlands, China, and Singapore to develop a unique global network and services systems closely linked to each geographical area.

Recently, we have identified India as a key emerging country in growth strategies and for the reinforcement of the IA business. To enable business divisions in this country to better focus on business operations, we established a new regional headquarters in India in fiscal 2011. In addition, we established a regional headquarters in Brazil in fiscal 2012. Now, with seven regional headquarters, we are ready for the full-fledged advancement of operations in emerging countries. In accelerating our approach toward emerging countries, it will be vitally important to raise the recognition of the Omron brand.



Omron brand billboard advertisement on a road connecting to an airport in Sao Paulo, Brazil



Free blood pressure testing provided in Delhi, India

Billboard advertisement for Omron's blood pressure monitors in India



In pursuing stronger growth, we will strengthen intergroup connections under the mantra of “Team Omron.”

The HCB currently operates in more than 110 countries. The business-to-consumer (B2C) business is playing an integral role in raising awareness of the Omron brand. To make Omron known, people must first see our products and understand our technological superiority. Our Omron brand healthcare products embody our philosophies and technological capabilities. Accordingly, marketing these products and promoting their use in new markets enables us to establish a bridgehead that will facilitate the introduction of our IAB, AEC, or other business-to-business (B2B) businesses in these countries.

These brand strategies targeting emerging countries will be conducted by promoting coordination between business lines and the corporate communications department in headquarters, and through these strategies we will work to raise brand recognition among consumers in these countries. It has been said, that if brand recognition* among consumers exceeds 40%, it will represent a significant advantage for expanding operations in these countries. By targeting this goal of 40%, we have succeeded in raising brand recognition in India from 24% in fiscal 2011 to 45% today. Enhanced brand recognition has proven to be incredibly beneficial in accelerating the development of our various businesses in the Indian market. In Brazil, where we started full-fledged brand marketing one year after doing so in India, we have already achieved brand recognition of approximately 20%. This is an example of the success of coordination between the HCB and corporate headquarters divisions in establishing a superior position in emerging countries.

* Brand recognition is calculated as the percentage of people that recognize Omron's logo and have an understanding of Omron's business activities.

Q5 How about human resources strategies? What specific measures are you considering?



VG2020 defines developing human resources as an important management strategy for ensuring future growth. If we are able to develop a strong team of superior personnel, the growth of our business will become even stronger. We therefore aim to grow our human resources in conjunction with our business growth. In other words, we want to provide new and challenging opportunities for employees who do exemplary work, and we want to grow as a company that can continue to provide such opportunities. For us to grow as such a company, it is important to emphasize the development of human resources in management, and for this reason we have defined the task of strengthening global human resources in VG2020.

At the same time, it is important for all employees to establish their own visions for their future career path. I do not doubt we will have to compete on the global stage in the future. For this reason, I hope every employee will have a clear picture of what work they wish to do in what part of the world.

One specific human resources strategy we have developed is the Global Core Position Strategy, which was born out of our desire to actively provide opportunities to non-Japanese employees by allowing them to participate in management. We have defined management positions critical to advancing the VG2020 strategies as “core positions.” We intend to discover, promote, and educate human resources that can take over these positions

in the future. Currently, Omron has defined 167 core positions, 59 of which are based overseas. Forty of these positions are currently filled with Japanese people, with only 19 held by people from other countries. Looking ahead, we realize that strengthening local management will be essential to continuing our operations as we progressively globalize. For this reason, I aim to reverse this ratio in the near future.

Accordingly, we will develop an in-house environment conducive to providing such opportunities. I hope employees will take advantage of these opportunities, and from such motivated employees, the executive management team at headquarters will be able to find candidates for the next generation of management.

Q6 Lastly, how do you plan to demonstrate your own strengths into Omron's future management initiatives? What do you think is most important in management?

I think my own strengths lie in my ability to encourage team building and my management background in international operations. In the past, I served as president of the Omron Healthcare Europe. During this period, I came to realize the importance of respecting diversity in team building efforts. The management team consisted of 11 people from six different countries, three of whom were women. A startling number of opinions were raised and discussions were grueling but very fruitful. Together, we undertook many challenges, including expansion into the Russian market, and we were able to succeed thanks to our strong sense of unity. These experiences help me in promoting team building today. Developing a mutual understanding between all members is of the utmost importance in raising team spirit. This requires substantial discussion. In this practice, I am always sure to thoroughly listen to others. Drawing on my own strengths, I will actively gather information from both internal and external sources, be decisive, and work to make Omron's management more ever dynamic.

We are working to strengthen intergroup bonds of “Team Omron,” with the aim of guaranteeing even firmer growth into the future. The management team are leading these efforts as a core part of Team Omron.

At the same time, each business division has their own version of Team Omron. Team Omron holds open discussions without fear of opposition, and all members work hard together to accomplish the same shared goal. I compare this type of team work to a *shinkansen* bullet train. A *shinkansen* cannot head toward its goal at full speed if all its cars are not securely connected. Likewise, it is not sufficient for the organization to only be connected within divisions, and this is why we place such a strong emphasis on promoting connections between business divisions and corporate headquarters divisions. Going forward, Team Omron will keep running at full speed, heading toward the achievement of the goals outlined in VG2020.

01

Special Feature

Global Vertical-Horizontal Matrix Management

Striving to Create New Value through Linkages down Business Lines (Vertical) and between Corporate Headquarters and Business Divisions (Horizontal)



Competition is growing more intense in global markets, particularly in emerging economies. To more firmly establish its competitive advantage, the Omron Group is forging stronger vertical team relations down its business lines and horizontal linkages between corporate headquarters and business divisions with the aim of accelerating management. This section looks at the strengths and strategies of each of our businesses through the lens of matrix management and introduces the roles of our head office divisions.

(Interviewer: Satoshi Ando, Executive Officer, Senior General Manager, Investor Relations Headquarters)

Industrial Automation Business (IAB) — Further Reinforcing Operations on the Basis of Three Core Strategies

—To begin, could you please outline IAB's strengths and competitive advantages?

Fujimoto: We are working to boost competitiveness through three core strategies: "No. 1 in control," "No. 1 in product lineup," and "No. 1 in the future."

For our "No. 1 in control" strategy, the key is changing the culture of controls. Under this strategy, we are promoting machine controls that are faster, more precise,

and safe. Our strength in this area is robust machine-focused engineering. The "No. 1 in product lineup" strategy emphasizes extending our product lines by reducing costs on general-purpose products and through radical changes on a variety of fronts. Our "No. 1 in the future" strategy refers to anticipating customer needs and offering proposals that meet those latent demands, such as by addressing the issue of conserving energy. Demand for power-saving solutions is increasing throughout the manufacturing sector, and we have specific expertise in this area.



—What are IAB's core products?

Fujimoto: Last year, we launched Sysmac NJ Series controllers that are based on an automation platform for connecting ultrahigh-speed, high-precision machinery and controlling them via a single software program. In the current fiscal year, we expect to expand this series further as one of our "No. 1 in control" products. Global standard products are the concept behind our "No. 1 in product lineup" strategy. In line with this approach, we plan to steadily roll out products that match the needs of emerging and other world markets. We are also cultivating environment-related equipment, such as electricity sensors and their controllers, as "No. 1 in the future" products.

—Could you describe IAB's core technologies?

Fujimoto: Our core technologies provide functionality that competitors are unable to match. These technologies effectively utilize general-purpose products and elements and take advantage of the capabilities of software, and are the product of countless development processes conducted in the pursuit of higher levels of functionality. Moreover, these technologies enable us to create products more inexpensively, holding down costs without sacrificing quality.

Aiming to Heighten Our Engineering Prowess through Means such as M&A and Collaboration

—What are the issues you face in enhancing competitiveness further?

Fujimoto: Strengthening our ability to provide proposals related to sophisticated control products is extremely difficult, and we face the issue of how to cultivate sales engineers (SEs) who are well versed in various equipment in a short period of time. Another important issue lies in being responsive cost-wise in global markets across our product portfolio. We are working to hold down development costs by standardizing product development and creating system platforms that utilize our products in a standard manner.

—To bolster your engineering and strengthen your ability to provide higher added-value proposals, do you intend to continue pursuing a strategy of increasing the number of SEs and acquiring companies in China?

Fujimoto: In the previous fiscal year, we increased the number of SEs in emerging markets by approximately 50%; the question now is how to enhance their capabilities further. We will also continue looking at M&A and collaboration opportunities in fields that we are unable to develop on our own.

—Please explain more specifically what is meant by Omron's "ability to connect" in ways that other companies cannot.

Fujimoto: One good example is to connect all the highly sophisticated products on the same network. Through our Sysmac NJ Series, which I described earlier, we aim to change the culture of controllers. Going forward, we also plan to connect to an increasing number of safety-related products that could not be connected in the past.

Electronic and Mechanical Components Business (EMC) — Monozukuri (Product Creation) Is a Competitive Advantage That Other Companies Cannot Emulate

Industrial Automation Business (IAB)

Shigeki Fujimoto

Senior Managing Officer
President, Industrial Automation Company



The above-mentioned title is as of the date of this dialogue (June 20, 2012).

Electronic and Mechanical Components Business (EMC)



Koichi Tada
Managing Officer
Company President,
Electronic and
Mechanical Components
Company

— Next, please outline the strengths and business strategies of EMC.

Tada: In fiscal 2012, we plan to aggressively develop our business in components for industrial equipment, centered on rapidly growing emerging markets, thereby recovering our growth and profitability. We will also concentrate initiatives in the energy and environment field. In particular, electric vehicles and solar power generation systems. We intend to enhance competitiveness by taking advantage of the broad and finely gauged global sales network that Omron has built to date and utilize our manufacturing capabilities, including proprietary product design capabilities, materials technologies, and optimizing technologies based on *monozukuri*.

Targeting an Unshakeable Lead in Global Market Share

— What are the core technologies that support the mainstay relay component segment?

Tada: We hold the top share of the global market for relay components. Our market share in this area was more than 20% in the previous fiscal year,* but we are the leader by only a small margin.* We will work at increasing our lead.

* Based on Omron's estimates

In EMC, most of our products end up inside our customers' products, so prices are heavily influenced by fluctuations in the market prices of final products. The key therefore becomes how to meet our customers' needs as reasonably as possible. Furthermore, we must ensure stable product quality. In the past, half of the relay products that we manufactured in China and other

Asian countries were labor-intensive, which means they were variable in quality. Now, we are introducing automated equipment to handle this production in a bid to make quality more consistent.

— You have described the Company's competitiveness and sales and technological capabilities in key product areas. What are your thoughts on the business environment?

Tada: The current business environment is tight, but at the same time it offers opportunities. For example, in Asia, social security expenses are expected to rise in the neighborhood of 15% to 25% per year, on average. From a manufacturing viewpoint, this means higher labor costs. However, if customers further automated their operations to counter these labor costs, this presents a business opportunity for our industrial automation and electronic components businesses. It is important to take advantage of the opportunities created by demand trends driven by changing business environments in China and other Asian countries.

Healthcare Business (HCB) — Expanding Four Core Categories through an Extensive Sales Network

— Next, would you explain the Company's strengths and competitiveness in HCB?

Miyata: Our sales network is made up of some 300,000 pharmacies throughout the world. In the field of home healthcare instruments, no other company has a network that can match ours. We are utilizing this strength to expand our business in four core categories: blood pressure monitors, thermometers, blood glucose monitors, and nebulizers. We are also developing new technologies that allow bio data to be measured at home, formerly a procedure that could only be done at medical institutions. The key is to make the best use of our competitive edge in sales and R&D.

— Global competition seems to be less pronounced in HCB than in the IAB and EMC. What will be the keys to winning out against local competition?

Miyata: The other day, I went to India, where some 50 competitors provide blood pressure monitors. This situation brought home to me anew the importance of Omron's brand penetration. In addition to measurement precision, we will work aggressively to disseminate other informa-



tion on product quality that is only available through Omron, thereby ensuring the reliability of our brand.

— One of your core products is blood pressure monitors, and according to your own estimates you have shares of around 50% of the global market, approximately 60% in Japan, and more than 60% in China. What is the core technology that supports this strength? Also, what are your strategies for further increasing this market share?

Miyata: For blood pressure monitors, on the hardware front measurement precision and ease of use are paramount. For example, to reduce the impact that such conditions as arm thickness and softness have on measured results, we have developed a sensing and control technology that responds to individual differences. We also continue to pursue efforts that improve ease of use, such as narrower cuffs that are easier to wrap around the arm. Based on the concept of providing products that are easy for anybody to use to provide accurate measurements, we are accelerating the popularization of the "Medical Link" system for providing blood pressure data measured at home to healthcare institutions, where it can be assessed by physicians and other specialists. In this way, we are building up an unassailable business base from the perspectives of products as well as services and systems.

— HCB is driving one of the VG2020 strategies, "growth in emerging markets." Have horizontal and vertical relationships in this business changed?

Miyata: Operational speed has picked up through proactive contributions on the horizontal axis from corporate headquarters. Nowadays, we are able to make effective use of information on other business lines' products and technologies, whereas we were unaware of this information in the past. For example, we are moving forward with production line automation at a rate that development personnel in the healthcare sector would have been unable to handle in the past by taking advantage

of the production technologies of the Electronic and Mechanical Components Business. Forging links such as this have been extremely effective. Also, the corporate headquarters public relations division has supported efforts to boost our brand recognition on a global level, which has made our activities easier.

Global Strategy Headquarters — Maximizing Management Resources by Combining Vertical and Horizontal Elements

— Please explain the Global Strategy Headquarters' mission and role in implementing vertical and horizontal strategies.

Miyanaga: We adopted a system of business divisions more than 10 years ago, making our business divisions autonomous. The goal behind this move was to accelerate business operations. This move has been successful to some extent, but VG2020 calls for us to make greater leaps forward. To achieve this, we will need to utilize the strengths of our global businesses through connections that go beyond the vertical and horizontal barriers.

The Global Strategy Headquarters carries out the following three roles in attaining this goal.

Healthcare Business (HCB)

Kiichiro Miyata

Managing Officer
President and CEO,
OMRON Healthcare Co., Ltd.



- (1) Strategically distributing and allocating strategic resources
- (2) Creating a system of global vertical-horizontal matrix management
- (3) Communicating our strategies both within and outside the Omron Group

Prioritizing Efficient Investment

— What has changed, or that you are working to change, as a result of your new structure and strategies?

Miyanaga: One element is prioritizing investment. We are earmarking investment for the further development of existing businesses, such as industrial automation and businesses in emerging markets, as well as environmental businesses and other new businesses. We are also thinking of expanding our manufacturing structure to achieve global growth, centered on Asia. By making capital investments that outpace depreciation and amortization, we will augment our growth potential and cost-competitiveness. We are also planning around ¥10 billion in strategic investment, centered on IA. Furthermore, we will overhaul our management council by creating a structure that brings together the heads of our business

Global Strategy Headquarters

Yutaka Miyanaga
Executive Officer
Senior General Manager,
Global Strategy Headquarters



divisions and head office divisions to enable swifter decision making.

In the previous fiscal year, we set up a regional headquarters in India. This year, we set up a headquarters in Brazil. Whereas in the past each business line had its own human resources and administrative functions, the new structure will provide a package that offers support for these infrastructure and brand strategy development functions. Initiatives involving these horizontal functions are another major change.

Global Resource Management Headquarters (GRM) — Human Resource Strategy to Cultivate Global Management Resources

— In closing, could you please outline the major initiatives of GRM?

Nitto: Our most important initiatives concern human resources strategy. In addition to rejuvenating our management team, our initiatives will take a bird's-eye view toward the next decade. We will build a structure to cultivate management resources on a global basis for the next generation and the generation after that. We have identified 167 global core positions. We will fill these positions through both internal training and external recruiting by determining who is most suitable for these positions, during what span, and based on what level of experience. Also, the Company plans to move aggressively toward assigning locally hired personnel to core positions.

— What are your other points of focus?

Nitto: My missions include strategic cash management and risk management. In the past, the allocation of funds and real estate tended to be on the basis of vertical management. We will shift to a more centralized financial strategy that includes making more-effective use of management resources. Globally, the risks that we face are growing, including sudden fluctuations in the economic environment and the risk of natural disasters. We will strive to create structures and systems that avoid these risks and minimize the damage they cause to ensure our business divisions can move ahead securely.



Satoshi Ando
Interviewer
Executive Officer, Senior General Manager,
Investor Relations Headquarters

Cultivating New Markets That Engender Synergies between Businesses

— Please provide some examples of efforts you are making to foster ties between business lines.

Fujimoto: Let us look at relays for solar batteries. These are manufactured by EMC and sold by IAB, so we naturally need to pursue a joint strategy. EMC excels at manufacturing products, while IAB has marketing expertise. By combining these two strengths, we can move into entirely new markets.

As another example, when IAB aims to move into emerging markets, the division can benefit from the solid expertise of HCB, which was an early entrant into these markets, working to firmly established the Omron brand there. This situation is extremely favorable.

— What will be the focuses for the Global Strategy Headquarters going forward?

Miyanaga: When making decisions, I believe we will need to strike a balance between stable, incremental improvement and rapid, drastic progress.

From the standpoint of stable, incremental improvement, from our manufacturing processes to the management of our global operating performance, it is important to make ongoing improvements in various business processes based on the knowledge we gain through our everyday activities. Conversely, in achieving rapid, drastic progress, innovation is needed when delving into altogether new products and businesses and developing the unparalleled cost structures that will be necessary to succeed in global markets and achieve a competitive advantage.

— What will be focuses for the Global Resource Management Headquarters?

Nitto: We need to embrace diversity wholeheartedly. In addition to promoting non-Japanese personnel, the key to our current strategy lies in how to make Japanese people, as well as Japan itself, more global.

At the same time, there is no point in pursuing diversity if this simply results in fragmentation. It will be important to maintain the binding force of our corporate principles. I believe the Company excels in remaining true to its corporate principles, but this is because we have management strategies that are fully based on our corporate principles. Promoting diversity will be a major challenge, but I believe we can achieve this goal as long as we rely on our corporate principles as the binding force.

— We hope these interviews have assisted in deepening the readers' understanding of the Omron Group's efforts to realize the goals of VG2020 as well as the possibilities of vertical-horizontal matrix management.

Global Resource Management Headquarters (GRM)

Koji Nitto
Executive Officer
Senior General Manager,
Global Resource
Management Headquarters



Omron's Supply Responsibility and Business Continuity
We will fulfill our social responsibility by creating a business structure that is resilient to changes in the external environment and strong in the face of risks.



Kiyoshi Yoshikawa

Executive Officer
 Senior General Manager,
 Global Process Innovation
 Headquarters

Amid the Great East Japan Earthquake and the flooding in Thailand, we moved forward on initiatives to minimize risks. To this end, we sought to decentralize parts procurement risk and standardize equipment and information systems.

— Please describe the roles and objectives of the Global Process Innovation Headquarters.

At Omron, each business division conducts planning, development, production, and sales in a vertical line, but the Global Process Innovation Headquarters takes a horizontal, Companywide approach and has the role of improving all steps of business processes on a global basis. Its objective is to improve development, production, purchasing, and quality management and further strengthen each of these processes. To provide total optimization, the unit functions as a corporate headquarters division and is involved in logistics, IT, and other infrastructure activities.

— These major disasters were of course unexpected. Could you please describe their impact on the Omron Group and responses of the Global Process Innovation Headquarters?

The Great East Japan Earthquake, which struck in March 2011, directly affected our sales, maintenance, and service functions in the Tohoku region. Our production functions were not directly affected, partly because we do not have any factories in the Tohoku region. However, many semiconductor and electronic components manufacturers are clustered in Tohoku, and more than 100 of the suppliers upon which the Omron Group relies were affected by the disaster. This situation affected our supplies of more than 16,000 parts, so the damage to our parts procurement network was extensive.

Following the earthquake, we quickly set up a Companywide disaster response headquarters, centered on President Yamada, who was head of the Group strategy department at the time. We launched a Procurement Task Force, and the Global Process Innovation Headquarters took on the role of promoting its measures throughout the organization. We formed project teams comprising

the heads of purchasing from each business division to pursue the task force's initiatives.

First, we worked to meet our responsibility for supplying products and services to our customers. To this extent, we determined which products were at risk in terms of procurement and developed measures to minimize these risks. We soon recognized that in addition to the general-purpose items used in semiconductors and electronic components, Omron's proprietary, custom-made products were subject to substantial risk. Even though we gathered information from our suppliers on a daily basis, it was difficult to judge exactly when production could recommence. Therefore, we made a Group-wide decision to place bulk orders for these items, particularly semiconductors and custom electronic components, which entailed exposure to risks as these items were not returnable.

— What sort of initiatives did you enact as next steps?

At an early stage, the disaster response headquarters recognized it would be difficult to continue production on our previous scale for a certain length of time. We made the management decision to give the highest weighting to business in the medical sector and involving social infrastructure, followed by businesses of high strategic importance, and we prioritized products for each business division.

Next, we introduced design changes and alternatives for key parts for which suppliers did not have inventories or were unable to supply. We presented delivery time recovery plans to our customers and asked them to accept postponed deliveries for orders that were not urgent or to accept delivery of alternative products. Our salespeople pulled together to work out adjustments with customers around the world.

— I understand these initiatives ultimately evolved into structural reforms. Can you offer specific examples of their results?

Afterward, we adopted a strategic and continuous approach to management, identifying the social responsibility of each of our businesses, prioritizing business strategies, and clarifying which products could be discontinued and replaced with new items. We also promoted the transition to new generations of products due to business continuity concerns in the aftermath of the earthquake. This switching from older products to newer alternatives was a move that in some cases we had been unable to accomplish beforehand. At the same time, when revising designs we encouraged an approach toward product standardization.

— After that point, faced with the flooding in Thailand you were able to procure parts and turn to alternative sources of production in a relatively short time. Was putting these fundamental measures into action a case of applying the lessons the Company had learned as a result of the Great East Japan Earthquake?

The factory of the Automotive Electronic Components (AEC) Business was hit directly and severely by the flooding in Thailand. Some 25 suppliers were affected, many of them companies that provide us with general-purpose electronic components, so we felt the effects over a broad range of businesses. Ultimately, we estimated the impact to have been on a similar scale to that of the earthquake. However, because we had a complete list of which parts were used for which products that we could utilize in the aftermath of the earthquake, we were able to respond in around two-thirds of the amount of time that was needed following the earthquake.

— I understand AEC was the main focus of recovery and restoration work at your plants in Thailand. What support did the Global Process Innovation Headquarters provide?

Business divisions handled the on-site reconstruction and recovery work themselves; as in the case of the earthquake, we took the lead on parts supply measures. We also provided logistical support as well as support on the equipment production front when it was urgently needed. The Global Process Innovation Headquarters dispatched personnel to China and other parts of Asia with the aim of facilitating adjustments on a global basis, including the sourcing of alternative parts and communication with individual plants.



— It seems that you are enacting Company-wide initiatives, including risk response, standardizing production, and utilizing universal product coding.

As a measure to quickly restore the production of key products, under which, in the event that existing facilities are hit by a major disaster, other manufacturing bases compensate for this loss in production capacity. In this sense, standardizing facilities and information systems is important. In other words, we need to pursue initiatives that step up our ability to shift to alternative production given a variety of scenarios. We can postulate a variety of disasters that may occur in the future, but I believe we have created a structure that will allow us to respond flexibly. I consider this readiness to be a major source of Omron's competitiveness.

— Please describe the status of the Omron energy-saving measures and systems that the Environmental Solutions Business HQ introduced to address electricity supply shortages and encourage energy-saving measures.

We responded to the need for electricity-saving measures in the summer of 2011 by introducing our energy savings monitoring system*1 at all 21 of our locations throughout Japan, allowing us to monitor electricity use at multiple locations. These systems went into operation



on July 1, 2011. We were able to visualize, in real time, the total amount of power being used at our facilities by individual power company service area by our three facilities in the Tokyo Electric Power Co., Ltd.'s service area, for example, or by the six facilities in the Kansai Electric Power Co., Inc.'s service area. By making this



Optimizing CO₂ reductions by making waste and inefficiencies visible

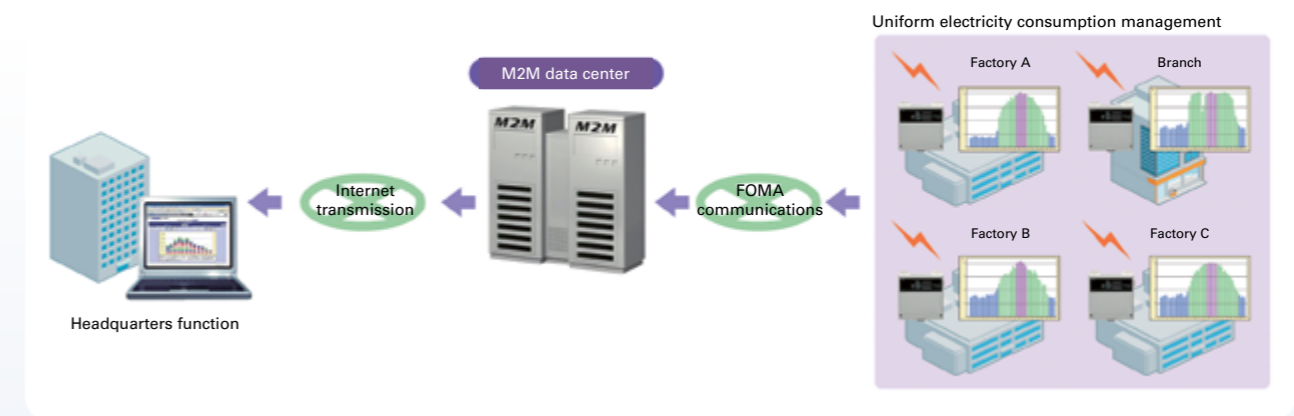
information visible, the system enabled us to implement measures to reduce peak power consumption. This year, we continued these initiatives, which we dubbed "Smart Power Savings."* In the summer of 2011, Smart Power Savings activities led us to reduce peak electricity consumption in the Kansai Electric service area by 22% compared with fiscal 2010 levels. Reinforcing our own power generation systems accounted for 6 percentage points of this amount and "eco-monozukuri (eco-product creation)"*2 for the remaining 16 percentage points. These measures had the effect of curtailing the amount of power used at production sites. In the summer of 2012, we will continue with Smart Power Savings initiatives, combined with advanced eco-monozukuri. Through these endeavors, we expect to reduce power consumption by more than 25% compared with fiscal 2010.

* Smart Power Savings: Omron's name for proprietary energy-saving measures being pursued throughout the Company, comprising the following two initiatives:
 *1 Energy savings monitoring system: This is a system for monitoring and reducing peak electricity consumption throughout a specific area.
 *2 Eco-monozukuri: Reducing electricity used in manufacturing by improving production facility operations
 Details of our business continuity plan (BCP) and business involving energy-saving measures are available on our website.
<http://www.omron.co.jp/green-automation/trend/bcp/>

— Updating the BCP must certainly have been a management priority following the Great East Japan Earthquake and the flooding in Thailand. Could you outline some specific BCP-related initiatives?

Omron's fundamental BCP policy has three main thrusts: protecting the safety of people, cooperating across the board in maintaining and restoring social infrastructure, and minimizing any impact on our customers and Omron's businesses. In developing disaster response plans, it is not sufficient to merely focus on short-term reconstruction

Energy savings monitoring system



after a disaster, concluding efforts after a sufficient level of reconstruction is achieved. Rather, we must work vigilantly on an ongoing basis to ensure that we can minimize the risks of any future disasters that may occur. Accordingly, after having experienced last year's earthquake and flooding in Thailand, I believe we need to conduct a full review of our initiatives, addressing additional issues and creating a business structure that is more resilient to changes in the external environment and stronger in the face of risks.

— In closing, what was it that inspired you to go to such lengths to fulfill your "supply responsibility" as a manufacturer?

If our business divisions and headquarters networks function smoothly on a daily basis, the moment we detect an issue that could have a major impact on our business we can pull together to respond quickly on a Companywide basis. In the face of the crises that we have recently experienced, I believe that each employee has gained a greater recognition of their responsibility to our businesses. The background for this realization is one of the Omron Principles, of "contributing to society through business." Even if recovery measures cause profits to drop temporarily, as a manufacturer we must focus on meeting the important responsibility of continuing to supply products and services to our customers. Our core thinking is that meeting this responsibility ultimately leads to enhanced corporate value. Going forward, as we continue to prepare against risks, we need to redouble our efforts to meet our responsibilities as a company and realize growth.

We recognize that "supply responsibility" is a management priority for a manufacturer and understand that fulfilling this responsibility leads to enhanced corporate value.



Business Segments and Key Products

Industrial Automation Business

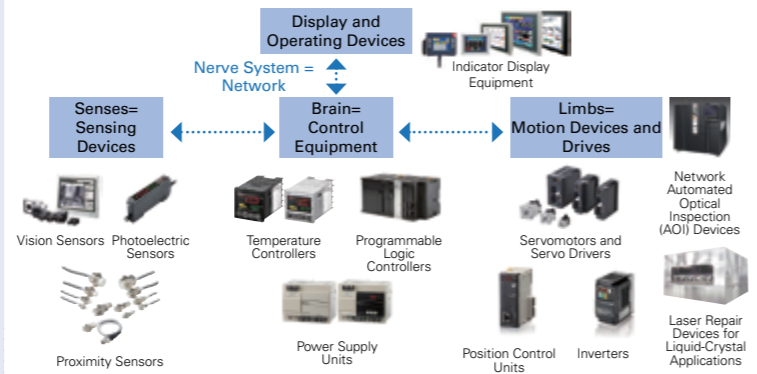
IAB provides a wide spectrum of devices necessary for the optimal operation of manufacturing equipment, products ranging from sensors, control devices, and all types of inspection and processing equipment to equipment meeting the growing demand for products to enhance worker safety and environmental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

*1 As of August 2012, Omron internal survey



The top provider of control equipment for the manufacturing industry

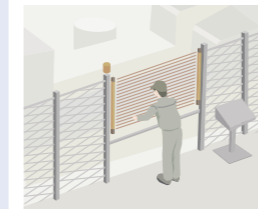
IAB's product lines comprise devices for sensing lighting, imaging, vibration, temperature and humidity levels, location, speed, and other data necessary for the operation of manufacturing equipment; control and motion devices that process large volumes of data into meaningful and useful information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



in Japan*1 and supporting manufacturing innovation worldwide

Segment Information >> 36

• Safety Equipment



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 a factory.



Safety Controllers



Safety Door Switches



Safety Sensors

• Environmental Equipment

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



Air Cleaning Units



Air Thermal Sensors



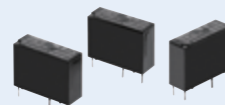
Air Particle Sensors



Ionizers

Electronic and Mechanical Components Business

EMC's strength is its advanced *monozukuri* technology in each stage from product design to materials, metal molds, product processing, and assembly. It has fostered wide-ranging expertise through 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.



A provider of ever-improving digital components to a wide range of

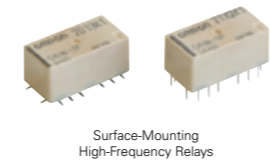
industries, leveraging *monozukuri* technology

Segment Information >> 38

• 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.

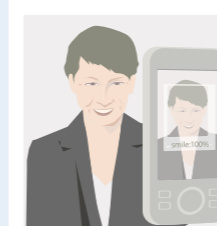


Surface-Mounting High-Frequency Relays



Surface Mount Switches

• OKAO Vision



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 gender.



OKAO Vision Facial Image Sensing

• 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

We respond to various needs from the amusement industry and needs for video equipment with higher specs.

Flexible Optical Distribution Modules



Power Supply Unit for Amusement Devices



Automotive Electronic Components Business

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

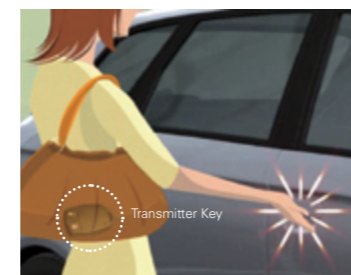


Contributing to the creation of safe and comfortable automobiles

worldwide

Segment Information >> 40

• Transmitter Key & Engine Start Systems



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.



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.

• Automotive Switches/Controllers

AEC supplies multi-function control units that integrate 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. These devices help achieve energy savings and better mileage.

Electric Power Steering Controllers



Social Systems, Solutions and Service Business

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

*2 As of August 2012, Omron internal survey



Japan's No. 1*2 supplier of railway infrastructure systems and creator

• Train Station Solutions



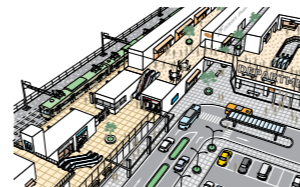
SSB provides systems solutions, including the newest models for automated ticket gates and ticket vending machines using universal designs, to increase the comfort and efficiency of train stations.

Automated Ticket Gates

Ticket Vending Machines

of a wide variety of social systems

• Social Sensing



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



Smile Scans



• 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

Segment Information >> 42

Healthcare Business

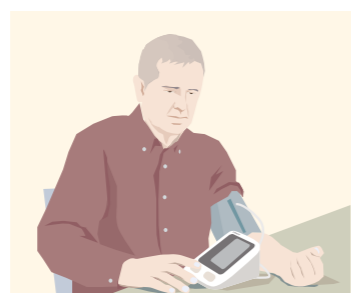
HCB provides equipment and services worldwide for personal and professional use to support the disease prevention, treatment, and health improvement fields. The company's home blood pressure monitors command top market shares, with more than 60%*3 of the domestic market and more than 50%*3 of the global market. HCB's bio-information sensing technology has made it a leader in the home healthcare market, and it is taking on the new challenge of supporting daily personal health management all over the world.

*3 As of August 2012, Omron internal survey



Global No. 1*3 market share for digital home blood pressure monitors

• Healthcare & Medical Devices for Home Use



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



Sleep Sensors



Blood Pressure Monitors



Activity Monitors

and a wide range of products and services for treating lifestyle-related diseases

Segment Information >> 44

• Medical Equipment for Hospital Use



Body Composition Monitors



Thermometers



Body Glucose Meters



Portable Electrocardiogram (ECG) Monitors



Nebulizers



Spot Check Monitors



Central Monitors



Non-Invasive Vascular Screening Devices

Other Businesses

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



Discovering and fostering new business opportunities for achieving

group growth strategies

Segment Information >> 46

• LCD Backlights



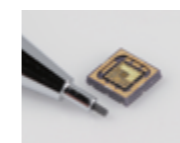
Microlens array technology with several million micron-sized micro lenses to maximize light utilization efficiency contributes to brighter and slimmer mobile phones with lower power consumption.



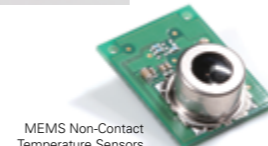
LCD Backlights

• Micro Devices

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



MEMS Absolute Pressure Sensor



MEMS Non-Contact Temperature Sensors

• Energy-Saving Solutions

To maximize energy efficiency, Omron is developing solutions-based businesses that combine energy-saving, creating, and storing components with consulting and engineering services.



Smart Electricity Usage Monitors



Power Conditioner for Solar Power Generation System

• Electronic Systems & Equipment

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



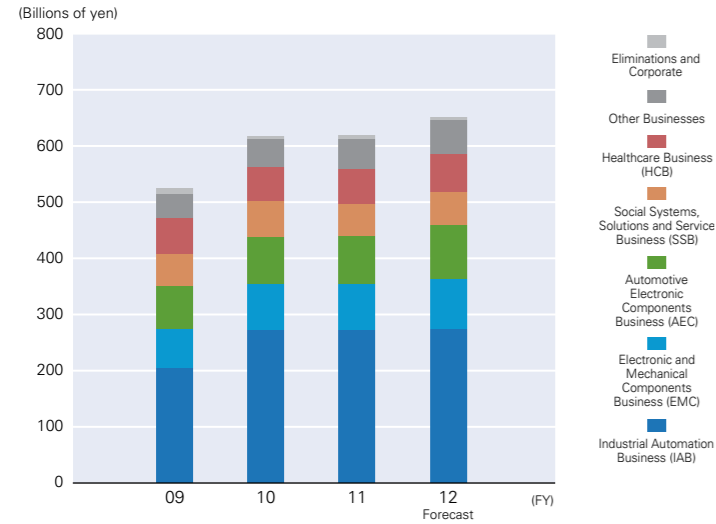
BYS Series, Uninterruptible Power Supply Unit

Omron at a Glance

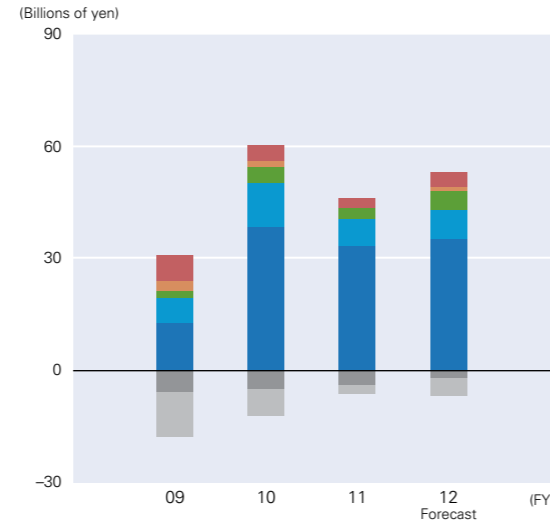
Performance and Forecast by Segment

Net Sales and Operating Income

Net Sales by Segment



Operating Income by Segment

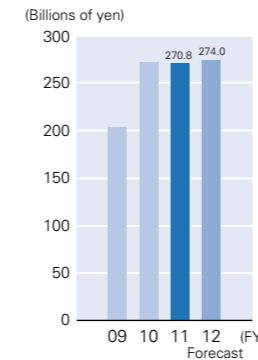


Industrial Automation Business (IAB)

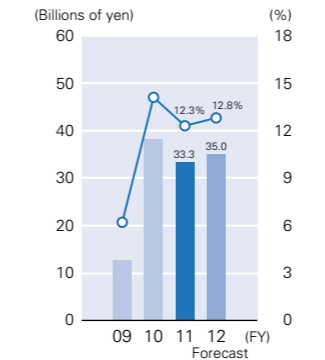
Net Sales by Segment

44%

Net Sales



Operating Income Operating Income Margin (right scale)

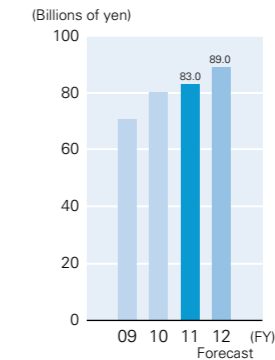


Electronic and Mechanical Components Business (EMC)

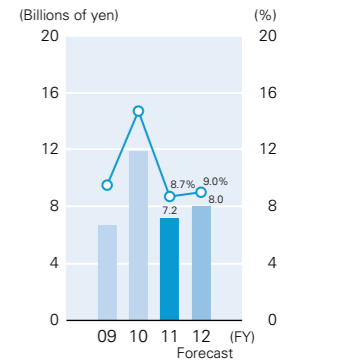
Net Sales by Segment

13%

Net Sales



Operating Income Operating Income Margin (right scale)

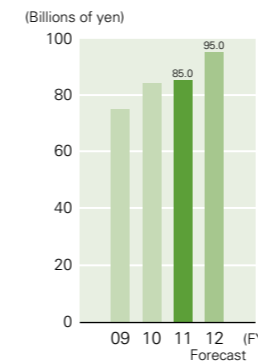


Automotive Electronic Components Business (AEC)

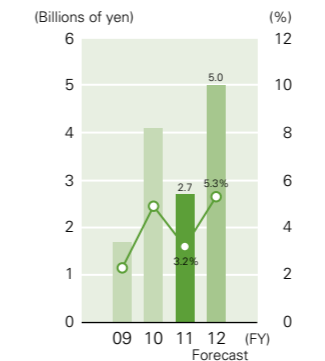
Net Sales by Segment

14%

Net Sales



Operating Income Operating Income Margin (right scale)

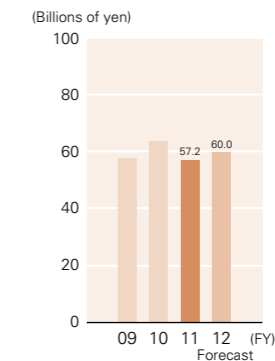


Social Systems, Solutions and Service Business (SSB)

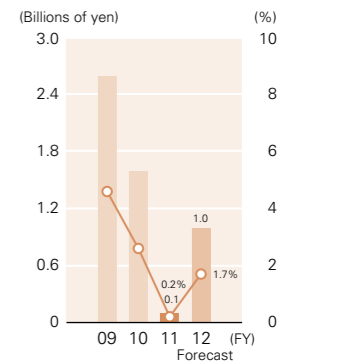
Net Sales by Segment

9%

Net Sales

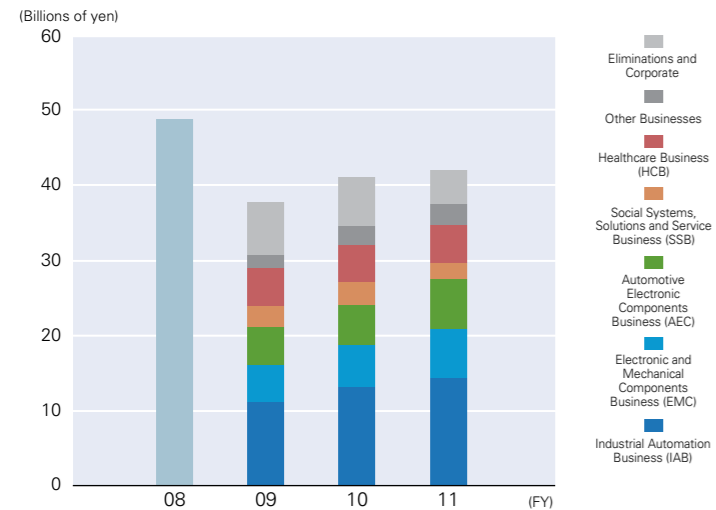


Operating Income Operating Income Margin (right scale)

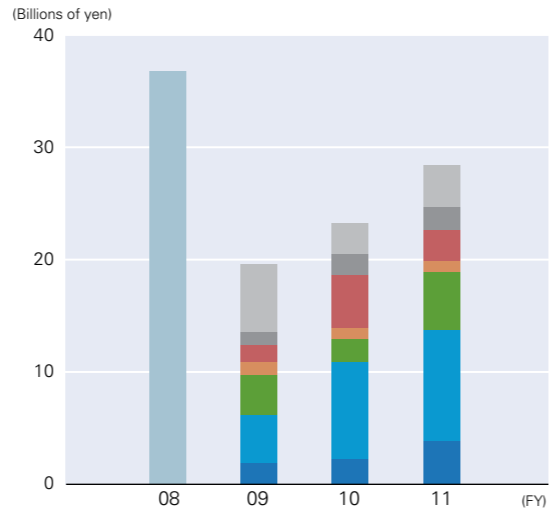


R&D Expenses and Capital Expenditures

R&D Expenses by Segment



Capital Expenditures by Segment

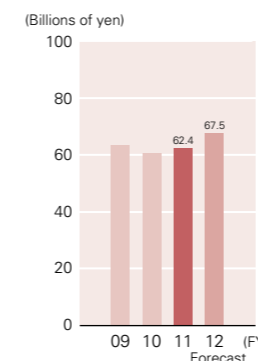


Healthcare Business (HCB)

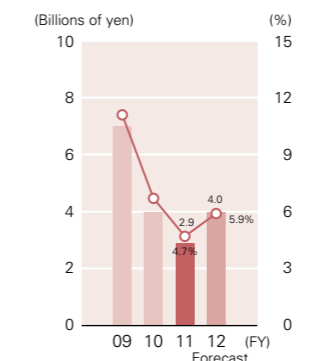
Net Sales by Segment

10%

Net Sales



Operating Income Operating Income Margin (right scale)

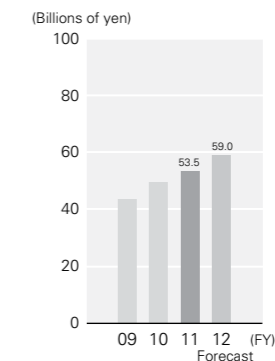


Other Businesses

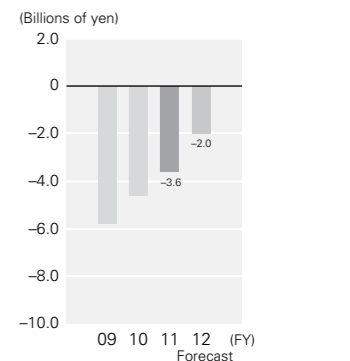
Net Sales by Segment

9%

Net Sales



Operating Income (Loss)

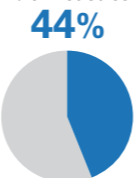


- Notes: 1. From fiscal 2009, the Companies adopted the Accounting Standards Codification No. 280, "Segment Reporting" (previously Statement of Financial Accounting Standards No.131, "Disclosures about Segments of an Enterprise and Related Information"). Accordingly, the figures of the segment information for fiscal 2008 have been restated to conform with the current year presentation.
2. The Company's business segments were reclassified as IAB, EMC, AEC, SSB, HCB, and Other in the third quarter of fiscal 2009. Figures for 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. Fiscal 2008 figures for R&D expenses and capital expenditures are the combined total for all the segments due to the new segment organization.

Industrial Automation Business (IAB)

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

% of Net Sales



IAB has established a complete lineup of state-of-the-art equipment that plays a principal role in automation. This lineup includes the sensors that provide automation systems with the senses of "vision" and "touch," the controllers that serve as their "brain," the drives that form their "limbs," and the networks that connect these various items as the "nerve system." With these sophisticated products, we are contributing to quality, safety, and the environment by supporting the innovation of manufacturing industries around the world.

Fiscal 2011 in Review

Overcoming the challenges presented by the Great East Japan Earthquake and the strong yen, sales in line with levels in fiscal 2010 were secured in all regions.

IAB net sales declined 0.4% year on year, to ¥270.8 billion, and operating income decreased 12.8%, to ¥33.3 billion, in fiscal 2011.

In Japan, sales were down 0.6% year on year, to ¥123.1 billion. In the first quarter, there was concern regarding the impact of delayed capital investment in the automobile and semiconductor industries as well as the difficulty in procuring parts, both of which resulted from the Great East Japan Earthquake. Faced with such adversity, we prioritized product supply, leading to significant increases in net sales, particularly in regard to sensors and programmable logic controllers, which reflected customers' efforts to secure inventories. Starting in the second quarter, performance was impacted by continued sluggish capital investment and inventory adjustment trends in industries related to semiconductors and electronic components, but strong capital investment demand in the automobile and machine tool industries helped keep net sales in line with levels in the second quarter of fiscal 2010. The third quarter was marked by the appearance of post-earthquake reconstruction

demand as well as elevated demand from Japanese companies following the severe flooding in Thailand, and as a result capital investment demand held firm in the automobile and machine tool industries. The cumulative effect of these factors was sales levels in fiscal 2011 remaining in line with those in fiscal 2010.

Overseas, sales slipped 0.2%, to ¥147.7 billion, due to the impact of the strong yen and other factors. Operations in Europe were adversely affected by the strong yen and financial instability; however, demand showed a gradual trend toward recovery, and accordingly sales were relatively unchanged year on year. Sales levels were maintained in China as well, where increased demand for automobiles and consumer electronics as well as higher internal demand for social infrastructure development compensated for the impacts of the inventory adjustment trend that stemmed from monetary tightening measures. In other areas of Asia, net sales proved solid thanks to demand created by reconstruction efforts following the floods in Thailand. In North America, sales of control equipment for oil- and gas-related businesses rose considerably, resulting in favorable overall sales figures. Due to the above, sales in fiscal 2011 were relatively unchanged from levels in fiscal 2010.

IAB Results and Forecast

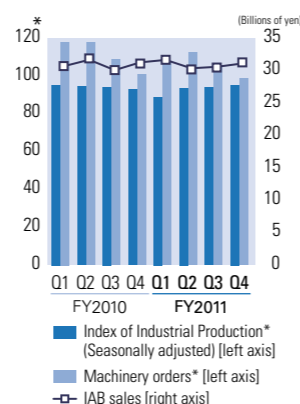
Fiscal Year	2008	2009	2010	2011	2012 (Forecast)
Net sales	272.0	203.9	271.9	270.8	274.0
Domestic	125.5	91.2	123.9	123.1	124.0
Overseas	146.5	112.7	148.0	147.7	150.0
Americas	31.6	18.9	26.7	29.3	32.5
Europe	70.7	51.2	56.7	55.3	52.5
Asia Pacific	17.4	16.8	25.0	25.3	27.5
Greater China	25.7	25.5	38.8	36.8	36.5
Direct exports	1.0	0.3	0.7	1.0	1.0
Operating income	18.2	12.7	38.2	33.3	35.0
Operating income margin	6.7%	6.2%	14.1%	12.3%	12.8%
R&D expenses	—	11.1	13.2	14.4	—
Depreciation and amortization	—	5.2	4.5	4.2	—
Capital expenditures*	—	1.9	2.2	3.8	—

* From fiscal 2009, the Companies adopted the Accounting Standards Codification No. 280, "Segment Reporting." The Company's business segments have been reclassified from the third quarter of fiscal 2009. Accordingly, the segment information figures for fiscal 2008 have been restated to conform with the current year's presentation.
 * Beginning in fiscal 2010, the Omron Group has been revising the management guidance fees for the purpose of concentrating capital funds at the headquarters to reinforce selection and concentration and strategically allocate resources. This inclusion has had an effect on the operating income of each segment.
 * Fiscal 2008 figures for R&D expenses, depreciation and amortization, and capital expenditures have not been stated due to the new segment organization.
 * The sales figures given indicate sales to external customers and exclude intersegment transactions. Operating income indicates income including internal income prior to the deduction of such amounts as intersegment transactions and head office expenses that are not apportionable.
 * The forecast for R&D expenses, depreciation and amortization, and capital expenditures is not publicized.

Check it out!

Analysis of external environment

Index of industrial production and machinery orders and IAB sales



*Sources: 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.

Business Strategy and Outlook for Fiscal 2012

We will maintain our standing as the best partner for manufacturers worldwide.

In the IAB segment, in fiscal 2012 we are forecasting a year-on-year rise in net sales of 1.2%, to ¥274.0 billion, and a 5.0% increase, to ¥35.0 billion, in operating income.

Conditions both in Japan and overseas are expected to make a full-fledged recovery starting in the second half of fiscal 2012, and consequently full-year net sales are anticipated to be in line with fiscal 2011. While the strong yen and financial instability in Europe will continue to represent uncertainty regarding the future of the operating environment, we are forecasting higher capital investment in the automobile and machine tool industries in Japan, North America, and emerging countries, such as China.

The IAB segment aims to respond to the automation needs of rapidly growing emerging countries as well as the increasingly more sophisticated and complex needs of developed countries in the area of controls and in the areas of safety, the environment, and energy. To facilitate this endeavor, we are reinforcing sales

systems and fortifying global customer support systems. In addition, we are bolstering our lineup of competitive products by quickly introducing equipment that boasts industry-leading levels of new ultra high-speed and high-precision products to beat out the competitors in emerging markets, which are rapidly gaining force. Through these efforts, we aim to further strengthen our robust product lineup, which we believe to be No. 1 in the world.

Further, we are enhancing our lineup of products that assist manufacturing sites, which use massive amounts of electricity, in realizing energy savings. These products include our electricity usage monitoring equipment and our equipment that measures the humidity, pressure, and electricity flow levels of production facilities. Striving to maintain our No. 1 standing into the future, amidst rising concern for environmental issues we will work to respond to the energy-saving and creation needs of customers in a wide range of environmental fields.

Yoshinobu Morishita

Representative Director and Executive Vice President, Company President, Industrial Automation Company



* As of July 21, 2012

What's New

Omron Tongling Automation System (Hangzhou) Co., Ltd., Established as Joint Venture Company by Omron (China) Co., Ltd., and Chinese System Integrator / Sales Agent

On March 15, 2012, Omron (China) Co., Ltd., and Hangzhou Tongling Automation Co., Ltd. (HTL), completed the registration of Omron Tongling Automation System (Hangzhou) Co., Ltd., a joint venture between these two companies located in Hangzhou, China, that commenced operations in June 2012. This company's operations will be centered on the Sysmac machine automation platform* products born out of Omron's advanced technologies. By fusing Omron's expertise related to state-of-the-art control equipment, which we have accumulated through our dealings with customers around the world, with HTL's engineering capabilities that were created by its drive to become a top system integrator in China, this company will assist us in rapidly developing automation equipment that can compete in the Chinese and global markets.



Omron Tongling Automation System (Hangzhou) Co., Ltd.

* Sysmac machine automation platform: With a machine automation controller at its core, this platform seamlessly links input and output devices through "one connection," allowing entire machines to be controlled by a single controller. Further, this platform enables the programming, motion setting, and network functions of connected equipment to be adjusted using a single software program, which conforms to the IEC 61131-3 standard. In these ways, the system enables users to achieve drastic improvements in productivity.

Machine Automation Controllers: Sysmac NJ Series (NJ3 CPU Unit)

For use in our line of NJ Series controllers that serve as the "brain" for the Sysmac automation platform, we introduced the NJ3 CPU unit series, which is compatible with 4- or 8-axis motion control, making it ideal for small scale control. This series complements the NJ5 CPU unit, compatible with up to 64-axis control, to further enhance our lineup in this area.



Next-Generation Standard Temperature Controllers: E5CC and E5EC (Digital Controllers)

These new digital temperature controllers feature present value (PV) displays using large, white characters for better visibility and offer improved ease in selection, operation, and setting. Functionality and features have also been improved by increasing the number of inputs and outputs, significantly expanding the range of compatible applications, and other means.



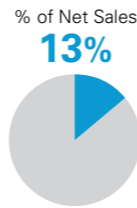
Clamp Electricity Data Logger That Accelerates Energy-Saving Efforts at Manufacturing Sites: ZN-CTC11

By clamping the ZN-CTC11 electricity data logger onto power cords, this device can record the electricity usage of facilities and production lines without stopping the equipment. This is the industry's first clamp electricity data logger to have the clamp integrated into the logger (as of June 2012, Omron internal survey).



Electronic and Mechanical Components Business (EMC)

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.

Fiscal 2011 in Review

Following a strong performance by products for the automobile industry in Japan and overseas, sales were up year on year.

EMC net sales were up 2.2% year on year, to ¥83.0 billion, and operating income was down 39.2%, to ¥7.2 billion, in fiscal 2011.

Domestic sales edged up 1.3%, to ¥25.3 billion. Net sales initially dropped as demand for automotive-use relays and switches fell in the first quarter in conjunction with the reduced production of automobiles following the Great East Japan Earthquake. In July, recovery trends were evident in the automobile and amusement industries, and sales to consumer-related industries, such as those related to consumer electronics, were strong due to post-earthquake recovery demand. These factors encouraged a recovery in second quarter results from the declines experienced in the first quarter. A strong performance continued for the remainder of the year, and as a result sales in Japan were in line with fiscal 2010's level.

Overseas sales rose 2.6% year on year, to ¥57.7 billion, despite the impacts of the strong yen, monetary tightening measures in China, and financial instability in Europe. In China, the monetary tightening measures implemented during the first half of the year drove consumer-related industries, such as those related to consumer electronics, into an inventory adjustment phase with regard to certain products. However, the impacts of these trends were outweighed by the benefits of customers working to procure parts in advance due to concerns for possible supply shortages after the earthquake. China and other emerging countries were adversely affected by the global decline in automobile production as well as the impact on Asian automotive parts markets of the floods in Thailand that occurred during the second half of the fiscal year. Nevertheless, sales of automotive parts and mobile telephone components were strong throughout fiscal 2011. As a consequence, overseas sales were up.

Koichi Tada

Managing Officer
Company President, Electronic and Mechanical Components Company



Business Strategy and Outlook for Fiscal 2012

Utilizing our *monozukuri* capabilities, we will focus on the Greater China region, other parts of Asia, and environmental fields.

We plan to raise EMC net sales 7.2% year on year, to ¥89.0 billion, and operating income 10.5%, to ¥8.0 billion, in fiscal 2012.

The operating environment for electronic components is expected to remain harsh overall due to the financial instability in Europe, the deceleration of growth in the Greater China region, and the persistence of the strong yen.

Conversely, in China and other parts of Asia, a geographic segment that accounts for 65% of the world's population, markets are expanding rapidly, and we are steadily pushing forward with initiatives to address this market growth. Our sophisticated *monozukuri* capabilities, which enable us to conduct production in an integrated manner spanning from product design and material procurement to molding, parts processing, and assembly, will play a key role in undertaking these efforts. Utilizing these capabilities, we will improve the

quality, reduce the costs, and stabilize the supplies of relays, switches, and connectors for industrial machinery, as these are the characteristics our target industries seek out in products.

In addition, as markets related to the environmental and energy fields are expanding, we will create components that contribute to the advancement of environmental fields and target sales growth for such components. Specifically, we have high expectations for the future performance of smart meters, which are electricity meters equipped with communications functions, in markets in China and other parts of Asia. For this reason, we are enhancing our power latching relay operations. Power latching relays are used to control the flow of electricity into smart meters. We are also taking steps to improve the competitiveness of our DC power relays for use in electric and hybrid-electric vehicles with the aim of advancing their use among automobile manufacturers worldwide.

EMC Results and Forecast*

Fiscal Year	2008	2009	2010	2011	2012 (Forecast)
Net sales	76.5	70.7	81.2	83.0	89.0
Domestic	25.6	22.3	24.9	25.3	27.0
Overseas	50.9	48.4	56.3	57.7	62.0
Americas	8.6	7.3	13.7	13.2	13.0
Europe	9.2	11.7	13.0	12.9	13.5
Asia Pacific	8.4	7.6	8.4	7.6	9.0
Greater China	20.9	19.8	19.8	22.7	25.0
Direct exports	3.8	1.9	1.5	1.3	1.5
Operating income	4.2	6.7	11.9	7.2	8.0
Operating income margin	5.5%	9.5%	14.7%	8.7%	9.0%
R&D expenses	—	5.0	5.6	6.5	—
Depreciation and amortization	—	8.5	6.9	7.2	—
Capital expenditures*	—	4.2	8.7	9.9	—

* From fiscal 2009, the Companies adopted the Accounting Standards Codification No. 280, "Segment Reporting." The Company's business segments have been reclassified from the third quarter of fiscal 2009. Accordingly, the segment information figures for fiscal 2008 have been restated to conform with the current year's presentation.

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

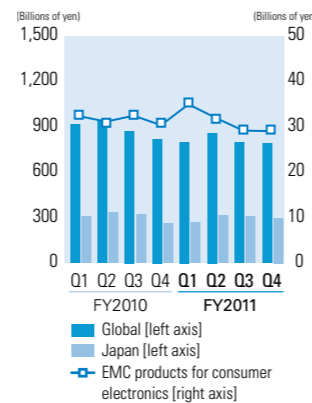
* Fiscal 2008 figures for R&D expenses, depreciation and amortization, and capital expenditures have not been stated due to the new segment organization.

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

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

Check it out!

Analysis of external environment
Global shipments of electronic components and sales of EMC products for consumer electronics



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

Sales were sluggish from the second half of fiscal 2011 following the deceleration of overseas economies.

What's New

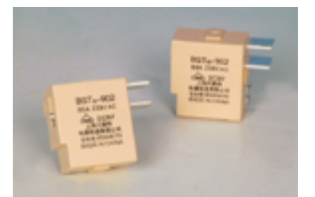
Strengthening Smart Meter-Related Power Latching Relay Operations

Aiming to strengthen its relay operations, Omron acquired Shanghai Best Electrical Appliance Manufacturing Co., Ltd. (BST), a manufacturer of power latching relays, which are used in smart meters.

Smart meters are expected to become a mainstay device in smart grids, which are projected to experience a rapid increase in demand as an interface for connecting power grids with commercial buildings or individual homes. Demand is expected to be particularly strong in China and other parts of Asia. Power latching relays are employed in the load switching units used for directly controlling the supply of power to these smart meters.

BST commands the leading position in the Chinese market for power latching relays. The company has gained a competitive advantage through its high-mix, low-volume production system and by enhancing productivity through the use of modular parts.

By incorporating BST's strengths, Omron will further expand its power latching relay business.



Power latching relays

Remote Reset Rocker Switch: A8GS

The A8GS remote reset rocker switch is among the smallest rocker switches in the industry. This switch is primarily used as the main power switch for office automation (OA), audio video (AV), and other equipment. Featuring a solenoid, this switch can be operated manually and possesses a remote reset function that allows the switch to be turned off by outside signals. This function reduces standby electricity consumption to zero, thus contributing to energy savings.



Dust-Proof Ultra Subminiature Basic Switch: D2FD

Based on the design specifications of a popular preceding model, D2FD switches feature rubber sealing, which means they can be used in dust-proof environments (IEC IP6X). Equipped with this high-demand feature, D2FD switches are the optimal switches for use in the position sensors of washing machine lids and refrigerator doors as well as for use in industrial equipment, office equipment, telecommunications equipment, and other equipment requiring dust-proof switches.



Hand Gesture Recognition Technologies

Hand gesture recognition technologies are used to simultaneously identify the position, contour, and movement of hands or fingers from camera-recorded videos. These technologies enable televisions to be operated with hand signs, cameras to be programmed to automatically take pictures in response to the "peace" sign, and other motion-based equipment control schemes to be realized.



Automotive Electronic Components Business (AEC)

Production and sales of electronic components for automobiles

% of Net Sales
14%



Omron Automotive Electronics Co., Ltd. (AEC), conducts business operations catering specifically to the ever-evolving automotive electronics field, a subsection of the automobile industry, which continues to grow on a global basis. This business continues to contribute to the realization of a safer, more secure, and more comfortable driving society by producing technologies and products designed to create "the best matching of automobiles to people."

Fiscal 2011 in Review

Domestic automobile manufacturers recovered and automobile markets in emerging countries grew, stimulating sales increases.

AEC net sales edged up 0.9% year on year, to ¥85.0 billion, and operating income declined 35.3%, to ¥2.7 billion, in fiscal 2011. Domestic sales were ¥28.9 billion, up 1.8%, from the previous year.

Automobile production by principal customers fell immediately after the Great East Japan Earthquake, resulting in a sharp drop in sales during the first quarter of the year. However, in conjunction with the recovery of automobile and parts manufacturers, automobile production gradually recovered starting in the latter half of the first quarter. In addition, certain automobile manufacturers accelerated production to return inventories of completed vehicles to a certain level. In the second half of the fiscal year, the recovered production among manufacturers led to a comeback in demand for the company's products. The severe flooding in Thailand that occurred in October damaged our Thai manufacturing base, and the issues with procuring electronic components after the floods adversely impacted sales in this segment

and in the automobile industry as a whole. Later in the year, when parts supplies were able to be secured, production by automobile manufacturers rallied once again. Thanks to the above, sales were solid on a full-year basis.

Overseas sales rose 0.5%, to ¥56.1 billion, despite the impacts of the strong yen, the monetary tightening measures in China, and the financial instability in Europe. During the first half of the fiscal year, sales to China and other emerging countries as well as South Korea were strong. In North America, demand from U.S. automobile manufacturers held firm, but reduced production among Japanese automobile manufacturers resulted in significant declines in sales. The favorable sales trends in China, other emerging countries, and South Korea continued into the second half of the fiscal year, thus helping to offset the impacts of the less-than-ideal exchange rates and the floods in Thailand. As a result of these factors, overseas sales were overall relatively unchanged from the previous fiscal year.

Yoshinori Suzuki

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



Business Strategy and Outlook for Fiscal 2012

Automobile market growth is expected to center on emerging countries.

For AEC, we are forecasting a year-on-year increase of 11.7%, to ¥95.0 billion, in net sales, with an 85.8% jump in operating income, to ¥5.0 billion, in fiscal 2012.

In Japan, strong sales are projected as a result of the demand stimulated by government subsidies for the purchase of eco-friendly automobiles as well as favorable conditions in the market for small vehicles. Strong sales are also projected overseas. Factors expected to support sales growth include the recovering North American market, expansion in the emerging markets of China and Southeast Asia, the start of full-fledged production of globally strategic vehicles by automotive manufacturers in Thailand and other countries, and the start of production of new-model vehicles that incorporate Omron's new products.

Further, the automobile market is expected to continue growing centered on emerging countries. Against this backdrop, competition between manufacturers is intensifying and the globalization of production is accelerating. Aiming to respond to such market changes, AEC will employ the "One Global Team" management strategy, under which global expansion will be pursued by leveraging the Group's accumulated technologies and techniques and installing high-quality development, production, sales, and services functions in each major region of the world. The resulting system will be used to further advance us in our quest to uncover the social needs inherent to each different area and quickly and efficiently introduce products that meet these needs.

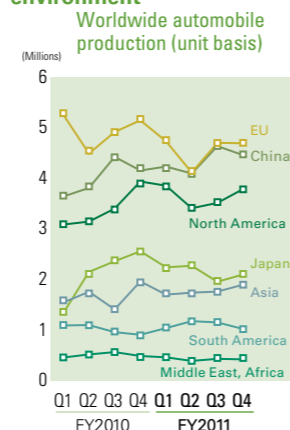
AEC Results and Forecast

Fiscal Year	2008	2009	2010	2011	2012 (Forecast)
(Billions of yen)					
Net sales	82.1	75.2	84.3	85.0	95.0
Domestic	25.0	23.9	28.4	28.9	30.0
Overseas	57.1	51.3	55.9	56.1	65.0
Americas	27.9	24.0	23.9	21.5	23.5
Europe	9.0	2.0	2.6	2.4	3.0
Asia Pacific	12.5	13.1	14.2	16.2	19.0
Greater China	4.7	6.3	9.1	9.5	11.5
Direct exports*	3.0	5.9	6.2	6.5	8.0
Operating income (loss)	(7.1)	1.7	4.2	2.7	5.0
Operating income margin	—	2.3%	4.9%	3.2%	5.3%
R&D expenses	—	5.0	5.3	6.6	—
Depreciation and amortization	—	2.1	2.1	2.1	—
Capital expenditures*	—	3.6	2.0	5.2	—

* From fiscal 2009, the Companies adopted the Accounting Standards Codification No. 280, "Segment Reporting." The Company's business segments have been reclassified from the third quarter of fiscal 2009. Accordingly, the segment information figures for fiscal 2008 have been restated to conform with the current year's presentation.
* Beginning in fiscal 2010, the Omron Group has been revising the management guidance fees for the purpose of concentrating capital funds at the headquarters to reinforce selection and concentration and strategically allocate resources. This inclusion has had an effect on the operating income of each segment.
* Fiscal 2008 figures for R&D expenses, depreciation and amortization, and capital expenditures have not been stated due to the new segment organization.
* The sales figures given indicate sales to external customers and exclude intersegment transactions. Operating income indicates income including internal income prior to the deduction of such amounts as intersegment transactions and head office expenses that are not apportionable.
* The forecast for R&D expenses, depreciation and amortization, and capital expenditures is not publicized.

Check it out!

Analysis of external environment



Source: CSM Worldwide, Inc.

Sales were poor in Japan due to the impacts of the Great East Japan Earthquake, while sales improved significantly in China.

What's New

Automobile Parts Production in Mexico

In February 2012, a new AEC production base was established in Guanajuato, Mexico. This base has begun the production of automotive electronic components. As automobile manufacturers are progressively developing and expanding operations in Mexico and as the production of completed automobiles in this country rises in the future, this new production base will come to play a central role in developing our own operations thanks to its convenient access to the automobile markets in the Americas and Europe. In addition, as this is the Omron Group's first production base in Mexico, we will utilize it to facilitate social contribution efforts in this country.



An automotive electronic components production base, in Mexico

Electric Power Steering Controllers

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

Transmitter Key and Engine Start Systems

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

Components for Eco-Friendly Vehicles

AEC conducts the mass production of cell monitoring units, electricity leakage sensors, and other devices for use in electric vehicles (EVs). This segment will continue to develop products that contribute to higher levels of energy and fuel efficiency while creating technologies and products for EVs in the power management and power conversion fields.

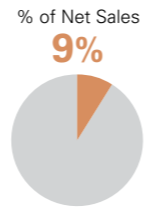


SEGMENT INFORMATION

Social Systems, Solutions and Service Business (SSB)

Providing solutions and services for contributing to a safer and more secure, and comfortable society

Omron Social Solutions Co., Ltd. (SSB), provides various equipment, systems, and services to support secure and comfortable living environments and a safe social infrastructure.



Fiscal 2011 in Review

Sales and income were down due to the stagnant domestic economy and sluggish capital investment in the railway industry.

In fiscal 2011, SSB net sales were down 10.4% year on year, to ¥57.2 billion, and operating income was ¥0.1 billion, compared with ¥1.7 billion in fiscal 2010.

In the railway infrastructure business, demand weakened during the first half of the fiscal year as a result of the curtailment of capital investment among railway companies that were heavily impacted by the Great East Japan Earthquake. While sales of safety and security solutions centered on remote monitoring systems increased during the second half of the fiscal year, capital investment demand from railway companies failed to recover to pre-earthquake levels. As a result, full-year sales dropped in this business significantly.

The traffic control and road control systems business benefited from income from the deliveries and related installation of products scheduled for the end of fiscal 2010 that were delayed due to the Great East Japan Earthquake. However, the stagnancy in the domestic economy led to sluggish sales overall.

The Environmental Solutions Business HQ marked the smooth launches of energy-saving, creating, and storing businesses. In the related maintenance business, strong sales continued, as demand for solar power generation products increased and related installation expanded substantially.

SSB Results and Forecast

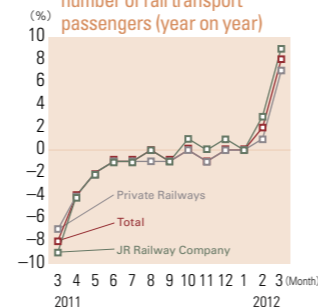
Fiscal Year	2008	2009	2010	2011	(Billions of yen)
					2012 (Forecast)
Net sales	72.3	58.0	63.8	57.2	60.0
Domestic	70.7	57.5	63.1	56.9	59.0
Overseas	1.6	0.5	0.7	0.3	1.0
Americas	0.0	0.0	0.0	0.0	0.0
Europe	0.0	0.0	0.0	0.0	0.0
Asia Pacific	0.0	0.0	0.0	0.0	0.0
Greater China	0.0	0.0	0.0	0.0	0.0
Direct exports	1.6	0.5	0.7	0.3	1.0
Operating income	5.2	2.7	1.7	0.1	1.0
Operating income margin	7.2%	4.6%	2.6%	0.2%	1.7%
R&D expenses	—	2.9	3.0	2.2	—
Depreciation and amortization	—	1.4	1.7	1.1	—
Capital expenditures*	—	1.2	1.0	0.9	—

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

Check it out!

Analysis of external environment

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



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

SSB's business covers a broad range of social fields, and there are no specific economic indicators that link closely to performance. In the railway segment, for example, SSB's sales are strongly influenced by customer budgets for IC card equipment installation and new railway and station construction plans. During fiscal 2011, travel dropped following the Great East Japan Earthquake, and capital investment in this area was influenced accordingly. However, these conditions showed recovery beginning in March 2012.

Kiichiro Kondo

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



Business Strategy and Outlook for Fiscal 2012

Profit structure reforms and accelerated growth in business development will generate increases in sales and income.

In fiscal 2012, we are projecting a 4.9% year-on-year gain in SSB net sales, to ¥60.0 billion, and a ¥0.9 billion rise in operating income, to ¥1.0 billion. Existing businesses, such as those related to stations, railways, traffic control, and road control, will face the continued curtailment of capital investment. In this environment, we will advance the profit structure reforms undertaken in fiscal 2011, striving to generate income to be reinvested in growth areas. Going forward, we will further accelerate growth by investing this income in environment-related businesses and reinforcing our strong engineering capabilities as well as by bolstering our lineup of unique solutions that meet market needs.

In developing environment-related businesses, we will focus on the following three growth drivers. Working together with the Environmental Solutions Business HQ, SSB will expand its

business operations in this area centered on engineering fields, such as system design, installation, and maintenance.

1. Energy creation: We will introduce remote monitoring services for solar power generation systems that bundle design and installation services together with maintenance and inspection and establish a business model for providing one-stop service for solar power solutions.
2. Energy storage: Focused on electricity storage systems, we will realize optimal energy systems that link energy creation with energy saving to manage peak-hour energy usage and realize other benefits.
3. Energy saving: We will provide services related to the construction, operation, and maintenance of systems that monitor and automatically control electricity usage.

What's New

SSB Receives Minister of State for Special Missions' Excellence Award

SSB received the Minister of State for Special Missions' Excellence Award at the 2011 Barrier-Free Promotion Contributor Awards, which was the 10th occasion of this event.

This award is presented to individuals or organizations that have made significant contributions to the promotion of barrier-free universal design. The goal of the award is to encourage such superior barrier-free universal design initiatives that assist in making society safer and more comfortable for everyone, including seniors, people with disabilities, pregnant women, and people with children.

SSB received this award in recognition of its efforts to make the automated ticket vendors and ticket gates in train stations easier to use for all passengers, including seniors and people with disabilities, by employing universal design concepts. Another factor considered was SSB's contribution to developing barrier-free design guidelines for automated ticket vendors. These guidelines are not only applied to in-house development but have also been made available to the entire industry.



Automated ticket vendor employing universal design concepts

Intelligent Image Monitoring System: SS Vision

SS Vision is a new image monitoring system that combines image recording and replay functions with image enhancement functions. This system enables the improved efficiency of image monitoring operations, which are on the rise, while reducing growing security risks. Moreover, this system is equipped with various image analysis engines, including those for facial recognition and license plate identification, and thus can be used in a wide variety of applications.

* Image recording functions that employ LECRE Inc.'s ArobaView system



Real Time Translation Application: TranScope

TranScope is a convenient smartphone application that serves as a valuable asset in overcoming language barriers when traveling abroad. The application allows text to be translated by reading the text through the smartphone's camera, making it highly viable in a variety of situations, whether in transit on trains or buses or at restaurants when reading menus. This application is compatible with Japanese, Korean, Chinese, and English.

* The application is currently under development, and we plan to begin sequentially launching versions for different language pairs starting in fall 2012.



SEGMENT INFORMATION

Healthcare Business (HCB)

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

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



Fiscal 2011 in Review

Sales were unchanged in Japan due to the Great East Japan Earthquake, but strong overseas sales growth drove overall sales increases.

HCB net sales rose 3.0% year on year, to ¥62.4 billion, while operating income decreased 28.4%, to ¥2.9 billion in fiscal 2011.

Domestic sales were up 1.3%, to ¥27.2 billion. The market for home-use healthcare devices contracted notably during the first half of the fiscal year as a result of the electricity-saving efforts and the declines in consumer spending that were inspired by the impact of the Great East Japan Earthquake, and consequently sales were sluggish. In the second half of fiscal 2011, sales of new home-use healthcare devices, such as thermometers, body composition monitors, and activity monitors, proved to be favorable and we were able to expand our market share. In equipment for use in medical institutions, the world's first

visceral fat monitor to employ Omron's dual impedance analysis method posted sales growth. Conversely, capital investment was limited in the hospital market due to the influences of the earthquake, which resulted in weak sales of physiological monitors, a core product. As a result of the above, overall sales in Japan were relatively unchanged in fiscal 2011.

Overseas sales were up 4.4%, to ¥35.2 billion. Rising healthcare awareness contributed to brisk demand for healthcare devices, and performance in the first half of fiscal 2011 was consequently strong. Sales were particularly impressive in China, Central and South America, Southeast Asia, and the Middle East. In the second half of the year, economic slowdown in China and North America adversely affected sales, but full-year sales still showed an increase.

HCB Results and Forecast

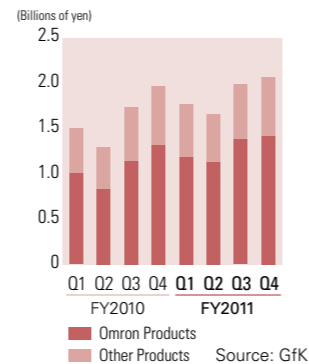
Fiscal Year	2008	2009	2010	(Billions of yen)	
				2011	2012 (Forecast)
Net sales	63.6	63.4	60.6	62.4	67.5
Domestic	28.1	29.6	26.9	27.2	29.5
Overseas	35.5	33.8	33.7	35.2	38.0
Americas	12.0	10.8	10.2	9.8	10.5
Europe	14.3	12.7	12.2	13.0	13.5
Asia Pacific	2.1	2.3	2.5	2.9	3.5
Greater China	6.7	7.4	8.0	8.6	9.5
Direct exports	0.4	0.7	0.8	0.9	1.0
Operating income	4.8	7.1	4.1	2.9	4.0
Operating income margin	7.5%	11.1%	6.7%	4.7%	5.9%
R&D expenses	—	5.0	5.0	5.1	—
Depreciation and amortization	—	1.3	1.2	1.5	—
Capital expenditures*	—	1.5	4.7	2.8	—

* From fiscal 2009, the Companies adopted the Accounting Standards Codification No. 280, "Segment Reporting." The Company's business segments have been reclassified from the third quarter of fiscal 2009. Accordingly, the segment information figures for fiscal 2008 have been restated to conform with the current year's presentation.
 * Beginning in fiscal 2010, the Omron Group has been revising the management guidance fees for the purpose of concentrating capital funds at the headquarters to reinforce selection and concentration and strategically allocate resources. This inclusion has had an effect on the operating income of each segment.
 * Fiscal 2008 figures for R&D expenses, depreciation and amortization, and capital expenditures have not been stated due to the new segment organization.
 * The sales figures given indicate sales to external customers and exclude intersegment transactions. Operating income indicates income including internal income prior to the deduction of such amounts as intersegment transactions and head office expenses that are not apportionable.
 * The forecast for R&D expenses, depreciation and amortization, and capital expenditures is not publicized.

Check it out!

Analysis of external environment

Changes in domestic electronics market (blood pressure monitors)



Sales of blood pressure monitors were brisk in the second half of the year after dipping briefly in the first half due to the impact of the Great East Japan Earthquake.

Business Strategy and Outlook for Fiscal 2012

Markets in emerging countries are expected to continue expanding.

For HCB, we forecast a gain of 8.1% year on year in net sales, to ¥67.5 billion, accompanied by a 37.1% increase in operating income, to ¥4.0 billion, in fiscal 2012.

Improved standards of living, the adoption of Western diets, and other lifestyle changes in emerging countries, such as China and India, as well as those in Central and South America, have resulted in growing trends in lifestyle diseases. We anticipate these trends will result in the continued expansion of healthcare device markets in these countries. To capture this demand, we are strengthening sales systems on a global basis and enhancing

our network of distributors, pharmacies, drugstores, and other sales channels. Also, we will introduce into these emerging countries new products that meet the individual needs of specific countries. Through these efforts, we will work to accelerate sales growth.

In developed countries, sluggish consumer spending and limited capital investment among medical institutions is forecasted. Regardless, we will work to develop new markets in Japan. To this end, we will introduce sleep sensors and WellnessLink-compatible products in the home-use healthcare device market and launch the Medical LINK blood pressure management service for the medical devices market.

Kiichiro Miyata

Managing Officer
President and CEO,
Omron Healthcare Co., Ltd.



What's New

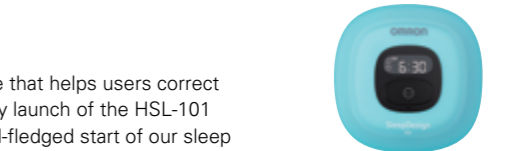
Start of Sleep Sensor Business

In April 2012, the HSL-001 sleep duration tracker, a device that helps users correct their internal body rhythms, was released. This was subsequently followed by the May launch of the HSL-101 sleep sensor, which measures sleep conditions when placed bedside, marking the full-fledged start of our sleep sensor business.

The HSL-001 sleep duration tracker determines when users drift into sleep and then records their sleep time. By transferring the recorded data to a specialized sleep rhythm recording application for Android smartphones, users can easily track data and confirm variances in their sleeping and waking times.

The HSL-101 sleep sensor can be used simply by placing it next to one's bed. The built-in radio wave sensor tracks the user's movements in bed, including that of their chest, and determines whether they are asleep or awake. This is the first device in Japan to allow sleep conditions to be measured with zero contact and zero restraint. Further, data can be transmitted to the WellnessLink health management service, which will display sleep trends classified into three categories of sleep depth and provide reports analyzing sleep trends. In these ways, this device helps improve sleep quality.

Together with exercise and diet, sleep is a factor that must be considered for preventing and improving lifestyle diseases. By evolving our lineup of products and services in this area, we will assist customers in improving sleep quality and comfort into the future.



HSL-001 sleep duration tracker



Sleep-depth graph measured by the HSL-101 sleep sensor



HSL-101 sleep sensor

Omron's Visceral Fat Monitor System: HDS-2000 DUALSCAN

HDS-2000 DUALSCAN is the world's first visceral fat monitor to employ Omron's proprietary dual impedance analysis method. This system enables medical institutions to safely and easily measure visceral fat volumes. As X-ray or CT scans used to be necessary to measure visceral fat, this monitor is a safer option because it does not involve exposure to radiation. Also, it is faster than conventional methods.



Omron Body Composition Monitor: HBF-214

This glass body composition monitor features a slim design with a width of only 28mm, indicating it can safely be stored even in tight spaces. Equipped with such basic features as body fat percentage and visceral fat level measurements, this device is optimal for household health management.



Omron Activity Monitor Calorie Scan: HJA-311

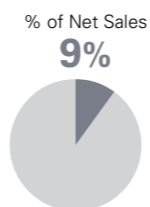
The HJA-311 is more than just a pedometer; it is an advanced activity monitor equipped with communications functions that enable it to measure the total amount of calories burned throughout a day. When linked with a specialized application, "Yurupika Diet," for Android smartphones, this device can provide more comprehensive support in achieving monthly weight loss goals. Moreover, the HJA-311 indicates to users when they have earned the right to reward themselves with sweets or some other diet deviation, thus helping raise motivation.



Other Businesses

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

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



Fiscal 2011 in Review

Solar power conditioners and backlights for smartphones contributed positively to sales.

In the Other segment, net sales increased 7.8% year on year, to ¥53.5 billion, and operating loss improved, from ¥4.7 billion in fiscal 2010, to ¥3.6 billion in fiscal 2011.

The Environmental Solutions Business HQ registered low sales during the first half of the year due to the impact of component procurement difficulties following the Great East Japan Earthquake. In the second half of the year, the energy-saving components and services business grew thanks to a rise in sales of systems for monitoring electricity usage in response to the requests for electricity conservation posed by the government and power companies in light of the impact of the earthquake. Sales volumes of solar power conditioners (energy-creation business) also expanded, as we actively introduced new products in this line, a move taken in consideration of the growing attention for solar power as an alternative power source. As a result, full-year sales were strong.

In the Electronic Systems & Equipments Business HQ, sales of industrial-use computers and contract manufacturing and the development of electronic devices were weak, as customers modified or scaled back investment plans due to the earthquake. However, demand for uninterruptible power supply units to manage power supply concerns continued to increase. As a result, overall sales remained essentially unchanged from the previous fiscal year.

The Micro Devices Business HQ experienced weak sales due to a decline in demand for contract semiconductor manufacturing and custom integrated circuits for consumer products and industrial use.

In the Backlight Business, we actively addressed demand in the firmly established smartphone market, while automotive-use LED backlights experienced stable demand. Accordingly, sales were solid throughout the year.

Other Businesses Results and Forecast

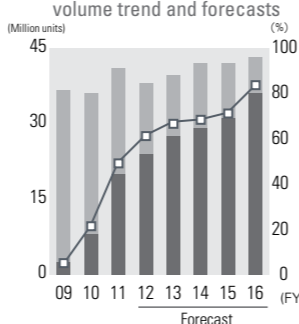
Fiscal Year	2008	2009	2010	2011	2012 (Forecast)
Net sales	50.2	43.6	49.7	53.5	59.0
Domestic	30.5	24.7	27.5	29.5	29.0
Overseas	19.7	18.9	22.2	24.0	30.0
Americas	0.0	0.0	0.0	0.0	0.0
Europe	0.0	0.0	0.0	0.0	0.0
Asia Pacific	0.0	0.0	0.0	0.0	0.0
Greater China	17.0	17.5	20.7	22.6	28.0
Direct exports	2.7	1.3	1.5	1.4	2.0
Operating income (loss)	(7.3)	(5.8)	(4.7)	(3.6)	(2.0)
Operating income margin	—	—	—	—	—
R&D expenses	—	1.7	2.5	2.8	—
Depreciation and amortization	—	1.2	1.2	0.9	—
Capital expenditures*	—	1.1	1.9	2.1	—

* From fiscal 2009, the Companies adopted the Accounting Standards Codification No. 280, "Segment Reporting." The Company's business segments have been reclassified from the third quarter of fiscal 2009. Accordingly, the segment information figures for fiscal 2008 have been restated to conform with the current year's presentation.
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 * The forecast for R&D expenses, depreciation and amortization, and capital expenditures is not publicized.

Check it out!

Analysis of external environment

Smartphone unit shipment volume trend and forecasts



Legend:
 ■ Smartphone unit shipments [left axis]
 ■ Feature phone unit shipments [left axis]
 -□- Shipment ratio of smartphone units to feature phone units [right axis]
 * PHS, data transmission cards, and communications modules not included
 Source: MM Research Institute data

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

Business Strategy and Outlook for Fiscal 2012

The smartphone market will continue to expand and conditions will be favorable for environment-related businesses.

In the Other segment, in fiscal 2012 we are forecasting a 10.2% year-on-year rise in net sales, to ¥59.0 billion, and a decrease in operating loss, from ¥3.6 billion, to ¥2.0 billion.

Conditions will be favorable for the Environmental Solutions Business HQ in fiscal 2012 as a result of the July 2012 launch of a government system under which all electricity generated using renewable energy sources will be purchased and a related subsidy system. Taking advantage of these conditions, we will target higher domestic sales of solar power conditioners and a larger share of this market. Also, we anticipate growth in the energy-saving components and services business thanks to this business's ability to provide the type of electricity-saving solutions for which demand has been growing since 2011. In addition, we will further expand the scale of operations by developing comprehensive energy solutions businesses that combine energy saving, creation, and storage to respond to demand for business continuity plans and other social needs.

The Electronic Systems & Equipments Business HQ will work to expand sales of industrial-use computers and contract manufacturing and the development of electronic devices. At the same time, with the aim of boosting sales, we will bolster our lineup of uninterruptible power supply units, which are registering increases in demand due to concerns regarding electricity shortages.

In the Micro Devices Business HQ, demand for custom integrated circuits and other existing products will likely remain at the same level as in fiscal 2011. However, we will target sales expansion in the growing market for micro electrical mechanical systems (MEMS) microphones and sensors.

In the Backlight Business, we will continue to focus development on making slimmer and brighter products for use in the high-resolution liquid-crystal displays of smartphones and are thus forecasting higher sales in this business. Moreover, we will advance the automation and boost the productivity of production lines for mass-produced products while simultaneously reducing costs in the pursuit of improved profitability.

What's New

Helping Solar Power Systems Stabilize Generation Volumes and Supporting Maintenance with Monitoring Services

Solar power continues to gain attention as a means of preventing global warming and as an alternative source of electricity that can be used to combat electricity shortages, such as those that occurred in Japan during 2011. As such, the solar power market is expanding with each coming year. Further market growth is anticipated following the July 2012 launch of a government system under which all electricity generated using renewable energy sources will be purchased and the resulting rise in demand for methods of realizing local production and consumption of electricity.

In July 2012, Omron launched a new service that supports this market by utilizing remote monitoring to provide an integrated system for monitoring the operation of solar power systems and managing on-site maintenance. The remote monitoring of solar power systems allows generation efficiency and malfunctions to be tracked in real time; should a malfunction occur, the details of this disturbance can be quickly confirmed, thus enabling the speedy procurement of necessary parts and facilitating timely repairs, replacement, and other maintenance procedures. This consequently limits generation losses while helping solar power systems operate stably for longer periods of time.



Backlights Business

Four-Inch Backlight for High-End Smartphones

Our four-inch backlights realize higher levels of brightness and efficiency while providing more uniform lighting and enabling slimmer bodies of smartphones and narrower frames.



Electronic Systems and Equipment Business

Uninterruptible Power Supply Units: BY-S Series

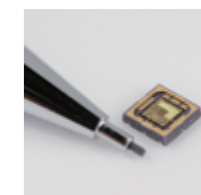
The BY-S Series of sine wave output uninterruptible power supply units features units that are both compact and affordable and can be used safely with PCs and servers. By introducing a lineup of products with maximum capacities ranging from 350VA to 1200VA, we will further invigorate the uninterruptible power supply unit market.



Micro Devices Business

MEMS Absolute Pressure Sensor

Omron has developed an absolute pressure sensor capable of accurately detecting 50cm altitudinal variations through highly precise sensing of air pressure fluctuations. The Company will promote the usage of this sensor, which is among the world's most accurate and power efficient, in smartphones and activity monitors.



Intellectual Property Strategy

Enhancing Profitability and Promoting Business Growth

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

Establishment and Implementation of the Omron Intellectual Property Guidelines

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

INTELLECTUAL PROPERTY GUIDELINES

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

Intellectual Property Activities Contributing to Business

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

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

connecting our vertical businesses horizontally by leveraging our intellectual property strengths.

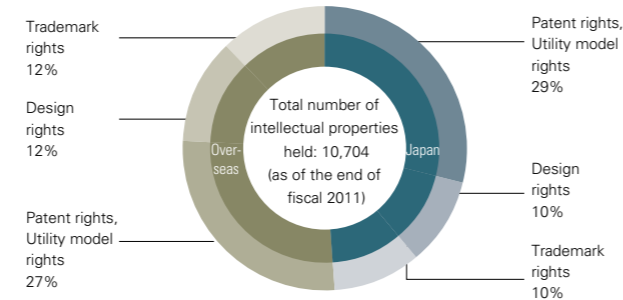
Promoting Globalization of Intellectual Property Capabilities

The globalization of our intellectual property has been advancing ahead of the Omron Group's Hyper-Global business development. Our Singapore headquarters, in particular, is positioned as a hub that is capable of consolidating patent applications and filings for those innovations created by the Group globally. At the same time, we are bolstering the functions necessary to support intellectual property activities in general in the Asia Pacific region, which is anticipated to experience rapid market growth.

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

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

Intellectual Property Holdings in Japan and Overseas



Intellectual Property and R&D-Related Data

Fiscal Year	2007	2008	2009	2010	2011
Number of patents					
Applications	1,255	1,119	794	901	1,068
Approvals	943	826	730	753	915
Total patents	5,717	5,205	5,218	5,452	5,959
R&D expenses (billions of yen)	515	489	378	413	421
R&D expense / Sales ratio	6.7%	7.7%	7.2%	6.7%	6.8%

R&D

Fostering Innovation through Sensing and Control

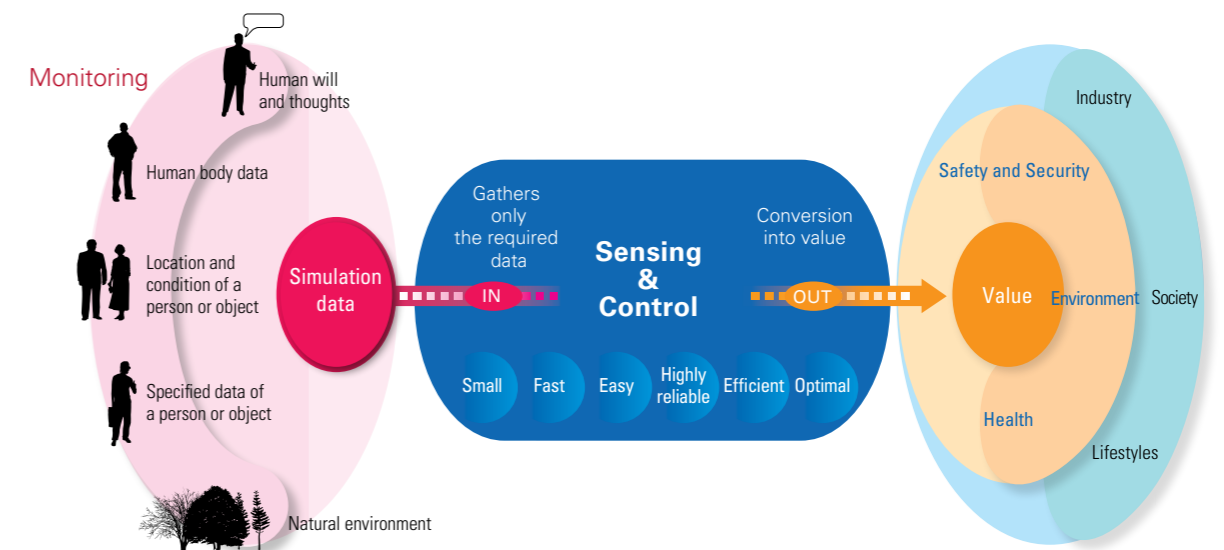
The Omron Group conducts R&D in line with a medium- to long-term technology strategy designed to cultivate and strengthen the Group's technologies.

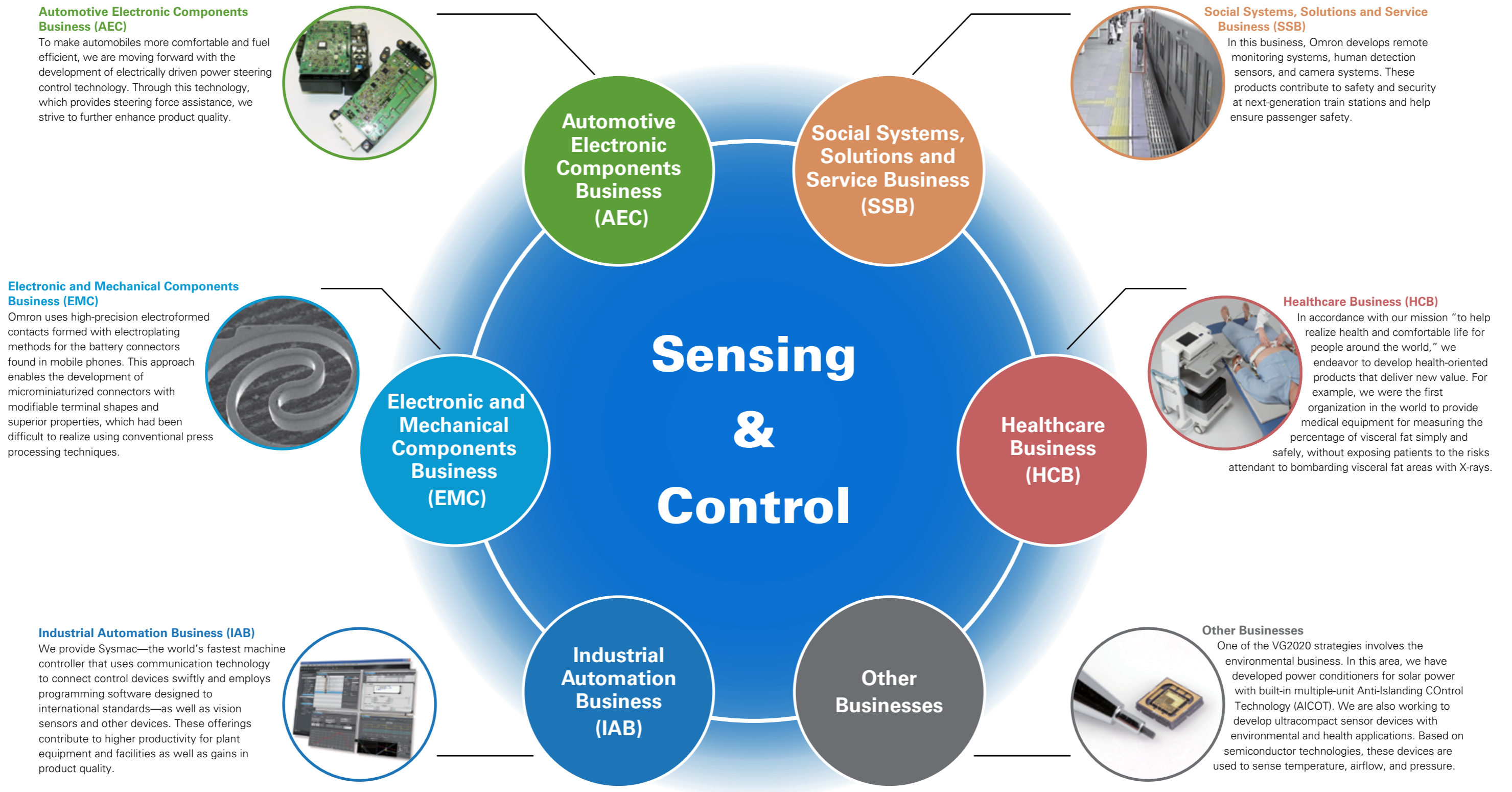
Sensing and control, our strengths and core competences, are at the center of our technology strategy. Adopting a Companywide perspective, the corporate R&D laboratories that constitute our technology headquarters handle the development of basic technology, while individual business divisions pursue applied technological and product development.

We prioritize the allocation of R&D expenses toward our mainstay businesses, Industrial Automation Business and Electronic & Mechanical Components Business, aiming to reinforce their product development and manufacturing technologies. Also, we are pursuing proactive R&D initiatives in the growth business areas of healthcare and the environment.

Core Technologies: What is Sensing & Control Technology?

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





The Omron Principles and CSR Management

Living Up to the Corporate Core Value of "Working for the Benefit of Society"

Corporate Motto and the Omron Principles

Corporate Motto

At work for a better life,
a better world for all

The Omron Principles



Corporate Core Value: "Working for the Benefit of Society"

On May 10, 2006, in honor of Omron's Foundation Day, the Company announced its new corporate principles: the Omron Principles. The new principles were established to respond to the change in values society requires from companies as well as Omron's drive to promote business globally. According to the Omron Principles, "working for the benefit of society" is positioned as the corporate core value that describes the true purpose of the Omron Group's existence.

The underlying philosophy of these principles is that a company's reason for existence is to serve society, and only companies that add value and meet social needs can earn trust and confidence from society as good corporate citizens and thus successfully continue to survive as businesses. The core value reemphasizes the Company's commitment to offering benefits for society while also clearly stating Omron's determination to promote business management that emphasizes value for stakeholders that comprise society.

Instilling "Management Commitments" and "Guiding Principles for Action" through Two Guidelines

To ensure the fundamental CSR concepts specified in the Management Commitments are being thoroughly practiced by all Group employees, Omron has formulated two guidelines. The CSR Practice Guidelines establish a code of conduct outlining the societal responsibilities of each organization in the Omron Group. The second guideline, Implementing the Guiding Principles for Action, details specific actions expected of all employees in the course of their everyday activities and constitutes Guiding Principles for Action for the corporate philosophy.

We distribute both guidelines to all employees in Japan, and we are striving to instill and entrench them through our CSR-based concept of our corporate core value, "working for the benefit of society." To cultivate employee understanding, workplace meetings are held once each year to confirm and debate the content of these guidelines.

We have translated these two guidelines into 25 languages so that they can be put into practice on a global basis.

Activities to Instill the Corporate Philosophy

Omron conducts activities to instill its corporate philosophy in Japan and overseas.

Between 2011 and 2012, Omron's chairman and vice chairman are visiting the sites of each of the Company's global operations,

in turn, spending more than three hours at each location explaining to local executives the concepts behind the Omron Principles and their implementation. These meetings, which include involved discussions on the content of the Omron Principles, assist in confirming mutual understanding. The meetings are being held at 30 overseas and three domestic locations and involve approximately 300 participants. The managers who attend these meetings subsequently discuss this content with their subordinates to instill the Omron Principles throughout the Group.

To deepen employees' understanding of the Omron Principles that have carried on for half a century, we have created a comic book, the *Kazuma Tateishi Story*, introducing our founder's personal background and his struggles to create new businesses. We distribute the book to employees at overseas locations. The story has already been translated into English, Malay, Thai, Vietnamese, Indonesian, Hindi, and Chinese. We added Korean to this list in 2011. The comic book has proved to be an effective tool for helping overseas employees understand the Omron spirit.



Maintaining Honest Dialogue with Stakeholders to Build Relationships of Trust

CSR Management

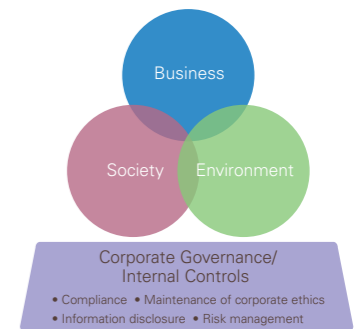
Basic CSR Policy

While remaining true to the basic spirit of our corporate motto and corporate core value, as expressed in our Management Commitments we manage our business in a way that emphasizes the importance of honest dialogue with shareholders to forge relationships of trust.

CSR Practice Policies

- **Contribute to a better society through business operations.**
Continuously offer advanced technologies and high-quality products and services by stimulating innovation driven by social needs.
- **Show a commitment to addressing societal issues as a concerned party.**
Address issues such as human rights, the environment, diversity, and community relations in a way that draws on Omron's distinctive strengths.
- **Always demonstrate fairness and integrity in the promotion of corporate activities.**
Promote more transparent corporate activities that maintain fairness and integrity not only through strict compliance with laws, regulations, and social rules but also through increased accountability.

Framework of CSR Activities



Integrating CSR Promotion under Our Management Strategy

In fiscal 2011, Omron formulated a new long-term strategy, VG2020, centered on a CSR perspective, thereby integrating CSR and overall strategies. At this time, we transferred the main functions of the Group CSR Committee to the Executive Council, integrating them with the council's other responsibilities. The committee was subsequently dissolved on March 29, 2012. Supervisory departments and the CSR-related committees that formerly operated under the Group CSR Committee will continue to take primary charge of individual CSR issues, which we will work to resolve on a Groupwide basis.

How We Respond to Individual CSR Issues

Framework of CSR activities	Individual CSR issues	Department in charge	Heads of CSR-related committees
Business	Innovation driven by social needs	Business divisions, R&D division	Companywide quality assurance council
	Safety assurance for products and services and protection of customers	Business divisions, quality department	
Environment	Environmentally conscious business activities	Business divisions, environment department	Group Environment Committee
	Environmental conservation activities	Business divisions, environment department	
Society	Respect for human rights	Personnel department, legal affairs department	Central Human Rights Committee Committee for Promoting Employment of People with Disabilities Occupational Safety and Health Committee Central Disaster Prevention Committee
	Labor standards compliance and respect for individuality and diversity	Personnel department	
	Occupational health and safety	Personnel department, legal affairs department	
	Community involvement and social contributions (Corporate citizenship)	Personnel department	
Governance	Management of information and intellectual property	Legal affairs department, information systems department, intellectual property department	Information Security Management Committee
	Competition and fair dealing	Legal affairs department, purchasing department	
	Prevention of corrupt practices	Legal affairs department	Group Ethical Behavior Promotion Committee
	Proper discharge of tax responsibilities, accounting, and investment activities	Finance department	
	Respect for local communities	Legal affairs department, general affairs department	Export Management Committee
	Strict trade management for the maintenance of international peace and security	Legal affairs department	
	Prohibition of abuse of corporate position in personal life	Legal affairs department, personnel department, investor relations department	
Overall control of CSR	CSR policy, guidelines, and gathering of related information	CSR department	Information Disclosure Executive Committee

Corporate Philosophy and CSR Policy

ESG Information on Our Website

Detailed environmental, social, and governance (ESG) information is provided on our website.



<http://www.omron.com/about/csr/>

The Omron Principles and CSR Policy

- The Omron Principles
- CSR Policy
- Support for the UN Global Compact

Reporting from an Environmental Perspective

- Environmental Policy, Vision, Targets, and Results
- Special Feature on the Environment
- Green Omron 2020 and Action Guidelines

Omron Eco-Factories, Offices, and Laboratories
Environment-Friendly Business Activities
CO₂ emissions reduction, waste reduction, and lowering consumption of raw materials, reduction of PRTR substances, water conservation, prevention of air pollution, prevention of water pollution

Eco-Products
Creation of Environment-Friendly Products and Products That Contribute to the Environment
Eco-product development, green procurement, product recycling and reuse

Eco-Logistics
Environment-Friendly Logistics
Reducing CO₂ and waste emissions from logistics, conserving resources used in logistics

Eco-Management
Incorporating the Environment into Corporate Management
Environmental management promotion system, environmental accounting, environmental auditing, environmental risk management, promoting acquisition of ISO environmental certification

Eco-Mind
Activities to Promote High Environmental Awareness among All Employees
Environmental education and awareness enhancement

Eco-Communication
Disclosure to Society of Environmental Information and Environmental Contribution Activities
Release of environmental information, environmental contribution activities, biodiversity initiatives

- Performance Data

Reporting from a Social Perspective

- **Responsibility to Employees**
Respect for individuality, providing growth opportunities for individuals
Employment, remuneration, employee work environment support initiatives, and respect for human rights
Respect for workers' rights, occupational health and safety, human resource development
Respect for diversity, work-life balance, dialogue with employees
- **Responsibility to Customers**
With a primary focus on quality, developing and stably providing products that contribute to the environment, safety, and health
Quality assurance, universal design, dialogue with customers
- **Responsibility to Business Partners**
Building strong partnerships
CSR procurement, dialogue with business partners
- **Responsibility to Shareholders**
Building relationships of trust through proactive communications
Distribution of profits, dialogue with investors
- **Responsibility to Communities**
Activities to contribute to international society as a good corporate citizen
Community contribution activities

Governance Report

- **Corporate Governance**
Fair and impartial management
Basic policy, corporate governance structure, information disclosure
Internal controls
- **Compliance**
Respecting laws, regulations, and social norms
Promoting compliance activities, compliance education, information security, fair dealings
- **Risk Management**
Risk management on a global basis

Observance of International CSR Standards and Guidelines

Upholding the United Nations Global Compact's 10 Principles

Omron respects such international standards and guidelines as the Universal Declaration of Human Rights, the UN Global Compact, ISO 26000, and the OECD Guidelines for Multinational Enterprises and has formulated CSR Practice Guidelines as a framework for the Groupwide code of conduct. In 2008, Omron declared its support for the 10 Principles of the United Nations Global Compact (UNGC), which are universally accepted principles in the areas of human rights, labor standards, the environment, and anti-corruption. Accordingly, Omron joined the Global Compact Japan Network (GC-JN), a local Global Compact network. In 2011, Omron dispatched its representative to GC-JN to serve as the chief secretariat and support the network's administration. Omron will continue to uphold the UNGC's 10 principles and sincerely implement them to meet the expectations of stakeholders.



WE SUPPORT

August 2012
Omron Corporation
Hisao Sakuta
Chairman of the BOD

Upholding the UN Global Compact's 10 Principles

	UNGC 10 Principles		Omron Group In-House Regulations	Status of Activities
Human Rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and	The basic policy for respect for human rights, based on the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, and other major international standards, is set forth in the Omron Group CSR Practice Guidelines. In addition, Omron's respect for the ILO Declaration on Fundamental Principles and Rights at Work is discussed in the Omron Group CSR Practice Guidelines.	Respect for human rights Responsibility to business partners Respect for diversity Work-life balance Procurement based on CSR principles
	Principle 2	make sure that they are not complicit in human rights abuses.		
Labor	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	2-1-1. Respect for Human Rights 2-1-2. Labor Standards Compliance and Respect for Individuality and Diversity	
	Principle 4	the elimination of all forms of forced and compulsory labour;		
	Principle 5	the effective abolition of child labour; and		
	Principle 6	the elimination of discrimination in respect of employment and occupation.		
Environment	Principle 7	Businesses should support a precautionary approach to environmental challenges;	The basic policy for environmental protection is specified in the Omron Group CSR Practice Guidelines. 2-3. Environmental Protection In 2011, Omron established its "Green Omron 2020," a new environmental vision.	Implementation of Green Omron 2020
	Principle 8	undertake initiatives to promote greater environmental responsibility; and		
	Principle 9	encourage the development and diffusion of environmentally friendly technologies.		
Anti-Corruption	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	The basic policy for preventing corrupt practices is described in the Omron Group CSR Practice Guidelines. 2-2-4. Prevention of Corrupt Practices	Compliance Responsibility to business partners

Dialogue: The Importance of having a Corporate Philosophy Earning Stakeholder Trust by Exercising the Omron Principles



Hisao Sakuta

Chairman of the Board of
Directors
Omron Corporation

One Akiyama

President
IntegreX Inc.

Corporate value comprises both economic and social factors.

Sakuta: Why did you decide to establish IntegreX Inc.?

Akiyama: I had previously worked at a securities company. It was then that I first encountered the concept of socially responsible investment (SRI), which entails investing in companies that practice socially responsible management. I was deeply inspired by this concept, even to the point of holding in-house workshops. However, I realized that developing SRI fund products would require a more unbiased standpoint from which to evaluate companies. Therefore, I decided to establish a company that investigates and evaluates companies based on corporate social responsibility (CSR). This was the birth of IntegreX.

Conducting SRI means investing in companies from a long-term perspective. Economic factors are naturally of importance, but SRI requires more emphasis on social factors, such as whether or not the company displays integrity to its stakeholders and fulfills its responsibilities to society. SRI is centered on the belief that if companies do not properly address such social concerns, they will

not be able to grow and develop in a sustainable manner.

Sakuta: I believe corporate value comprises two elements: economic factors, such as sales and income, and social factors, including ethics, morals, and just actions. It is easy to become overly focused on the economic factors, which can be dangerous. No matter how high the economic value of a company may be, if it takes actions that damage its social value, the overall corporate value of that company will deteriorate, and it will eventually go out of business.

Akiyama: Earning the trust of stakeholders is vitally important for companies. When I first started this business, I pondered considerably on the subject of a company's responsibility to society. Through this process, I came to realize the importance of having a corporate philosophy. Omron has defined its corporate philosophy as "Working for the benefit of society." I understand that you, Chairman Sakuta, have traveled to Omron Group sites around the world to spread awareness regarding this philosophy. These efforts were highly evaluated and Omron was awarded the 2012 Integrity Award Grand Prize from Japan's Integrity Award Council.



2012 Integrity Award

A balance between binding and propelling forces is critical to global expansion.

Sakuta: We were honored to receive this award. At Omron, we view making the corporate philosophy known throughout the organization as one of the most important duties of management. Our corporate philosophy is based on the Omron Principles, which were revised in 2006. At the time, the task of communicating these new principles was delegated among the Company's executives, and we held meetings at sites both inside and outside of Japan. These efforts have been ongoing, and since 2011, Vice Chairman Tateishi and I have held nearly 40 discussions to facilitate the understanding and implementation of the principles in Greater China, Southeast Asia, North America, Europe, and Japan. We talk face to face with site managers for more than three hours. The Omron Principles represent our shared values and constitute the binding force of the Company. As we continue to grow on a global scale, balancing this binding force with a propelling force will become increasingly important.

Currently, one-half of the Omron Group's total net sales derive from overseas, and two-thirds of its employees are at overseas sites. Looking ahead, our new long-term vision, Value Generation 2020 (VG2020), calls on us to pursue growth through further globalization. In this pursuit, we have to promote diversity across country and regional borders as well as across religious and ethnic boundaries. However, if we are not careful in developing this diversity, we run the risk of losing the sense of unity within the Company. That's what the Omron principles are for: serving as a minimal but strong force that keeps us together.

I keep reminding managers of the importance of bringing out their subordinates' creativity in making sure that Omron can continue to be a collection of freethinking and free-acting individuals that exercise creativity by sharing a set of values.

A corporate philosophy should be a platform rather than a set of rules.

Akiyama: It is of the utmost importance for a company to practice its corporate philosophy through its business activities and reaffirm the value of its existence. For this reason, the corporate philosophy must be understood by and shared among employees, and the philosophy must resonate with employees. When employees feel the corporate philosophy resonates with them, they are able to understand the meaning of their work and take pride in it.

Sakuta: In discussions with managers, we start with how they see Omron's corporate core value of "Working for the benefit of society" and how they are exercising this philosophy in their daily work. Using our strengths in sensing and control technology, we aim to provide solutions to social issues relating to safety and security, the environment, and health by realizing "the best matching of machines to people." We see this as Omron's responsibility to society and our way of "Working for the benefit of society."

Of course, there are differences between how such concepts are viewed by each individual employee and how they are viewed by the Company. Therefore, it is best if we perceive the values promoted by Omron as a broad platform rather than as specific rules. If we are able to make our own values resonate with the platform created through the philosophy of "Working for the benefit of society," then we can become happy. There may be some people who do not entirely agree with Omron's values. It is important to try to understand what other people are thinking.

Akiyama: Employees feel great joy in their work when the Company shares the same goals as them. Also, a corporate philosophy cannot serve its true purpose if it is



not put into practice. Rather, the true value of a corporate philosophy comes into effect when employees begin considering how the philosophy relates to their own work. I am very impressed with the fact that Omron actively practices its corporate philosophy.

Borrowings should be returned with interest.

Sakuta: Once or twice a month, I visit overseas sites to talk with site managers. I truly enjoy these face-to-face interactions with employees and find them to be very informative.

It could be said that all the resources needed to operate a business are borrowed from society. For this reason, at Omron, our basic belief is that the Company belongs to society. The employees, capital, and social infrastructure used in our business are all borrowed from society, thus our responsibility is to return these borrowings with interest.

For example, our semiconductor plant in Yasu City, Shiga Prefecture, uses a substantial amount of groundwater. We employ refined water processing techniques to return this water cleaner than what we borrowed.

Another example of these efforts can be found at a site in China located in an area with a relatively high rate of employee turnover. The manager of this site told me that even if they knew an employee was going to quit the following day, they would still give the employee the



Discussion in Chicago, the United States

training he or she needed for that day. This manager believed that as a manager of a local subsidiary of Omron, which places an emphasis on "Working for the benefit of society," it was their responsibility to make sure that everyone who entered the Group left it as a stronger individual. I was very proud to hear this.

Akiyama: It is imperative for companies to fulfill their responsibility to today's society, but they must also work for the society of the future. The future health of a society requires the contributions of the companies that help make up that society. Therefore, the sustainability of society is a key issue. In a similar manner, when cultivating human resources, companies need to take a long-term perspective and work to nurture these individuals in a way that will enable them to benefit the society of the future. Therefore, the sustainability of society is a key issue. In a similar manner, when cultivating human resources, companies need to take a long-term perspective and work to nurture these individuals in a way that will enable them to benefit the society of the future.

For a company to be respected by society, a company must respect society.

Akiyama: As you know, the "R" in "CSR" stands for "responsibility." However, "responsibility" can sound like something that is forced upon a company or that it is made to do. I feel it would be better to look at "R" as standing for "respect." A company must pay attention to the various needs and trends in society, respect them, and act accordingly. Respecting society in this manner will ultimately lead to society respecting the company. I believe building this type of relationship is the true goal of CSR.

Sakuta: At a European subsidiary, I had a discussion with managers about the type of company they envisioned for Omron. After extensive discussion, they concluded that they wanted Omron to be a trustworthy company. However, there are cases in which we are unable to come through on our promises to customers due to quality



Discussion in Amsterdam, the Netherlands

defects or other issues. In these cases, it is important we do not simply let the agreements end in broken promises but rather work diligently as a team to make things right. Even in our daily interactions, our response in such situations can have a significant impact on how we are thought of thereafter, which may be the line between being judged as unreliable or proving our reliability. I feel the discussion of such issues by Company representatives at the general manager level in this manner will facilitate Omron's growth into an even more sound company.

Akiyama: Whether in Japan or overseas, there must be consistency between what a company says and what it does. Based on what I have heard so far, it is clear that managers are constantly pondering the proper course for the Company to take and that this process is forming the core of Omron's strength.

Company employees need "excitement and anticipation."

Sakuta: People have a tendency to turn their attention to things that can be seen. However, there are some, people such as musicians and poets, who try to convey messages to the world by expressing their thoughts through intangible mediums. In a company, how we work can greatly influence output. In other words, output is determined by whether or not a company's employees enjoy their working environment.

Akiyama: I call such types of enjoyment "excitement and anticipation." I also feel it is crucial for companies to exercise the three "I's": Integrity, Innovation, and *Ichien-yugo* (or, "circle of interdependence"). *Ichien-yugo* is a term coined by Japanese philosopher Sontoku Ninomiya and refers to the belief that everything in the world is interdependent, as if contained within a circle. In this way, two things that appear to be in opposition may actually be supporting each other. There are some problems that can only be resolved by combining the unique strengths of employees and companies or of companies and society. While Sontoku is often thought to be a

person that spent his life toiling down a scholarly path, it seems that he actually placed great importance on "enjoyment." Likewise, if one's work lacks "excitement and anticipation," innovation will not arise and the individual will not grow.

Sakuta: I agree. In fact, Omron used "excitement and anticipation" for its long-term visions in the 1990s. We are therefore well aware of the importance of excitement and anticipation. You also mentioned "innovation," which has a special meaning for us as well. Omron founder Kazuma Tateishi's favorite words were "innovation" and "creativity." We at Omron will strive to continue being a company at which all employees can fully exercise their creativity and feel excitement and anticipation.

It is crucial for companies to exercise the three "I's": Integrity, Innovation, and *Ichien-yugo*.



At Omron, we believe the Company belongs to society.



Corporate Governance, Internal Control, Compliance, and Risk Management

Promoting Sound and Proper Corporate Management

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

Corporate Governance

Basic Policies

Omron is making efforts to fortify its corporate governance based on the belief that the most crucial factor in earning stakeholders' support is building an optimal management structure and conducting fair business operations while enhancing the mechanism (a supervisory system) for such verification and realizing sustainable growth.

In line with this basic policy, Omron has adopted an executive officer system and clearly separates management oversight and business execution. Under an internal company system, Omron is realizing faster decision making and efficient business operations by delegating substantial authority to the president of each internal company. Moreover, autonomous individual business units that can specialize in creating value for customers take the initiative in conducting business. At the same time, through commitment-based management, we clarify roles and responsibilities and practice corporate value management based on shareholder value.

Management and Oversight Frameworks

Omron is a "Company with Board of Corporate Auditors." The corporate governance regime has a supervisory and observational function pertaining to the actions of the Board of Directors and also involves auditing carried out by the Board of Corporate Auditors. Omron has set the number of members of its Board of Directors at seven to encourage efficient and meaningful discussion. The only members of the Board of Directors who are also involved in business execution activities are the president and CEO as well as the representative director and executive vice president. Furthermore, the business operation monitoring function of the Board of Directors has been strengthened.

To increase objectivity in management, the positions of chairman and president and CEO are separated. At the same time, every effort is made to bolster management oversight functions. The chairman of the Board of Directors monitors business execution activities as a representative of the Company's stakeholders. Chaired by outside directors, Omron has established the Personnel Advisory Committee, the President & CEO Selection Advisory Committee, the Compensation Advisory Committee, and the Corporate Governance Committee. In this manner, the Company is working to increase the transparency and objectivity of management's decision-making process.

By incorporating the best aspects of the Companies with Committees system, we have created a type of hybrid corporate governance regime that we feel is the most appropriate for the Company.

Auditing Functions

The Board of Corporate Auditors, composed of four corporate auditors, audits governance practices and monitors the everyday management activities of the Board of Directors and other management staff as well as the nature and operational conditions of the corporate governance regime. The Global Internal Auditing Headquarters, which reports directly to the president and CEO, periodically conducts internal audits of accounting, administration, business risks, and compliance in each headquarters division and in each business company as part of its internal auditing function. Moreover, the Internal Auditing HQ offers specific advice for improving business functions.

Appointment of Outside Executives

To allow the Board of Directors to monitor business execution as a representative of the Company's stakeholders, two of the seven directors are outside directors and two of the four corporate auditors are outside corporate auditors.

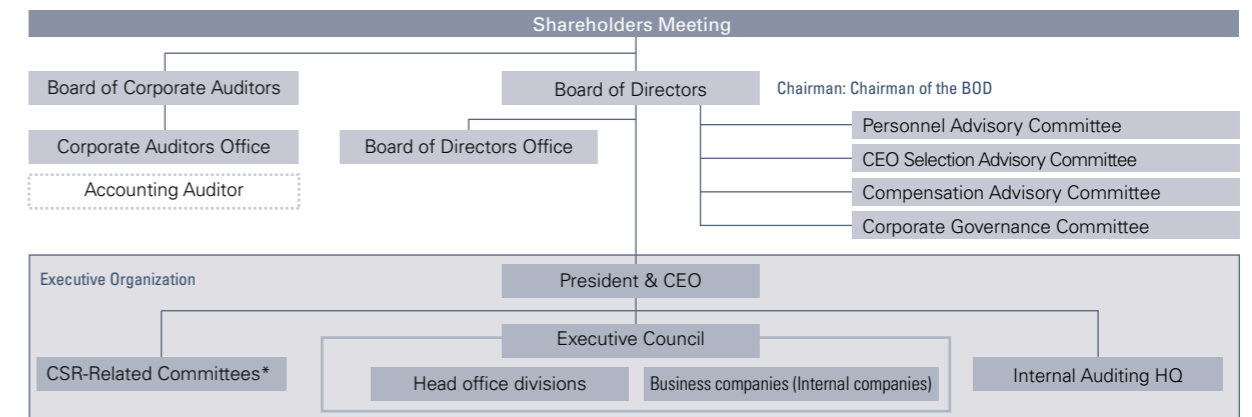
Emphasizing the independence of outside executives, Omron has formulated its own original Outside Executive Eligibility Criteria in addition to the requirements under Japan's Corporate Law. Outside executives are selected using these eligibility criteria as our standard. In specific terms to be considered for the position of outside executive, candidates themselves and the companies or organizations they belong to must comply with the seven items that serve as Omron's selection criteria. Among these seven items, candidates must not have assumed the role of representative or employee of an independent auditor for the Omron Group for five years prior to being nominated and cannot be a major Omron Group shareholder (holding shares that provide 10% or more of total voting rights) or a director, auditor, executive officer, or employee of any legal entity that the Omron Group is a major shareholder of; or a director, auditor, executive officer, or employee of any principal partner or supplier of the Omron Group.

The Corporate Governance Committee takes steps to confirm the aforementioned Outside Executive Eligibility Criteria do not pose any problem with respect to determination criteria concerning independence formulated by the appropriate securities exchange. After obtaining a resolution of the Board of Directors, notifications are submitted with the appropriate securities exchange for all outside executives as independent officers.

Corporate Governance Initiatives

	1999	2003	2011
President	1987– President Yoshio Tateishi	2003– President Hisao Sakuta	2011– President Yoshihito Yamada
Chairman of the Board of Directors/CEO	President serves as Board of Directors' Chairman and CEO	Chairman serves as Board of Directors' Chairman/President serves as CEO	
Separation of management oversight and business execution	30 directors	1999– Number of directors reduced to seven 1999– Introduction of executive officer system	
Advisory board	1999	Advisory Board	
Outside directors		2001 One member	2003– Two members (seven directors)
Outside corporate auditors	1998 One member	1999– Two members	2003– Three members (four auditors) 2011– Two members (four auditors)
Advisory committees	1996– Management Personnel Advisory Committee	2000– Personnel Advisory Committee	2003– Compensation Advisory Committee 2006– President & CEO Selection Advisory Committee 2008– Corporate Governance Committee
Corporate philosophy	Omron Principles formulated in 1990	Revised in 1998	Revised in 2006
Corporate motto formulated in 1959			

Corporate Governance Structure



* The Group Ethical Behavior Promotion Committee, the Information Disclosure Executive Committee, the Group Environment Committee, etc.

Board of Directors (BOD)

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

Compensation Advisory Committee

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

Board of Corporate Auditors

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

Corporate Governance Committee

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

Personnel Advisory Committee

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

Executive Council

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

CEO Selection Advisory Committee

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

Director and Corporate Auditor Remuneration

To increase objectivity and transparency, the Compensation Advisory Committee, chaired by an outside director, is consulted on the compensation of directors. This committee discusses the compensation of each individual and makes recommendations. After receiving these recommendations, the amount of compensation for each director is determined by a resolution of the

Board of Directors, and the amount of compensation for each corporate auditor is determined by discussions among the corporate auditors (resolution of the Board of Corporate Auditors). These amounts are within the scope of the aggregate compensation amounts for all directors and all corporate auditors, as each has been set by a resolution of the General Meeting of Shareholders.

Fiscal 2011 Director and Corporate Auditor Remuneration

(Millions of yen)

Classification	Number of People	Basic Compensation	Bonus	Total Remuneration
Directors	10	356	69	425
(Outside Directors)	(2)	(21)	(-)	(21)
Corporate Auditors	5	82	-	82
(Outside Auditors)	(3)	(25)	(-)	(25)
Total (Total for Outside Directors and Auditors)	15	438	69	507
	(5)	(46)	(-)	(46)

* Compensation amounts listed above include compensation paid to the 3 directors and 1 outside corporate auditor that resigned following the end of the 74th annual shareholders' meeting held on June 21, 2011.

* 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.

Appointments of Directors and Corporate Auditors

Position	Name	Board of Directors		Personnel Advisory Committee	President & CEO Selection Advisory Committee	Compensation Advisory Committee	Corporate Governance Committee
		Internal Directors and Auditors	Outside Directors and Auditors				
Chairman of the BOD	Hisao Sakuta	◎			○		
Director and Executive Vice Chairman	Fumio Tateishi	○			○		
Representative Director and President and CEO	Yoshihito Yamada	○					
Representative Director and Executive Vice President	Yoshinobu Morishita	○		○		○	
Senior Managing Director	Akio Sakumiya	○		○		○	
Director	Kazuhiko Toyama		○	◎	◎	○	◎
Director	Masamitsu Sakurai		○	○	○	◎	○
Full-time Corporate Auditor	Soichi Yukawa	○					
Full-time Corporate Auditor	Tokio Kawashima	○					
Corporate Auditor	Hidero Chimori		○				○
Corporate Auditor	Eisuke Nagatomo		○				○

Note: ◎ is the chairman

Internal Controls

Maintaining and operating an internal control system to ensure healthy and effective organizational operations

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 policy provides the basis for the maintenance and operation of an internal control system throughout the Omron Group to ensure the controls are functioning effectively in each of the four objective areas of financial report accuracy, legal compliance, operating efficiency, and asset safeguarding.

Omron maintains a monitoring system undertaken by the internal audit department after each division and affiliated company conducts its own review of the maintenance and operation of business processes in accordance with the Internal Control Reporting System (J-SOX) requirements of Japan's Financial Instruments and Exchange Act promulgated in June 2006. The reviews enable each division and affiliated company to deepen their understanding of the internal controls associated with financial reporting and thereby serve as a system for promoting self-governing controls.

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

Omron conducts two types of internal audits to ensure the healthy and effective operation of its organization.

The Internal Control Audit is conducted to ensure 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 the result of these audits includes items recommended for improvement, the Company supports measures to carry out the improvements.

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

* Greater China includes China, Hong Kong, and Taiwan.

Compliance

Strengthening global risk management systems

Aiming to promote legal and regulatory compliance across the Group, Omron set up a Group Corporate Ethical Conduct Promotion Committee. In recent years, the committee has expanded its activities from the promotion of compliance to quick detection and sharing of risks associated with changes in laws and regulations and other external environment factors as well as such changing internal conditions as the launching of new businesses and entering emerging markets. The committee members consist of corporate ethics officers from each business company and corporate headquarters division in charge of human resources, general administration, and legal affairs.

In fiscal 2011, the Company formulated the Global Crisis Management Rules, which cover a wide range of areas, including reporting channels and response systems in the event of a crisis in Japan and overseas. At the same time, Omron conducted risk analysis at several overseas affiliated companies. Moreover, compliance monitoring activities were undertaken in the personnel, labor, and other priority risk fields.

Affiliated companies in Japan appointed corporate ethics promotion officers in charge of offering compliance education selected from among manager- and higher-ranking employees. A corporate ethics promotion officer meeting is held once a year with these members participating to exchange information regarding the implementation of a plan-do-check-act (PDCA) cycle in accordance with an action plan as well as hosting compliance training.

In fiscal 2012, Omron will put in place a business continuity plan (BCP) based on deliberation details undertaken by the Group Corporate Ethical Conduct Promotion Committee in fiscal 2011. At the same time, the Company will strengthen risk management activities focusing mainly on compliance with global statutory and regulatory requirements.

Establishing operational regulations with clearly stated provisions for the protection of whistle-blowers

In Japan and North America, a whistle-blower hotline is in place inside and outside of the Company for Omron Group executives, full-time employees, and temporary staff as well as their families.

The Legal Affairs Department staff handle hotline information within the Company, while an external attorney office serves to accept information. In fiscal 2008, it became possible to contact the hotline or seek advice through the electronic bulletin board on the Company's intranet in Japan in addition to conventional telephone and e-mail access.

In fiscal 2011, a total of 15 hotline contacts were made in Japan and two in North America.

In operating the whistle-blower hotline, responses are based on the Group's CSR Guidelines. These guidelines clearly state strict maintenance of security and the protection of whistle-blowers from any detrimental treatment. Moreover, Omron informs employees of the availability of the hotline through corporate ethics cards, through the intranet, and during new employee training. Ongoing case studies are used to help further the skills of advisors. Omron will continue making the hotline available and improving its response to whistle-blowing.

Promoting continuous improvement of management on the back of a PDCA cycle

Omron's policy in enhancing information security is to fulfill its responsibilities to stakeholders by appropriately managing confidential information supplied from business associates as well as personal information and its own corporate information to protect from leakage.

Within the Company, an Information Security Management Committee was set up as a Groupwide promotional organization after formulating new management rules that reflect basic policy. In this regard, Omron is implementing an integrated management system covering both confidential information and personal information. As a specific activity, and under the promotion system led by the committee, Omron has conducted employee education and monitoring to check the status of management at each worksite. Other activities included the implementation of measures based on risk analysis for the leakage of important information and surveys to determine the information security management status of subcontractors on a regular basis. Through these activities, the improvement of information security is sought based on the implementation of a Groupwide PDCA cycle.

Each year, management rules are reviewed and revised to reflect changes in the external environment and incorporate findings from worksite monitoring. In fiscal 2011, a new rule was added regarding the use of smartphones and related devices.

Overseas, a set of common global rules for information security has been established, with each Group company establishing its own regulations based on the common global rules. Furthermore, information security education is offered at each affiliated company on a successive basis with steps taken to confirm the status of management implementation.

Going forward, Omron will continually upgrade and maintain information security management throughout the world.

Basic crisis management policies

According to the Global Crisis Management Rules (established in 1999 and revised in 2011), a “crisis” is defined as any event that has or may have a significant negative impact on the continuation of management and business activities by the Omron Group; or any event that does or may harm the social credibility of the Company. These rules cover a wide range of areas while also outlining basic policies, reporting procedures, and the establishment of an Emergency Response Headquarters.

Based on the Global Crisis Management Rules, the Company established Disaster Contingency Planning Rules (established in 1999 and revised in 2011) as well as the Product Quality Risk Management Rules (established in 2012). In addition to implementing response procedures by each type of crisis, Omron is pursuing the compilation of a disaster response manual.

Omron is striving to instill a greater awareness and understanding of the details of these rules among employees by organizing simulation drills to assist employees in preparing for possible crises. Moreover, the Company provides training sessions for emergency risk communications. The Omron Group initial emergency response manual was prepared by referring to countermeasures taken in past cases and applying knowledge gained through drills. This manual serves as an important reference for the Emergency Response Headquarters in the event of a crisis.

Basic Policies of Omron’s Global Crisis Management Rules

Taking into consideration the Omron Principles and CSR Guidelines, all Omron Group executives and employees will take swift and appropriate action based on the following basic policies:

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 (fairness).
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 (proper risk communication).
6. Disclose information appropriately and remain accountable (transparency).

Business Continuity Plan (BCP)

A series of events, including the Great East Japan Earthquake on March 11, 2011, as well as the flooding in Thailand in October 2011, reinforced the importance of business continuity amid a crisis to management.

Currently, Omron is conducting Groupwide efforts to review its BCP, focusing particularly on prioritizing such critical functions and areas as the head office, headquarters, IT, production, and supply chain management (SCM).

Directors, Corporate Auditors, and Executive Officers

As of June 21, 2012



Back row, from left:	Soichi Yukawa Full-Time Corporate Auditor	Hidero Chimori Outside Corporate Auditor	Kazuhiko Toyama Outside Director	Masamitsu Sakurai Outside Director	Eisuke Nagatomo Outside Corporate Auditor	Tokio Kawashima Full-Time Corporate Auditor
Front row, from left:	Yoshinobu Morishita Representative Director and Executive Vice President	Hisao Sakuta Chairman of the BOD	Yoshihito Yamada President and CEO	Fumio Tateishi Director and Executive Vice Chairman	Akio Sakumiya Senior Managing Director	

Directors

Chairman of the BOD

Hisao Sakuta

Director and Executive Vice Chairman

Fumio Tateishi

Representative Director and President and CEO

Yoshihito Yamada

Representative Director and Executive Vice President

Yoshinobu Morishita

Senior Managing Director

Akio Sakumiya

Outside Directors

Kazuhiko Toyama

President & CEO of Industrial Growth Platform, Inc.

Masamitsu Sakurai

Chairman and Executive Officer of Ricoh Co., Ltd.



Honorary Chairman

Yoshio Tateishi

Corporate Auditors

Full-Time Corporate Auditors

Soichi Yukawa

Tokio Kawashima

Outside Corporate Auditors

Hidero Chimori

Partner of Miyake & Partners, Attorney at Law

Eisuke Nagatomo

President & CEO of EN Associates Co., Ltd.

Senior Managing Officer



Shigeki Fujimoto
Group Earnings Structure Reform
Administrator

Executive Officers



Masayuki Tsuda
(China Resident Officer)
Chairman and President, OMRON
ELECTRONIC COMPONENTS
(SHENZHEN) LTD.
Electronic and Mechanical
Components Company



Takashi Ikezoe
Senior General Manager,
Industrial Components Division H.Q.
Chairman, OMRON (SHANGHA) CO.,
LTD.
Industrial Automation Company



Yoshihiro Taniguchi
Representative Director and CEO,
OMRON SWITCH & DEVICES
Corporation

Managing Officers



Yoshinori Suzuki
President and CEO,
OMRON AUTOMOTIVE
ELECTRONICS Co., Ltd.



Hideji Ejima
Environmental Solutions
Business H.Q.
Manager, Business Planning
Department, Environmental Solutions
Business H.Q.



Kiyoshi Yoshikawa
Senior General Manager, Global
Process Innovation H.Q.



Koji Nitto
Senior General Manager,
Global Resource Management H.Q.



Masaki Arai
Senior General Manager,
Technology & Intellectual Property
H.Q.



Masaki Teshigahara
Technology & Intellectual Property
H.Q.
General Manager, Intellectual Property
Center, Technology & Intellectual
Property H.Q.



Shizuto Yukumoto
Senior General Manager,
Environmental Solutions Business
H.Q.



Toshio Hosoi
Managing Director, OMRON SOCIAL
SOLUTIONS CO., LTD.



Kiichiro Kondo
President and CEO,
OMRON SOCIAL SOLUTIONS
Co., Ltd.



Taiji Sogo
Senior General Manager, Strategy
Planning Division H.Q., Industrial
Automation Company



Shinya Yamasaki
Senior General Manager, Automation
Systems Division H.Q.
Industrial Automation Company



Nigel Blakeway
(U.S. Resident Officer)
Chairman, President and CEO,
OMRON MANAGEMENT CENTER OF
AMERICA INC.
Chairman and President, OMRON
MANAGEMENT CENTER OF EUROPE



Kiichiro Miyata
President and CEO,
OMRON HEALTHCARE Co., Ltd.



Koji Doi
(China Resident Officer)
Chairman and President, OMRON
(CHINA) CO., LTD.



Yutaka Miyanaga
Senior General Manager,
Global Strategy H.Q.



Goshi Oba
(China Resident Officer)
Chairman and President,
OMRON INDUSTRIAL AUTOMATION
(CHINA) CO., LTD.
Industrial Automation Company



Koichi Tada
Company President, Electronic and
Mechanical Components Company



Hisato Takano
Senior General Manager, Sales &
Marketing Division H.Q., Industrial
Components Division H.Q.
Industrial Automation Company



Satoshi Ando
Senior General Manager,
Investor Relations H.Q.



Takayoshi Oue
Senior General Manager,
Accounting and Finance Center,
Global Resource Management H.Q.

Working to Enhance Omron's Corporate Value

● Interview with Masamitsu Sakurai, Outside Director

Exemplified by its unique CEO Selection Advisory Committee, Omron's robust systems of checks and balances as well as supervision are enhancing the Company's corporate value.

—What roles do you play within the Company's Board of Directors and each of its advisory committees as an outside director?

When considering why I was selected as an outside director by the Company, I naturally assume that it is because of my common skill set and experience within the manufacturing industry. On second thought, however, Omron is essentially a component and materials manufacturer, while as Chairman of Ricoh Co., Ltd., I oversee the assembly of finished products. Recognizing that manufacturing comes in many shapes and forms, my role then is to provide input from a different perspective within the broad manufacturing domain. Coming from a company that took the path toward globalization a little earlier than Omron's initial foray, I expect the Company will be looking to draw on my experience and knowledge in this area.

Against the backdrop of a harsh operating environment, Ricoh has continued to generate steady increases in

revenues and earnings. In hindsight, however, this growth has occurred without implementing the necessary fundamentals and foundation. Drawing on past experience, therefore, I see my role as an outside director to provide advice that may benefit the Company and prevent it from taking the wrong path. In another area, I recognize the importance of Omron's Personnel Advisory Committee in selecting candidates for the positions of director, corporate auditor, and executive officer. I am impressed by the Company's President & CEO Selection Advisory Committee, an unprecedented initiative, and Omron's steps to establish a fair and impartial personnel selection system. Coming from outside the Company, however, I see my role as contributing to the overall design of Omron's systems and determining the types of mechanisms and processes that best fit the Company.

— In recent years, we have witnessed a succession of incidents within the corporate sector, most notably misconduct by senior executives. As an outside director, how are you involved in the Company's system of director checks and balances and supervision?

With each incidence of misconduct, I have felt that the point of initial focus has generally been misdirected. Before questioning whether the external governance is or is not effective, emphasis should be placed on the internal governance. In instances where in-house personnel have a firm grasp on financial and other pertinent information, abnormal situations are readily uncovered at an early stage. The importance then is on establishing an environment in which any incidence of concern can be openly and freely brought to light. Quite frankly, the need to call on external resources because internal personnel

do not want to be whistle-blowers is absurd. In this regard, the attitude and behavior of the president is of paramount importance. When senior executives act in a fair and honest manner, employees will follow suit and behave accordingly. The role of an outside director is therefore to provide input into governance mechanisms, including a company's checks and balances as well as supervisory systems from a separate perspective. This is the principle to which I strive to adhere.

—What do you believe are Omron's strengths?

There are several. I believe the most impressive strength has been the Company's genuine and earnest efforts to establish a robust foundation. I am constantly impressed that whenever an officer provides an explanation of a particular project or undertaking, it is always based on a detailed understanding of where the particular business structure fits within the Company's overall profit structure. Everyone within the Company maintains a commonly shared image of the degree to which a particular area requires adjustment, be it costs, fixed, or variable expenses. This naturally dovetails into a feature of particular strength, namely the speed with which decisions are made. Another attribute that defines Omron as a company is its focus on teamwork. Such sports as soccer and rugby are based a predetermined set of rules. Omron is guided by a discipline that places the utmost emphasis on the Company's profit structure. This rallying catchphrase and commonly held philosophy is truly amazing.

—What are your thoughts on the Omron Group's corporate culture?

In a word, I would say that "earnest" best describes Omron's corporate culture. More than just a mere superficial pursuit of the truth, the Company takes steps to ascertain the roots of a particular matter and fully understand its structure.

This stance is also a distinguishing feature of the manufacturing sector. Using the Board of Directors as an example, Omron maintains an open environment that is conducive to the lively exchange of opinions between directors and executive departments. This positive trait that extends throughout the entire Company, coupled with genuine and flexible efforts to lend a keen ear to the views of outside directors, are the sources of Omron's highly effective corporate governance.

—What do you feel is required for Omron to enhance its corporate value?

Omron is currently stepping up its activities in such promising fields as environmental solutions and health-care. Recognizing the critical need to secure innovative technologies if the Company is to nurture these activities as its next core businesses, I believe it is vital for Omron to not only form alliances but also enter into M&As with a strong and unwavering resolve.

Looking ahead, it is imperative that the Company introduce innovations that change the way people behave. To this end, Omron must accurately picture customers' future lifestyles and become a company that is capable of delivering added value that exceeds market expectations. Of equal importance, and in combining its expertise across a variety of fields with wide-ranging technologies, the Company must broaden its horizons beyond the engineering perspective and incorporate within its ranks personnel from a diversity of areas. Only in this manner can the Company hope to come up with the fresh and innovative ideas necessary to achieve the aforementioned goal. It is up to Omron's president to make the bold decisions to introduce those human resources and acquire those companies that can trigger change in areas that are considered of significant value. I would therefore encourage Mr. Yamada, Omron's president, to take increasingly audacious strides going forward.

Outside Director
**Masamitsu
Sakurai**

Chairman of
Ricoh Co., Ltd.



Masamitsu Sakurai joined Ricoh Co., Ltd., in 1966. Following successive appointments as president of Ricoh UK Products Ltd. in 1984, director of Ricoh Co., Ltd., in 1992, representative director and president in 1996, representative director and chairman in 2007, and chairman of the Japan Association of Corporate Executives (*Keizai Doyukai*), Mr. Sakurai assumed the position of director and chairman of Ricoh Co., Ltd., in 2011. As the first person with a technical background to take the helm of Ricoh Co., Ltd., Mr. Sakurai led the charge toward digital networking, helping the company to develop into a leading IT entity. In addition to promoting environmental management that balances both corporate management and environmental concerns, Mr. Sakurai adopted an aggressive approach toward overseas M&A and was instrumental in the company's global growth. Drawing on this proven track record, and after assuming the position of *Keizai Doyukai* chairman, Mr. Sakurai put forward numerous telling recommendations in the fields of both politics and industry. Appointed an Omron outside director in 2008, Mr. Sakurai has received many honors, including Commander of the Most Excellent Order of the British Empire in 2003, L'ordre national de la légion d'honneur (National Order of the Legion of Honour) from the French Republic in 2006, and the Deming Prize in fiscal 2011.



● Interview with Eisuke Nagatomo, Outside Corporate Auditor

Through a corporate governance structure that places the utmost emphasis on sustainability based on the values of its founder as well as resolute risk management, Omron is steadily enhancing its corporate value.

— What roles do you play within the Company's Board of Directors and its Corporate Governance Committee as an outside corporate auditor?

When conducted in good faith, both the Company with Committees system, commonly adopted throughout Europe and the United States, and Japan's unique Company with Board of Corporate Auditors' system are more than adequate in addressing the needs of all stakeholders. As someone who was appointed as an outside corporate auditor at the Company's Shareholders Meeting, it is my duty to draw on every possible source of outside information and enhance Omron's management integrity from a broad perspective. To ensure management that consistently addresses the needs of all stakeholders in good faith, a variety of steps are undertaken. For example, the Corporate Governance Committee, which comprises outside directors and outside corporate auditors, deliberates on those items that it considers are important to increasing shareholder value. When asked what must be protected, the answer lies not in the interests of management, but in the interests of all stakeholders, including shareholders. As outside corporate auditors, our role is to protect Omron's corporate value. At the same time, I am convinced that enhancing corporate value is firmly entrenched in the hearts and minds of the Company's management.



— In recent years, we have witnessed a succession of incidents within the corporate sector, most notably misconduct by senior executives. As an outside corporate auditor, how are you involved in the Company's system of director checks and balances and supervision?

The duties of an outside corporate auditor extend well beyond attending meetings of the Boards of Directors and Corporate Auditors and reviewing company documents. In addition to attending every possible meeting, an outside corporate auditor must maintain continuous and constant dialogue with executive officers, visit branch offices and plants, and actively seek opportunities to listen carefully to comments from the frontline. Conducting numerous hearings directly with employees and making every effort to accurately grasp the status of business execution and operations is an effective way to peg back any incidence of misconduct. For agenda items scheduled for deliberation and determination by the Board of Directors, the Board of Corporate Auditors must play a central role in screening each item through a process of prior consultation. In the event that a proposed agenda item is considered inappropriate, it is the responsibility of outside corporate auditors and the Board of Corporate Auditors to instruct the responsible department to make the appropriate modifications or to withhold the agenda item. In my experience with the Company, there has never been an occasion where instructions have been ignored or an agenda item allowed to proceed to the Board of Directors without modification or the appropriate action. In my opinion, Omron's systems in this regard are functioning more than adequately.

— How would you assess the effectiveness of Omron's corporate governance?

When serving as managing director of the Tokyo Stock Exchange, I had the opportunity to closely examine more than 700 companies. Compared with these companies, I can commend Omron for its sound initiatives and activities. The Company is indeed defined by a corporate governance structure that imbues the spirit and values of its founder and an unwavering focus on enhancing sustainability. A majority of the Board of Directors comprises

individuals whose principal role is to carry out a supervisory function. These directors take no part in the execution of business. In addition, I am impressed by the role played by corporate auditors, whose primary function is to provide a system of checks and balances and supervise the activities of directors. This attitude toward consistently identifying the risks of failing to take appropriate action as well as those risks associated with taking inappropriate action, combined with unwavering efforts to enhance corporate value, are collectively the driving force behind the Company as a going concern.

— What do you believe is Omron's strength?

Together with the technological capabilities and its sophistication, Omron's strength lies in the integrity of its corporate culture that emphasizes the creation of products that consistently satisfy customers. This comes from an awareness of Omron's significance within society by each and every employee together with management. While I am equally sure that the Company can continue to improve in a variety of areas, Omron is well served by its unflagging efforts to minimize problems, issues, and risks as well as garner the trust of users and client customers.

— What do you feel is required for Omron to enhance its corporate value?

In its most basic form, corporate governance entails risk management. Accordingly, aggressively addressing risks is vital to enhancing corporate value. Omron is already a company with over half of its revenues generated overseas. An important key to securing further growth is therefore the Company's ability to rebuild its global risk management structure and to then accelerate globalization. As a part of efforts to fulfill its obligations toward the supply of essential products and services, Omron must also work resolutely to rebuild its supply chain and implement a robust business continuity plan (BCP).

— You are well versed in a number of fields, including corporate governance and internal control systems. How do you plan to utilize these skills and knowledge with respect to the Omron Group's management?

More than just lip service, I believe my primary role is to put forward specific recommendations that help formulate Omron's management strategies going forward. This includes bringing to the table an outside perspective on

Outside
Corporate Auditor
**Eisuke
Nagatomo**
President and Chief
Executive Officer of
EN Associates
Co., Ltd.



Eisuke Nagatomo joined the Tokyo Stock Exchange, Inc., in 1971 and was appointed managing director in 2003. In 2005, Mr. Nagatomo was appointed chief self-regulation officer and continued in this position through 2007. In the same year, Mr. Nagatomo became president and chief executive officer of EN Associates Co., Ltd., and appointed an outside corporate auditor of Omron Corporation in 2008. Mr. Nagatomo serves as a visiting professor of the Graduate School of Commerce, Waseda University, and as an outside director of kabu.com Securities Co., Ltd., and Miroku Jyoho Service Co., Ltd., since 2010. Mr. Nagatomo is also an outside corporate auditor of Nikkiso Co., Ltd.

what is required for a global company and how best to enhance CSR. In addition, and as a member of society, it is my responsibility to constantly point out the risks of failing to take appropriate action from a variety of legal and other aspects. I would therefore like to do my utmost to assist Omron enhance its corporate value.

— In closing, is there a message that you would like to convey to stakeholders?

I would call on all stakeholders to adopt an open and frank stance when analyzing the Company. Moving beyond immediate gains and profits, I would ask that stakeholders point out any areas in which they believe Omron is lacking, particularly in the Company's efforts to further enhance its significance to society. At the same time, I would hope that stakeholders will support the Company over the long term in the belief that Omron's long-term efforts will lead to increased corporate value. From my perspective, as an outside corporate auditor with four years' standing, I am confident that the Company will continue to follow the correct direction and path.

Resolving Environmental Issues

New Vision Contributing to the Global Environment



Recognizing environmental preservation as a management priority, Omron revised its environmental management vision, "Green Omron 2020," in 2011. Based on this new vision, the Company will promote two key measures: reducing the environmental impact of its business activities and increasing the environmental contributions of its products and services.

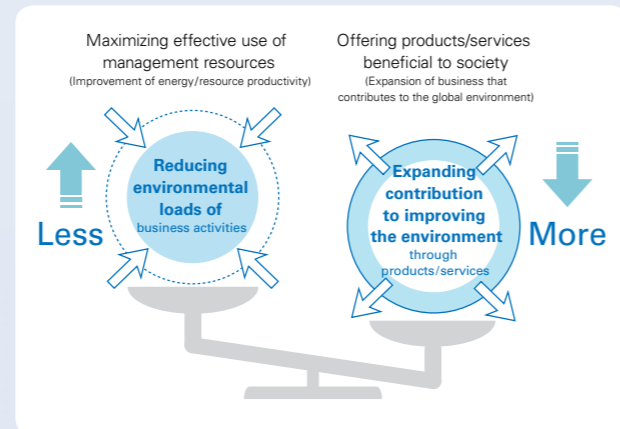
Green Omron 2020

Omron established the Group's Environmental Policy in 1996 and its environmental management vision, "Green Omron 21," in 2002. Based on this policy and vision, Omron has promoted environmental management practices centered on lessening the impact of its business activities on the environment. Efforts were concentrated on reducing total CO₂ emissions and the amount of waste associated with business activities in Japan.

The Omron Group formulated its new environmental management vision, "Green Omron 2020," in September 2011. In addition to continuing with efforts to reduce the environmental impact of its internal business activities, the vision highlights efforts to resolve global environmental issues by creating and supplying products and services that reduce environmental impact.

Under this vision, we aim to contribute to the development of a sustainable society by maximizing the effectiveness of management resources. Meanwhile, rather than merely focusing on the environmental impact associated with increased business activities, we will also con-

centrate on reducing environmental impact by generating more products and services that contribute to the global environment. Having expressed these thoughts in our Environmental Policy, we have established environmental targets and for Action Guidelines to realize the objectives of Green Omron 2020.



Omron Group Environmental Policy

Based on the Omron Group Corporate Motto and the Omron Principles, we will contribute to the reduction of global environmental loads by maximizing the effective use of management resources, such as human resources, materials, money, and energy, and providing useful products and services for society.

1. Considering the environmental impact of the Omron Group's business activities, products, and services, we will establish the Environmental Management System globally and ensure continual improvements.
2. We will comply with the legal and other requirements to which we subscribe concerning environmental aspects, and we will take actions for environmental conservation and the prevention of pollution.
3. Under the Environmental Policy, we will establish and implement objectives, targets, and programs, and through their periodic evaluations we will strive to improve, maintain, and review our activities.
4. To accomplish the objectives of the Environmental Policy smoothly and efficiently, we will communicate it to all employees by providing environmental education and activities as well as subcontractors engaged in activities with the Omron Group.
5. We will disclose the Environmental Policy and the status of our environmental activities to the public in an appropriate manner as necessary.

Environmental Targets

The Omron Group's Environmental Targets for Fiscal 2020

1. Improve carbon productivity*¹ (targeting global sales/CO₂ emissions from global production sites) by 30% compared with the fiscal 2010 level on a global basis
*¹ Carbon productivity: Sales per ton of CO₂ emitted
2. Environmental contribution*² > CO₂ emissions from global production sites
*² Environmental contribution: Reduction in CO₂ emissions resulting from the use of Omron's energy-saving or energy-creating products

Action Guidelines

 Eco-Factories/Office/Laboratories	Strive to minimize the input of energy/resources for business activities while promoting recycling/reuse and reduction to minimize waste.	 Eco-Products	Offer customers environmentally warranted products that help reduce negative environmental impact throughout their life cycles.
 Eco-Logistics	Assess environmental impact of the entire supply chain, ranging from the procurement of raw materials to production, sales, and distribution, and strive to reduce its negative impact on the environment.	 Eco-Management	Expand acquisition of ISO 14001 certification and establish a multi-site ISO registration system while reducing environmental risk and ensuring legal/regulatory compliance.
 Eco-Mind	Promote environmental education and awareness-raising activities to encourage all employees to heighten their ecological awareness and upgrade the level of environmental preservation activities they are involved with.	 Eco-Communication	Proactively release information on Omron's environmental activities and results and promote social and community contributions.

Environmental Impact Reduction: Exceeding Targets for Cutting Peak Power Use through Smart Power Savings

Facing increasingly tight electricity supply-demand conditions, Omron conducted Smart Power Savings activities between July and September 2011.

Smart Power Savings is Omron's name for the energy-saving activities the Company is pursuing. By introducing the Power Savings Monitoring System at our locations in Japan, we were able to substantially reduce electric power consumption without making sacrifices on the operational and production fronts. We implemented a host of energy-saving measures, such as improving facilities and manufacturing equipment to minimize energy requirements through eco-manufacturing, and reduced usage of air conditioners. As a result, we succeeded in cutting our peak power consumption in all areas beyond our target levels.

Target and Actual Peak Power Cuts through Smart Power Savings

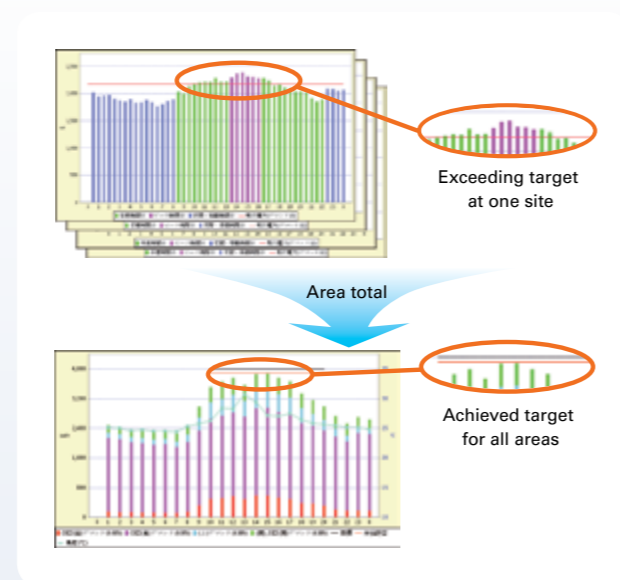
Area	Target	Actual
Tokyo Electric Power Company Incorporated's service area (Kanto region)	15% (In response to government request)	31%
Kansai Electric Power Co., Inc.'s service area	15% (In response to request from Kansai Electric)	22%
Chubu Electric Power Co., Inc.'s service area	10% (Voluntary target)	14%
Chugoku Electric Power Co., Inc.'s service area	10% (Voluntary target)	12%
Kyushu Electric Power Co., Inc.'s service area	10% (Voluntary target)	16%

Using the Power Savings Monitoring System to Control Maximum Power Demand

In July 2011, we segmented our 21 domestic business locations according to electric power company service area and introduced the Power Savings Monitoring System at each site, making total power use for each area "visible" in real time. When a site approached the preset limit for power use, an alarm sounded, alerting the facility manager to the need for measures to cut peak power use. In the past, we had used this system for managing individual sites. By expanding the system to monitor peak power at several sites, we were able to efficiently manage maximum power demand by area without suffering productivity losses in individual locations.

Employing sensing and control technologies that Omron has cultivated, the Power Savings Monitoring System constitutes an environmental business solution. In addition to using the system ourselves as a summer power-savings

measure, we have provided it to many of our customers, who have also confirmed its effectiveness in reducing power consumption.



Eco-Manufacturing

"Eco-manufacturing" is Omron's word for streamlining the use of energy and resources employed in manufacturing as much as possible by improving the operation of manufacturing equipment and ancillary facilities. Production requires a great deal of energy, and the key to eco-manufacturing lies in economically supplying the amount of pressure, lighting, and cooling that is needed for production precisely when needed. We render these requirements visible and strive to save energy by determining these needs in real time.

On a production line, for example, rather than simply replace an existing machine with another that is more energy-efficient—an approach that may be costly—we time-shift equipment use and switch off power while machines are in wait mode as well as improve air conditioner and compressor operation. These approaches have reduced power consumption by as much as 30% at some facilities.

Energy-Saving Initiatives at the Yasu Office

At Omron's Yasu Office, the manufacture of semiconductors, MEMS, and connectors requires a great deal of energy. Located in the power service area, this plant accounts for approximately 70% of the power used by all

of Omron's facilities in Japan. Measures to slash power requirements at the Yasu Office therefore had a major impact on reducing peak power use throughout the Kansai Electric Power service area.

In June 2011, Yasu Office managers gathered together and set the goal of reducing peak power use between July and September 2011 by 9.9% compared with 2010 levels and drawing up measures to reach this objective. During this process, we realized that such electricity, water, ventilation, and compressed air used by equipment at the plant and supplied by utilities accounted for 56% of peak electricity. We also recognized that around 70% of utility-related peak electricity went toward refrigeration systems—turbo freezers, chilled water pumps, cooling water pumps, and cooling towers—and was used to cool production equipment.

To cut peak power used by these cooling systems, we ran simulations and conducted repeated tests with actual equipment, allowing us to adjust coolant water pump pressure and optimize flow rates.

In addition to energy-saving measures targeting these cooling systems, we sprayed water on the roof of the office wing, reduced lighting, consolidated office areas,



Turbo freezer

and lowered the volume of air delivered by air-conditioning systems. Through relatively simple measures such as these, we succeeded in reducing electricity consumption from July to September 2011 by 13.3% year on year. In addition to reducing electricity bills during the period, these efforts will be instrumental in making power-saving improvements in future years.

In fiscal 2011, we focused in particular on initiatives to improve peak power consumption at the Yasu Office by concentrating on utility services. We will also review temperature and humidity settings at our production facilities, on the condition that revisions do not affect product quality. As a result, we expect to save even more energy.

Yasu Office (City of Yasu, Shiga Prefecture)

The center for our advanced technologies in the microelectronics business, this facility uses ultrafine processing technologies to manufacture MEMS, semiconductors, and connectors. Also, the office serves as the sales and marketing site for our IAB.

As well as efforts to save energy, at this office we have introduced equipment to reduce greenhouse gas emissions and improved wastewater processing equipment, and employees participate in maintaining and managing a biotope on site. Through environmental preservation activities such as these, we take the region's natural environment and resources into account as we work to turn this facility into an environmentally conscious model factory.



Increasing Environmental Contributions: "AICOT®" — Boosting the Popularity of Solar Power Generation Systems

Trouble Resulting from the Concentration of Solar Power Generation Facilities

Solar power generation systems are the focus of rapidly growing attention as a measure for countering the increasingly serious issue of global warming by converting solar energy, rather than fossil fuels, into electricity. One problem with installing solar power generation systems on adjacent roofs, as has been done in the past, is that this results in multiunit systems—multiple solar power generation systems connected to electric wires as they would be for an electric power utility. This complexity can be the source of system trouble, creating a barrier to the proliferation of solar power generation systems. We have addressed this issue by taking the industry lead in developing AICOT®, an acronym for "Anti-Islanding COntrol Technology."

Solar power generation systems configured with Omron power conditioners* employing AICOT® allow the concentration of solar power generation systems within a certain area. We believe this technology will contribute significantly to the popularization and promotion of solar power generation systems.

Omron began marketing AICOT®-equipped power conditioners in July 2011. Since that time, sales have grown steadily as customers have recognized the advantages the technology provides in alleviating the problems associated with multiunit systems.

By leveraging the advantages of this technology, Omron looks forward to encouraging the proliferation of solar power generation systems. To do so, we will concentrate on developing AICOT® along with other technologies and products.

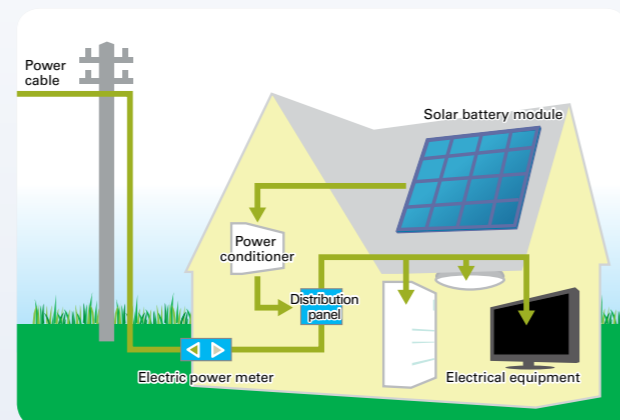
* Power conditioner: A device that converts the direct current supplied by solar panels to the alternating current used in homes. The higher the power conditioner's conversion ratio, the more power it supplies for home use.

Removing the Need for Safety Verification on Power Generation Systems

Solar power generation systems may continue to generate electricity even in the event that electricity supplied by power companies is interrupted due to outages or electrical accidents. This situation, known as "islanding," can shock people involved in reconstruction activities, start equipment fires when electrical service resumes, and create a host of other problems. To address this situation, solar power generation systems can be equipped with anti-islanding functions. For multiunit systems, however, interference between generation systems can prevent

anti-islanding functions from working properly.

To prevent this situation from occurring, we conduct interference tests using multiunit systems with individual meters attached to power conditioner assemblies, confirming that no trouble arises and confirming their safety. As this testing can require one to two months, however, in the past we faced the risk that such testing could affect delivery times. Using AICOT®-equipped power conditioners obviates the need for interference testing on multiunit systems, eliminating potential problems on delivery schedules.



Contributing Significantly to the Popularization of Solar Power Generation Systems

Another major roadblock exists along the path to the proliferation of solar power generation systems. For safety reasons, rules are in place that limit solar power generation system installation to around 10% of sites to each area. However, power conditioners equipped with AICOT® are not subject to this regulation, so they could theoretically be used to install solar power generation systems on all roofs.

As a result, Omron is making a major contribution to the popularization of solar power generation systems, which use environment-friendly renewable energy.

Accumulated R&D Expertise in Electrical Equipment Results in AICOT®

Since 2003, Omron has been working with Kandenko Co., Ltd., and other organizations in Ota, Gunma Prefecture, on the Demonstrative Project on Grid-Interconnection of Clustered Photovoltaic Power Generation Systems, which was commissioned by the New Energy and Industrial Technology Development Organization (NEDO). This proj-



Power conditioner with AICOT®



Color display unit makes checking power generation volume enjoyable

ect is part of an R&D effort concentrating on islanding detection technology during the deployment of multiple solar power generation systems.

When research began, the industry believed the viability of this sort of technological development to be low, and the research was considered difficult. As a result, no company other than Omron was interested in taking part. However, we were able to take advantage of the product development that we had conducted on protective relays and other electrical equipment. Following six years of technological development, in 2008 we took the industry lead by successfully developing AICOT® anti-islanding technology, which is effective even when solar power generation systems are concentrated at housing complexes or in high-density residential areas.

At Pal Town Josai-no-Mori, in the City of Ota, Gumma Prefecture, we are collaborating with inhabitants on the Demonstrative Project on Grid-Interconnection of Clustered Photovoltaic Power Generation Systems, using AICOT® anti-islanding technology for multiunit systems. AICOT®-equipped power conditioners are used on a



Pal Town Josai-no-Mori

total of 554 units (as of December 2009). Having a total generation output of 2,129kW, this project is one of the world's largest multiunit systems.

The project is attracting significant amounts of attention from many quarters, taking Pal Town Josai-no-Mori as the model for an environmental city with low CO₂ emissions.



The AICOT® mark's design is meant to convey a sense of tenderness toward the environment and people. The large circle denotes the sun, while the three smaller orbs indicate houses.

* Anti-Islanding COntrol Technology (AICOT®) is a registered trademark of Omron Corporation (registration number 5205429).

Resolving Health Issues

Contributing to the Health of People
throughout the World

The desire to be healthy is shared by people throughout the world. With the aim of contributing to the health of people throughout the world, Omron develops and markets products that contribute to health maintenance and improvement and detect illness quickly and easily. We also undertake a host of activities to prevent illness and promote health, both inside and outside the Company.

Contributing to the Health of People in India

Rapid Increase in Number of People with
Lifestyle Diseases a Social Issue

In recent years, Indian lifestyles have come to resemble those of people in Europe and the United States, and the number of people suffering from lifestyle diseases has surged accordingly. Some 130 million people are said to suffer from hypertension, 100 million from obesity, and 50 million from diabetes.* Alleviating or preventing such lifestyle diseases has thus evolved into a major social issue.

*According to a survey by Global Information, Inc.

To improve this situation in India, we are pursuing activities centered on Omron Healthcare India (OHS-IN), combining our experience and lineup of healthcare and medical instruments with our expertise in health management and alleviating illness. Omron first established a representative office in India in 1997. In 2011, we stepped



Building that houses Omron Healthcare India (OHS-IN)

up marketing efforts involving digital blood pressure monitors. To expand our business activities further, in November we established the marketing company OHS-IN in Gurgaon, located near Delhi, in the state of Haryana.

Encouraging the Proliferation of Health and
Medical Care Instruments and Contributing to
the Community

Alleviating lifestyle diseases requires first determining a patient's condition, followed by the improvement of lifestyle habits. At the moment, however, in India only about 0.5% (as of 2010) of people with high blood pressure had digital blood pressure monitors. Low diffusion levels are also the norm for electronic thermometers, body composition monitors, blood glucose monitors, pedometers, and other healthcare and medical instruments. In many cases, patients do not have the knowledge needed to use these healthcare and medical instruments, but another major issue is that many patients do not recognize the importance of health management. This situation has been changing in recent years as more people are becoming aware of and interested in health, and the percentage of people engaging in fitness activities is on the rise.

OHS-IN is working to encourage this trend toward health by augmenting the number of shops that handle Omron products to enable more households to gain access to our products. Also, we are producing Hindi-language documentation and developing products to match the needs of Indian people. In this way, OHS-IN is reinforcing sales and promotional activities related to healthcare and medical instruments. The company is also contributing to the local community in a number of ways. For example, we have begun holding free health-check events to determine blood pressure and other factors, thereby encouraging an understanding of how to prevent or alleviate lifestyle diseases.

Activities Targeting a Greater Number of People

Amid intense competition from other companies, OHS-IN is making steady inroads in the Indian market. In fiscal 2011, the company expanded its sales network to 12,500 shops. Furthermore, Omron-brand digital blood pressure monitors hold the top share of the Indian market, at 60%, which reflects the fact that physicians around the world recognize the quality and reliability of our products. Against this backdrop, we are steadily cultivating local staff who understand the importance of the healthcare business.

We aim to popularize digital blood pressure monitors in small and medium-sized Indian cities with populations of less than one million. By leveraging the local expertise and personnel we are cultivating in India, we aim to popularize healthcare and medical instruments and encourage health-promotion activities in other emerging markets as well.

Free Health-Check Events

In fiscal 2011, we held 376 free health-check events in cities with populations of one million or more. Conducted at such locations as pharmacies, these events gave attendees a chance to check their blood pressure, weight, and temperature.

Owing to extremely high interest in measuring physical health parameters, each of these free health-check events attracts more than 100 people. At these events, we share test results with participants and give them blood pressure diaries and health handbooks, which explain test results in careful detail.



A long queue for a free health check

Contributing to the Health of People in India

Exercise is important to maintaining or improving health. To encourage exercise, Omron sponsors three India's most prominent distance-running events: the Mumbai Marathon, the Delhi Half Marathon, and the Bangalore 10km Marathon, supporting the health of many competitors in the process.

Company booths at each of these marathons introduce our healthcare and medical instruments, including digital blood pressure monitors, accompanied by a free health-check event. Participants can visit our booth to check their fitness before the race.



Mumbai Marathon

Dream.Do. Campaign

In January 2012, we launched the “Dream.Do. Campaign” to advance Omron’s dream of contributing to Indian society by resolving health issues. The thrust of the campaign, which features popular actor Farhan Akhtar as a brand ambassador, is to emphasize what a single person can accomplish if they push ahead toward their dreams. Using newspaper and mass media advertising, this campaign is designed to promote the image of Omron as a progressive and approachable brand as well as raise the awareness of health management among Indian people.



Corporate Dream.Do. Campaign advertisement featuring Farhan Akhtar

Supporting Pharmacies

Privately managed pharmacies are a major channel for acquainting Indian consumers with Omron’s healthcare and medical instruments. Therefore, we conduct seminars to demonstrate to heads of pharmacies how to use our instruments, augment their understanding, and disseminate knowledge on the appropriate role of instruments in health management.

At the same time, to increase the understanding of healthcare and medical instruments among consumers



Seminar for the heads of pharmacies held in cooperation with a local pharmacy association

who are unfamiliar with them, we erect billboards advertising Omron products along the street and at the front of pharmacies.



Mother's Day campaign notice at curbside

Providing Support for Large-Scale Clinical Research in India

In fiscal 2011, we collaborated with the Indian Society of Hypertension to support a large-scale clinical study involving leading doctors from Japan, Canada, and India entitled “the Relationship between Indian Food Culture and Hypertension.” As one of the society’s official sponsors, we provided medical personnel with digital blood pressure monitors and other measurement equipment used in the clinical study.

At Annamalai University, one site of the large-scale clinical study, OHS-IN donated 100 digital blood pressure monitors and 100 electronic thermometers for student use, thereby supporting university research.



Presentation ceremony for donating healthcare and medical instruments to Annamalai University

Supporting Employee Energy and Health

Commencement of the “GENKI Project”

Recognizing that healthy bodies and ensuring occupational health and safety are essential if employees are to fully utilize their skills, Omron has been a leader in various business activities centered on health and safety. We have had illness prevention measures targeting lifestyle and other diseases in place for some time as well as measures to address mental health. In fiscal 2011, we augmented these programs by launching the GENKI Project (*genki* means “healthy” in Japanese). The project is aimed at fostering in which employees who are healthy, full of energy, dynamic, and possess a sense of community. During the first year of the project, we conducted “Om-Walk” and “Kyoto Marathon Participant Support” activities.

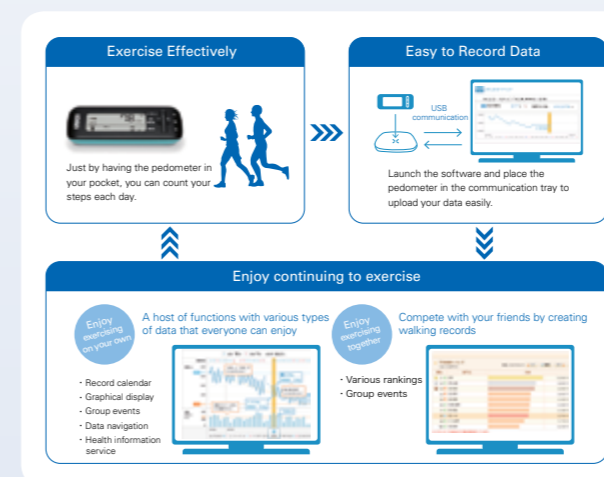
The Om-Walk Walking Event in Japan

The slogan for our Om-Walk event emphasizes being healthy and competing in calorie-burning activities. Using our products and services—activity monitors and WellnessLink,* our health portal site—teams competed for the highest overall activity level.



Om-Walk award ceremony

Participants made such comments as “This event increased my awareness of walking and exercise,” “When commuting to work, I decided to get off my train or bus one stop earlier and walk the rest of the way,” and “This was a great conversation topic at work; it helped to improve communications.”



The Om-Walk Program

The fiscal 2011 Om-Walk was voluntary; however, 91% of our employees participated, including temporary workers. (Participants numbered 13,554, composing 807 teams). We used “WellnessLink” to show how competing teams fared, allowing participants to check their walking status at a glance via the website and heightening the sense of participation.

*WellnessLink

This free-of-charge health management service employs information technology to offer personal advice based on health data determined by using Omron healthcare devices on a daily basis. We offer a service targeting individuals as well as services for companies and other organizations.

We are increasing the number of devices designed to communicate with WellnessLink and simplifying the process of transmitting measured data. As of July 31, 2012, WellnessLink members numbered approximately 250,000.



Please refer to the following website for details.
<http://www.wellnesslink.jp/>

Creating Value for Employees

Respect for Individuality and Diversity

Respecting Individuality and Diversity and Fostering Employees Who Are Effective in a Global Context

Omron has made “respect for individuality and diversity” one of its Management Commitments. We do not discriminate on the basis of nationality, gender, or ability, and we welcome individuals who have diverse values and skills. We recognize such attributes encourage corporate and personal growth, and we aim to be a company that encourages people to grow.

Cultivating Global Human Resources

To achieve the goal expressed in our new long-term strategy, Value Generation 2020 (VG2020), of creating a workforce and organizations to support the global growth of our business, in fiscal 2012 we will introduce “Team Omron Global Training Program (TOP)” — a human resources training system. Focused on workplace practices, the Camp seeks to nurture staff with vision who are ready for action. The program begins by determining employees’ current skills and subsequently shows them the next steps toward growth while continuing to challenge them. In the current fiscal year, we have updated “The Boot Camp,” our training program for newly appointed managers, to strengthen worksite management. In tandem with the global development of our business, we have begun training to assist employees in quickly boosting their English proficiency and gaining a necessary understanding of other cultures.

Promoting the Employment of People with Disabilities on a Global Basis

Omron’s corporate philosophy emphasizes respect for diversity, and one aspect of this tenet is to increase the number of employment opportunities for people with disabilities. We continue to rank at the top of the manufacturing industry for our employment of people with disabilities, which as of June 2011 amounted to 2.24% of our workforce in Japan, including 24 Group companies. In Indonesia, meanwhile, although the law stipulates that people with disabilities must account for at least 1% of the workforce, few companies comply. However, in 2010, PT OMRON Manufacturing of INDONESIA (OMI) created and is implementing a program to provide training and employment as a package to people with disabilities. This program has proved successful. OMI has raised its percentage of people with disabilities to 2% of its workforce, and word of the program has spread to other companies in Indonesia. Five companies have now introduced a similar type of program to OMI. These efforts have earned OMI the Best Practice Award for employing people with disabilities from



Omron Kyoto Taiyo

Receiving the Best Practice Award from the ILO



Receiving the Best Practice Award from the ILO

the International Labour Organization (ILO) as well as kudos from the Indonesian government.

Increasing Opportunities to Empower Women

In order to improve motivation among women, we will work to increase the number of opportunities for women to contribute to the workplace and encourage a balance between work and family life. We are thus promoting devotion to these initiatives in top management, in the workplace, and among the women themselves.

In October 2008, Omron launched a project to study ways to increase the empowerment of female staff. In fiscal 2011, we held study sessions, lecture presentations, and other events to brainstorm ideas on expanding women’s networks on a variety of fronts.

Since fiscal 2001, we have conducted Female Leader Training to promote women to positions of responsibility. As of fiscal 2011, 124 women have taken advantage of this program. As a result of these initiatives, the number of women in core management positions—defined as positions of responsibility or specialist or higher positions—has increased steadily. As of April 2011, throughout the Omron Group 21 women were in manager positions and 260 in assistant manager positions.



Female training program

Direct Dialogue with the President

Omron has a practice of encouraging dialogue between employees and the president called “The KURUMAZA,” which began as a result of the president’s desire to foster a deeper mutual understanding with workplace personnel. This program enables the president to understand the issues employees face in their daily work by hearing their problems and issues directly. The program also gives employees the chance to hear firsthand the president’s thoughts and assists in cultivating an atmosphere of mutual understanding. We plan to introduce this program globally.

Creating Value for Customers

Maximizing Customer Satisfaction

Aiming to Provide Products and Services That Are Safe and Instill Confidence

We strive to satisfy customers by enhancing the quality of the products and services we offer. By recognizing business activities leading to the safety of our products, services, and customers as a management priority, we pursue initiatives to provide products and services that function safely and that customers can use with confidence.

Quality Assurance

Quality Management

Omron has set forth a Groupwide quality policy while preparing quality manuals for each business division and Group company to establish a solid quality assurance system.

As of March 31, 2012, three business companies, 16 Group companies in Japan, and 24 Group companies overseas had acquired certification under the ISO 9001 international standard for their quality management systems. This has led to the establishment and full-scale implementation of a “plan, do, check, act” (PDCA) cycle at each organization. The PDCA cycle is intended to first formulate an improvement plan, implement it, evaluate the degree of achievement, and reflect the evaluation results by making subsequent improvements. The strict implementation of an individual PDCA cycle helps ensure safety and quality of products, the continued improvement of quality, and the prevention of quality-related problems.

Quick Detection and Prevention of Serious Claims

We manage information on customer inquiries and complaints regarding defects so we quickly become aware of any major quality issues that might affect customer safety as well as prevent such quality issues from recurring. We have established Product Quality Risk Management Regulations for communicating information about any major product quality issues immediately and accurately to top management.

We respond promptly to customer inquiries and have in place links between the quality departments at headquarters and those of business companies and business divisions. This arrangement enables us to respond quickly to complaints and prevent their recurrence.

Customer Service

Industry-Leading Customer Service and Support

In fiscal 2006, IAB established the Global Service Center. With the aim of increasing and standardizing service quality, the center conducts customer satisfaction surveys at the site level throughout the world (approximately 300 sites in 80 countries or regions), among other activities.

In B to B Site Ranking, a study of web support in Japan by Japan Brand Strategy, Inc., Omron has ranked first in customer service for six consecutive fiscal years, through fiscal 2012.

Omron Healthcare Co., Ltd., has set up a Customer Service Center, which handles customer queries, parts sales, and repairs in an integrated manner.

The long-term management strategy that began in fiscal 2011 raises the goal for the customer service division of converting each person who makes an inquiry at the Customer Service Center into an Omron fan. In fiscal 2012, we changed our operating structure, shifting from a rank-specific organization to one that is function based. We are restructuring the center to improve quality and efficiency by creating a call center that is easy to reach.

Reflecting Customer Feedback in Product Development

Aiming to provide society with products that are easy for anyone to use, Omron Healthcare conducts universal design evaluations at every stage of product development to confirm “universal quality.” As one example of this process, when configuring the screens and verification-testing of the service content of the MedicalLink home blood pressure management service employing information technology, the company asked private medical practitioners to evaluate the service. The frank opinions the company received from healthcare professionals led Omron Healthcare to introduce improvements.

In the past, usability evaluations and Group interviews were conducted in a research format that centered on product parameters. We have altered this approach and are accelerating our rollout of lifestyle evaluations (ethnography studies) designed to uncover potential needs. This method enables us to better understand overseas needs, particularly in emerging markets, against substantially different cultural backdrops. Determining potential needs by taking lifestyles into account is instrumental in developing “glocal” * product plans. We will remain closely attuned to customers’ input and needs by using this information to forecast future needs and gain a head start in the development of worldwide product plans.

* A word combining “global” and “local”



MedicalLink screen

Creating Value for Shareholders and Investors

Relationship Building with Shareholders

IR Activities Focusing on Dialogue

With its investor relations (IR) policy emphasizing interactive communication with current and potential investors, Omron provides timely and accurate information on the Company's business conditions and management policies. Omron also aims to reflect investors' comments in its management strategies to the fullest extent possible to maximize corporate value.

Creating More Open and Interactive Shareholders' Meetings

In an effort to make its shareholders' meeting more open and easier for shareholders to attend, Omron schedules meetings to avoid days on which the shareholders' meetings of other large companies are concentrated. Omron uses a conveniently located hotel at the JR Kyoto station as a venue for these meetings. Also, Omron has set up systems that allow shareholders to exercise their voting rights by post as well as an electronic voting system that enables exercise via personal computer or mobile



device. Since 2006, Omron has offered access to the Electronic Voting Platform, creating an environment whereby institutional investors in Japan and overseas can quickly provide documents for the general meeting and smoothly exercise their voting rights.

After the close of the general meeting, a separate presentation to explain management conditions is held as well as a shareholder roundtable conference. These events provide the opportunity to offer shareholders further information on Omron's initiatives that could not be communicated during the general meeting.



The 75th annual general shareholders' meeting, held on June 21, 2012, was attended by 796 shareholders, 134 more than in the preceding fiscal year. This figure represented 84.3% of voting rights.

Aiming to Strengthen Two-Way Communications

To enhance communications with individual investors, Omron conducts corporate presentations and participates in investor fairs. In fiscal 2011, Omron participated in 24 investor relations (IR) events, communicating with some 2,500 investors.

For institutional investors, Omron provided about 970 communication opportunities in fiscal 2011. These included trips that the

president made to personally meet investors throughout the world, presentations of business results and financial standing, teleconferences, and participation in investor relations conferences.

In Japan, we hold tours of our plant in Kusatsu, Shiga Prefecture, for institutional investors and analysts. Overseas, we conduct tours of our plants in Shanghai and Guangzhou, in China. Moreover, we hold well-received technology briefings, centering on our blood pressure monitor and relay technologies.

Input and feedback obtained through dialogue are relayed via the investor relations department to the president and the management team and are used to help create various management strategies.

Proactive Information Disclosure

We employ an IR site and various other tools to support interactive communications with shareholders and investors by disclosing information on product development and sales activities tailored to specific markets as well as information on operating performance. Our IR site features a message from the president, explanations of our strategies and operating performance, and video footage.

Inclusion in SRI Indexes

Omron's CSR activities have earned high praise from around the world, and the Company's shares are included in two major socially responsible investment (SRI) indexes: the Morningstar Socially Responsible Investment Index and the Asia Pacific (AP) version of the Dow Jones Sustainability Index (DJSI).



As of July 25, 2012

Creating Value for Local Communities

Awareness and Practice of Corporate Citizenship

Contributing to the Development of Local Communities as a Member of International Society

Aiming to be a valued corporate citizen, Omron strives for harmonious coexistence with local communities. As such, Omron complies with all applicable laws and rules and respects local culture and customs. We also communicate proactively with local residents and organizations to build relations of mutual understanding.

Supporting Reconstruction following the Great East Japan Earthquake

Providing Support through Business Activities

To provide support for the people affected by the Great East Japan Earthquake and assist in rebuilding the stricken region, we donated a portion of the proceeds from sales of our KM Series* of electricity monitors, which are used in energy-saving activities at manufacturing plants. Through this effort, we raised ¥18,723,000 for the Japanese Red Cross Society.

During the 11 months from May 2011 through March 2012, we worked with stores that market IAB products, concentrating on sales of the KM Series. Numerous sales outlets and customers joined in this effort, recognizing the importance of the KM Series in saving energy at manufacturing plants and supporting reconstruction. Their cooperation was instrumental.

* KM Series: A lineup of electricity monitors used to simply and reliably measure and analyze electricity use.

Sponsoring the Kyoto Marathon

The first Kyoto Marathon was held on March 11, 2012, to support reconstruction efforts following the Great East Japan Earthquake. Omron participated as a special sponsor in the event, and numerous employees, colleagues, and family members volunteered their support on the day of the marathon, cheering on participants or participating in the race themselves.

The Omron Group in Japan also sponsored an Om-Walk event (for details, see page 81) during the 11 days leading up to the marathon and provided matching donations. We donated ¥3,118,000 to correspond with participants' total activity level, providing these funds to the Japanese Red Cross Society via the Kyoto Shimbu Welfare Work Team and crisis management headquarters in the stricken region.



Lecturing at Ofunato High School

On September 21, 2011, we conducted a lecture at Ofunato High School, in Iwate Prefecture. Titled "The Connection between Omron's Technologies and Society," the talk coincided with the school's "Daylong General University" event. By offering students a chance to learn from a broad spectrum of people in the working world, the event encouraged high school students to think about developing their own careers and gave them a point of reference as they considered their paths for the future.

A post-event questionnaire revealed a number of forward-thinking comments, such as "I want to remain aware of my relationship with society as I learn" and "I want to become an engineer who looks at society from various perspectives and meets its needs."

We also received a positive note from one of the high school instructors: "I aim to help young people, whose future is unfolding before them, find their path to the future."



Assisting Reconstruction following Major Flooding in Thailand

Through Japan Platform, the Omron Group donated ¥5 million to victims of the major flooding that occurred in Thailand in October 2011.

After restoring its own plant, Omron Automotive Electronics Co., Ltd., located in Ayutthaya Province, set about helping to address the many scars left by the flooding, participating in such volunteer activities as repairing and painting the damaged schoolhouse of Wat Kan Ham Elementary School. The company and employee volunteers also made contributions and provided school supplies.

The volunteer activities served another purpose: through association with members of another Omron company in Bangkok, volunteers strengthened the ties within Team Omron.



Core Technology: Sensing & Control

Founding 1933 X-ray Timers

10th Year 1943 Microswitches

20th Year 1953 Electromagnetic Relays, Proximity Switches, Contactless Switches, Coin-Operated Timers, Pressure Switches

30th Year 1963 Miniature Power Relays, Photoelectric Switches, Automatic Ticket Gates, Automatic Food Ticket Vending Machines, Automated Teller Machines (ATMs), Calculators

40th Year 1973 Sequence Controllers, Electronic Temperature Controllers, Servomotors, Solid-State Relays, Digital Blood Pressure Monitors, Electronic Registers

50th Year 1983 PCB Solder Inspection Equipment, Radio Frequency Smart Entry Systems, Digital Thermometers, Electric Power Steering Controllers, Travel Time Measurement Systems, LCD Backlights

60th Year 1993 Switch Mode Power Supplies, Smart Sensors, Body Composition Monitors, Ultra-Small Pressure Sensors for Wrist Blood Pressure Monitors

70th Year 2003 Machine Automation Controllers, FPC Connectors, Social Sensors, Smart Electricity Volume Monitors

Current Business Divisions

- Industrial Automation Business (IAB)
- Electronic and Mechanical Components Business (EMC)
- Automotive Electronic Components Business (AEC)
- Social Systems, Solutions and Service Business (SSB)
- Healthcare Business (HCB)
- Other Businesses

Utilizing sensing and control technologies, Omron has developed countless products that are ahead of their time and have come to meet unrealized social needs in various areas.

Financial Section (U.S. GAAP)

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94 Business and Other Risks	102 Notes to Consolidated Financial Statements
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Note: Financial Highlights, Six-Year Summary, Fiscal 2011 Management's Discussion and Analysis, and Business and Other Risks are unaudited.

Financial Highlights

Omron Corporation and Subsidiaries
Years ended March 31, 2012, 2011 and 2010

	Millions of yen (except per share data)			Thousands of U.S. dollars (Note 2) (except per share data)
	FY2011	FY2010	FY2009	FY2011
For the year:				
Net sales	¥619,461	¥617,825	¥524,694	\$7,554,402
Income from continuing operations before income taxes and equity in loss (earnings) of affiliates	33,547	41,693	10,195	409,110
Net income	16,352	27,016	3,621	199,415
Net income attributable to shareholders	16,389	26,782	3,518	199,866
Per share data (yen and U.S. dollars):				
Net income attributable to shareholders				
Basic	¥ 74.46	¥ 121.66	¥ 15.98	\$ 0.91
Diluted	74.46	121.66	15.98	0.91
Cash dividends (Note 1)	28.0	30.0	17.0	0.34
Capital expenditures (cash basis)	¥ 27,502	¥ 21,647	¥ 20,792	\$ 335,390
Research and development expenses	42,089	41,300	37,842	513,280
At year end:				
Total assets	¥537,323	¥562,790	¥532,254	\$6,552,720
Total shareholders' equity	320,840	312,753	306,327	3,912,683

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, 2012, of ¥82 = \$1.

Six-Year Summary

Omron Corporation and Subsidiaries
Years ended March 31

	Millions of yen (except per share data)					
	FY2011	FY2010	FY2009	FY2008	FY2007	FY2006
Net sales (Notes 3, 4):						
Industrial Automation Business (IAB)	¥270,835	¥271,894	¥203,917	¥271,204	¥339,161	¥316,812
Electronic and Mechanical Components Business (EMC)	83,002	81,216	70,717	76,494	100,668	96,240
Automotive Electronic Components Business (AEC)	85,027	84,259	75,163	82,109	107,521	93,321
Social Systems, Solutions and Service Business (SSB)	57,200	63,846	57,981	72,336	76,876	98,707
Healthcare Business (HCB)	62,446	60,629	63,359	63,592	71,706	65,731
Other Businesses	53,535	49,672	43,592	50,989	56,841	44,604
Elimination and Corporate	7,416	6,309	9,965	10,466	10,212	8,451
	619,461	617,825	524,694	627,190	762,985	723,866
Costs and expenses:						
Cost of sales	391,574	386,123	340,352	408,668	469,643	445,625
Selling, general and administrative expenses	145,662	142,365	133,426	164,284	176,569	164,167
Research and development expenses	42,089	41,300	37,842	48,899	51,520	52,028
Other expenses (income), net	6,589	6,344	2,879	44,472	1,087	(2,233)
	585,914	576,132	514,499	666,323	698,819	659,587
Income (loss) from continuing operations before income taxes and equity in loss (earnings) of affiliates	33,547	41,693	10,195	(39,133)	64,166	64,279
Income taxes	17,826	14,487	3,782	(10,495)	24,272	25,595
Equity in loss (earnings) of affiliates	(631)	190	2,792	811	348	1,352
Income (loss) from continuing operations net of tax (Note 2)	16,352	27,016	3,621	(29,449)	39,546	37,332
Income from discontinued operations, net of tax (Note 2)	—	—	—	—	3,054	1,186
Net income (loss)	16,352	27,016	3,621	(29,449)	42,600	38,518
Net income (loss) attributable to noncontrolling interests	(37)	234	103	(277)	217	238
Net income (loss) attributable to shareholders	16,389	26,782	3,518	(29,172)	42,383	38,280
Per share data (yen):						
Income (loss) from continuing operations						
Basic	¥ 74.5	¥ 121.7	¥ 16.0	¥ (132.2)	¥ 172.5	¥ 159.8
Diluted	74.5	121.7	16.0	—	172.4	159.7
Net income (loss) attributable to shareholders						
Basic	74.5	121.7	16.0	(132.2)	185.9	165.0
Diluted	74.5	121.7	16.0	—	185.8	164.9
Cash dividends (Note 1)	28.0	30.0	17.0	25.0	42.0	34.0
Capital expenditures (cash basis)	¥ 27,502	¥ 21,647	¥ 20,792	¥ 37,477	¥ 37,848	¥ 44,689
Total assets	537,323	562,790	532,254	538,280	617,367	630,337
Total shareholders' equity	320,840	312,753	306,327	298,411	368,502	382,822
Value indicators:						
Gross profit margin (%)	36.8	37.5	35.1	34.8	38.4	38.4
Income (loss) before tax/Net sales (%)	5.4	6.7	1.9	(6.2)	8.4	8.9
Return on sales (%)	2.6	4.3	0.7	(4.7)	5.6	5.3
Return on assets (%)	6.1	7.6	1.9	(6.8)	10.3	10.5
Return on equity (%)	5.2	8.7	1.2	(8.7)	11.3	10.3
Inventory turnover (times)	4.39	4.71	4.19	4.54	4.96	5.27
Price/earnings ratio (times)	23.9	19.2	135.8	(8.7)	10.7	19.1
Assets turnover (times)	1.13	1.13	0.98	1.09	1.22	1.19
Debt/equity ratio (times)	0.675	0.799	0.738	0.804	0.675	0.647
Interest coverage ratio (times)	153.01	101.96	22.15	6.01	44.34	57.82

- Notes: 1. Cash dividends per share represent the amounts applicable to the respective year, including dividends to be paid after the end of the year.
2. In accordance with Accounting Standards Codification No. 360, "Property, Plant and Equipment," the figures of the consolidated statements of operations for the prior years related to the discontinued operations have been separately reported from the ongoing operating results to conform with the current year presentation.
3. Starting with the fiscal year ended March 31, 2010, the Companies adopted Accounting Standards Codification No. 280, "Segment Reporting" (previously Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information"). The figures of the segment information for the prior years have been restated to conform with the current year presentation.
4. Starting with the fiscal year ended March 31, 2011, the solar power conditioner business in the "Industrial Automation Business" was transferred to "Other." The figures of the segment information for the prior years have been restated to conform with the current year presentation.

Fiscal 2011 Management's Discussion and Analysis

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

Market Environment

1. Macroeconomic Environment

In fiscal 2011, the economic climate in Japan continued to face harsh conditions, such as depression in corporate production activities and consumer spending due to the impact of the Great East Japan Earthquake, which occurred on March 11, 2011. Moreover, efforts to recover from these impacts were impeded by electricity shortages, which were the result of the nuclear power plant incident that followed the earthquake as well as the tight supply and demand situation regarding parts. Overseas, while growth continued in emerging countries, the combined impacts of the monetary tightening in China, high unemployment rates in the United States, the instability of financial systems in Europe, and

the severe flooding in Thailand in October 2011 further strengthened the sense of stagnancy in the global economy.

The decrease in exports as a result of disrupted supply chains in Japan and the sharp rise in resource imports forced Japan to record a trade deficit for the first time in 31 years, when deficits resulted from the 1979 oil crisis. Also, the current account balance surplus dropped by more than 50% in comparison with fiscal 2010. Further, the real GDP of Japan was down 1.8% year on year during the first quarter of the fiscal year. While a recovery was evident during the summer months, real GDP did not show any change over the full fiscal year and was down 0.7% for the calendar year.

Growth Rates of Real GDP for Each Country/Region (Calendar-Year Basis)

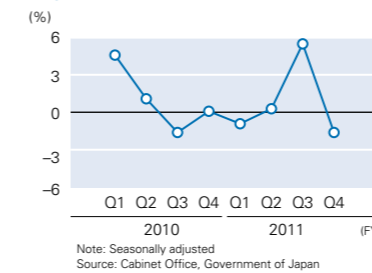
	Japan	U.S.	EU	China	India	Brazil	Total
2010	4.4	2.3*	3.0	1.9	10.4	10.6	7.5
2011	-0.7	-0.6*	1.7	1.4	9.2	7.2	2.7
2012 Estimates	2.0		2.1	-0.3	8.2	6.9	3.0

Source: IMF; "World Economic Outlook," April 2012

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

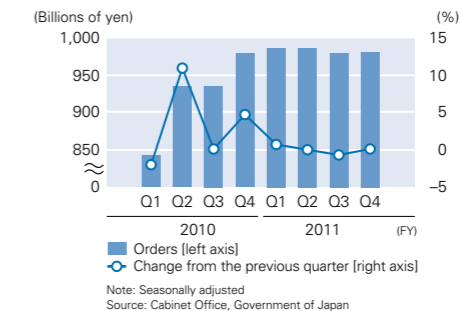
Domestic Macroeconomic Environment

Growth Rate of Real Private Capital Investment



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

Growth Rate of Machinery Orders (Manufacture)



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

2. The Omron Group Market Environment

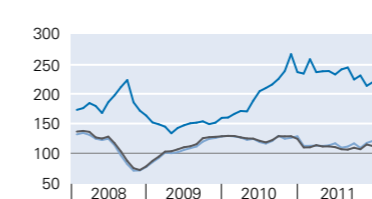
In Japan, the drive for energy saving and increased environmental awareness contributed to higher product sales. Also, demand for Omron products is expanding steadily in growing markets in China and the Asia Pacific region.

Conversely, downward pressure was placed on earnings by soaring materials prices and the strong yen, for which the average exchange rates appreciated to ¥79.3 to the U.S. dollar, up ¥6.5 from the previous fiscal year, and to ¥110.3 to the euro, a ¥3.2 year-on-year rise.

The direct impact of the Great East Japan Earthquake was minimal for the Omron Group, whose main production sites are located outside the affected areas. In response to the supply chain disruptions, we established emergency product supply systems to fulfill our responsibility to supply products and limit the impact of these disruptions on society to the greatest extent possible.

Index of Electronic Parts and Devices

(Seasonally adjusted indices, 2005 average = 100)



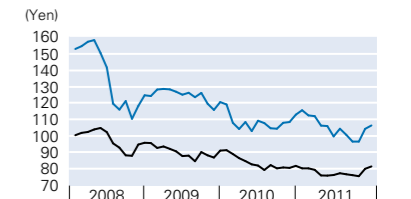
Source: Ministry of Economy, Trade and Industry

Silver and Copper Prices



Source: Ministry of Economy, Trade and Industry

Exchange Rates



Overview of Consolidated Results and Financial Condition

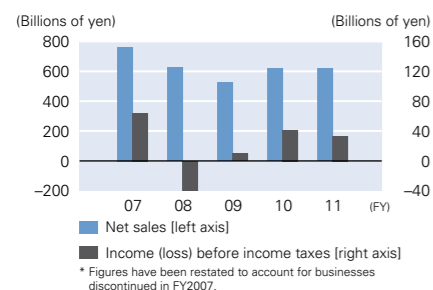
Note: Segment operating income is prepared using the single-step method (which does not show individual income levels) based on U.S. GAAP. For an easier comparison with other companies, operating income represents gross profit minus selling, general and administrative (SG&A) expenses and research and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

In this market environment, the Group's consolidated net sales were heavily affected by the strong yen, but it was still able to record a 0.3% year-on-year increase, to ¥619.5 billion, due to sales contributions of such initiatives as expanding operations in emerging countries and introducing new products. However, the strong yen and high raw materials prices significantly impacted income, resulting in year-on-year decreases of 16.4% in operating income, to ¥40.1 billion; 19.5% in income before income taxes, to ¥33.5 billion; and 38.8% in net income attributable to shareholders, to ¥16.4 billion.

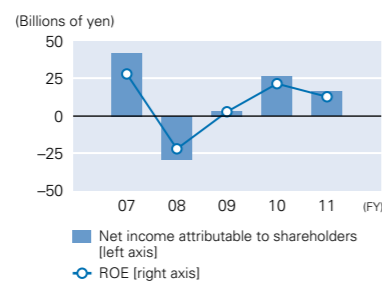
Total assets decreased 4.5% from the end of the previous fiscal year, largely due to declines in cash and time deposits, which was a result of the redemption of commercial paper, as well as in deferred tax assets. Total shareholders' equity was up 2.6%, to ¥320.8 billion, due to the accumulation of retained earnings, and led to a rise in the shareholders' equity ratio, to 59.7%, from 55.6% at the end of the previous fiscal year.

Return on equity (ROE) stood at 5.2%, and return on invested capital (ROIC) was 6.9%, both percentages down from 8.7% and 9.3%, respectively, in the previous fiscal year.

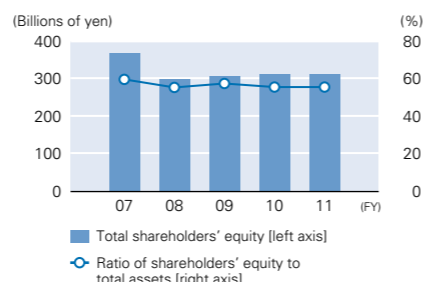
Net Sales & Income before Income Taxes



Net Income Attributable to Shareholders & ROE



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



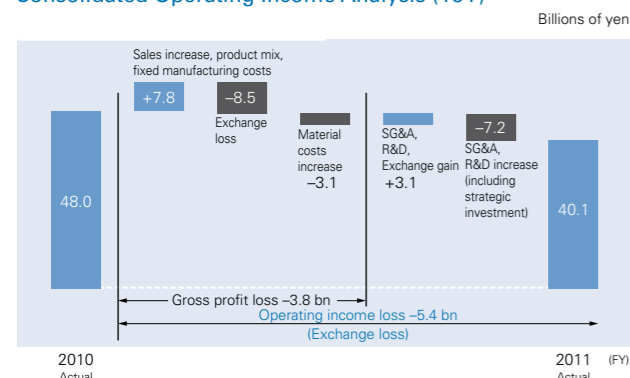
Review and Analysis of the Statements of Income

Net Sales

In fiscal 2011, the yen continued to appreciate against the dollar and the euro, negatively impacting sales. At the same time, sales benefited from the successes of such initiatives as expanding operations in China, India, and other emerging countries and the aggressive introduction of new products. As a result, net sales were up ¥1.6 billion year on year, or 0.3%, to ¥619.5 billion.

By region, sales declined 1.4% in Japan. Overseas, sales in Europe were down 1.1%, due to the impacts of the sovereign debt crisis, whereas sales were up 0.6% in the Americas, 4.2% in the Greater China region, and 4.7% in the Asia Pacific region. Performance in the Greater China region continued to lead other overseas segments in terms of both net sales and operating income.

Consolidated Operating Income Analysis (YoY)



Cost of Sales and SG&A Expenses

Cost of sales increased 1.4% year on year due to soaring raw materials prices, and the cost of sales ratio rose 0.7 percentage point, to 63.2%. In fiscal 2011, the average price per kilogram of silver rose rapidly, to ¥92,379, compared with ¥62,664 per kilogram recorded in the previous year, and the unit price of copper also remained high. While the Company strove to limit manufacturing fixed costs and enhance its product mix, the environment continued to present difficulties with regard to profitability.

SG&A expenses increased ¥3.3 billion, or 2.3%, from the previous fiscal year, and the SG&A-to-sales ratio rose 0.5 percentage point, to 23.5%. At the same time, R&D expenses were up ¥0.8 billion, or 1.9%, and the R&D-to-sales ratio rose 0.1 percentage point, to 6.8%. This increase was due to the Company's policy to steadily implement investment as necessary for future growth.

Other Expenses (Income) * See Note 12 on page 115.

Other expenses increased ¥0.2 billion year on year, to ¥6.6 billion, due to the impact of loss on impairment of goodwill and foreign exchange loss, net.

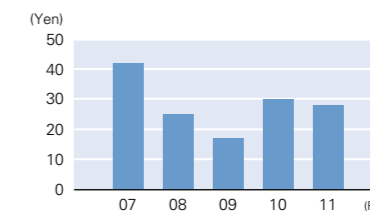
Income before Income Taxes, Net Income Attributable to Shareholders, and Profit Distribution

As a result of the above, income before income taxes and equity in loss (earnings) of affiliates amounted to ¥33.5 billion, declining ¥8.1 billion from the ¥41.7 billion recorded in the previous fiscal year. Likewise, net income attributable to shareholders was ¥16.4 billion, down ¥10.4 billion from the previous year's ¥26.8 billion. Basic net income attributable to shareholders per share fell from ¥121.7 in fiscal 2010, to ¥74.5 in fiscal 2011.

The Company distributed an annual cash dividend of ¥28.0 per share in fiscal 2011, representing a ¥2.0 decrease from the previous fiscal year payment. The dividend payment was determined based on the Company's basic policy of securing

sufficient internal capital resources for future growth while maintaining a minimum 20% dividend payout ratio and targeting a 2% dividend on equity (DOE) ratio and returning profits to shareholders to the greatest extent possible after these conditions are met. The consolidated dividend payout ratio was 37.6%, and the DOE ratio was 1.9% in fiscal 2011.

Dividends per Share



Costs, Expenses, and Income as Percentages of Net Sales

	FY2011	FY2010	FY2009
Net sales	100.0%	100.0%	100.0%
Cost of sales	63.2	62.5	64.9
Gross profit	36.8	37.5	35.1
Selling, general and administrative expenses	23.5	23.0	25.4
Research and development expenses	6.8	6.7	7.2
Other expenses, net	1.1	1.1	0.6
Income before income taxes and equity in loss (earnings) of affiliates	5.4	6.7	1.9
Income taxes	2.9	2.3	0.7
Net income	2.6	4.3	0.7

Segment Information

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

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

Please refer to pages 36–47 for detailed segment business results, fiscal 2012 outlook, and strategy.

1. Review of Operations by Business Segment Industrial Automation Business (IAB)

IAB net sales decreased 0.4% year on year, to ¥270.8 billion. Operating income was impacted by the strong yen and the Group's strategic investment efforts and thus dropped 12.8%, to ¥33.3 billion. In Japan, sales were up during the first quarter but were lackluster throughout the rest of the fiscal year due to the impacts of inventory adjustment trends and sluggish demand for semiconductor and electronic component-related products. Overseas, operations in Europe were affected by external factors including the strong yen and the instability of financial systems, but these factors were offset by strong sales of control equipment for oil- and gas-related businesses in the Americas and the benefits of reconstruction demand following the floods in Thailand. Overall performance in overseas operations was strong accordingly.

Electronic & Mechanical Components Business (EMC)

EMC net sales increased 2.2% year on year, to ¥83.0 billion. However, operating income declined 39.2%, to ¥7.2 billion, due to the lower sales of high-profit-margin factory automation

(FA) products as well as the impacts of the strong yen and soaring raw materials prices. In Japan, sales of automotive components and amusement devices quickly recovered after the Great East Japan Earthquake, and post-earthquake reconstruction demand drove strong sales of certain components for consumer products. Overseas, sales of products for the automobile industry and mobile telephones grew.

Automotive Electronic Components Business (AEC)

AEC net sales edged up 0.9% year on year, to ¥85.0 billion, however, operating income fell 35.3%, to ¥2.7 billion, as a result of the strong yen and the impacts of the Great East Japan Earthquake and floods in Thailand. Domestic sales were adversely influenced in the first half of the fiscal year by reduced production among automobile manufacturers, the main customers for this business. However, demand recovered later in the year in conjunction with the recovery of these manufacturers. In overseas operations, strong demand from overseas automobile manufacturers and the economic growth of emerging countries contributed positively to sales.

Social Systems, Solutions and Service Business (SSB)

In SSB, net sales decreased 10.4% year on year, to ¥57.2 billion, and operating income was down 94.1%, to ¥0.1 billion. The environmental solutions business saw the smooth launch of energy-saving, creating, and storing businesses, and the related maintenance business witnessed continued sales expansion for solar power generation and accompanying installation services. Conversely, the railway infrastructure business suffered due to the persisting trend of limited investment among railway companies after the earthquake, which offset favorable sales of safety and security solutions centered on remote monitoring systems, thus leading to sluggish sales. Performance in the traffic control and road control systems business was lackluster in a similar manner.

Healthcare Business (HCB)

HCB net sales stepped up 3.0% year on year, to ¥62.4 billion, but operating income was down 28.4%, to ¥2.9 billion, as a result of the impacts of the strong yen and the implementation of strategic investments. In Japan, sales of new home-use healthcare devices, such as activity monitors, body composition monitors, and thermometers, proved to be favorable and we managed to expand our market share. In equipment for use in medical institutions, the world's first visceral fat monitor posted sales growth. However, the overall trend of curtailing capital investment in the market resulted in weak

Growth in Net Sales by Business Segment

	FY2011	FY2010	FY2009
IAB	(0.4)%	33.3%	(24.8)%
EMC	2.2	14.8	(7.6)
AEC	0.9	12.1	(8.5)
SSB	(10.4)	10.1	(19.8)
HCB	3.0	(4.3)	(0.4)
Other	7.8	13.9	(14.5)

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

2. Review of Operations by Region

Japan

In Japan, demand for semiconductors, electronic components, and consumer electronics was sluggish, and investment in railways and transportation infrastructure was low. At the same time, post-earthquake reconstruction demand and changes in consumer tendency fueled strong sales of automobiles, machine tools, amusement devices, and environment-related products. Also as a result of these trends, sales in the IAB, EMC, AEC, and HCB were relatively unchanged from the previous fiscal year. Due to the above, net sales (including direct exports) in Japan declined 1.4% year on year, to ¥307.6 billion, and operating income was down 27.1%, to ¥21.7 billion.

The Americas

In the Americas, sales in the HCB were heavily impacted by the strong yen. However, the IAB benefited from the recent increases in the price of crude oil, and sales of local oil- and gas-related businesses were up accordingly. As a result, net

sales of physiological monitors, a core product. Overseas, meanwhile, demand for Omron's healthcare equipment increased, particularly in emerging markets, and sales were strong in all areas except the Americas, where the impact of the strong yen was particularly heavy.

Other Businesses

The Other segment's net sales increased 7.8% year on year, to ¥53.5 billion, and operating loss improved ¥1.1 billion, to ¥3.6 billion, due to the benefits of cost-reduction measures instituted in the micro devices business. In the environmental solutions business, the social drive for electricity saving and the development of alternative energy sources contributed to expansion of the energy-saving components and services business, which includes systems for making electricity usage data more accessible, while sales of solar power conditioners, as part of the energy-creation business, were also strong. In the electronic systems and equipment business, demand for uninterruptible power supply units continued to increase in view of rising power supply concerns. In the micro devices business, sales were sluggish for contract semiconductor production orders and custom integrated circuits for consumer products and industrial use. In the backlight business, sales increased notably thanks to strong demand for smartphones.

Composition of Net Sales by Business Segment

	FY2011	FY2010	FY2009
IAB	43.7%	44.0%	38.9%
EMC	13.4	13.2	13.5
AEC	13.7	13.6	14.3
SSB	9.2	10.3	11.0
HCB	10.1	9.8	12.1
Other	8.6	8.0	8.3

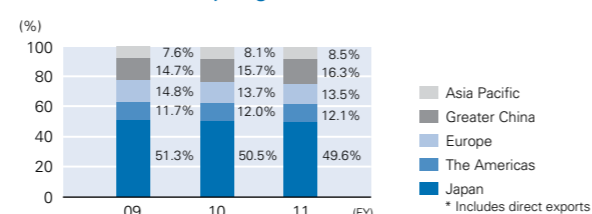
Note: The composition of net sales is based on the classifications reported in the Six-Year Summary (page 88).

sales in the Americas rose 0.6%, to ¥74.8 billion, and operating income increased 5.4%, to ¥3.0 billion.

Europe

In Europe, the Company faced an increasingly harsh operating environment, as major countries showed negative growth on a quarterly basis and in the exchange market the yen continued to appreciate against the euro. Performance in the HCB was strong, but sales of certain products in the IAB and EMC were adversely affected by ongoing inventory adjustment trends. As a result, net sales in Europe declined 1.1% year on year, to ¥83.6 billion, and operating income decreased 11.0%, to ¥3.0 billion.

Sales Breakdown by Region



Greater China

In China, while the monetary tightening measures implemented by the Chinese government slowed the economy to a degree, the overall strong growth trend in the market continued. In this environment, sales of components for the automobile industry and products for use in mobile telephones in the EMC were solid, and the HCB made particular notable contributions to sales. As a result, net sales in the Greater China region rose 4.2% year on year, to ¥101.1 billion. Operating income, however, decreased 26.3%, to ¥8.4 billion, due to the worsening of the product mix. Regardless though, the Greater China region still accounted for the

Financial Condition

Assets

Total assets amounted to ¥537.3 billion at the end of fiscal 2011, representing a decrease of ¥25.5 billion, or 4.5%, compared with the previous fiscal year-end. This decrease is mainly attributable to declines in cash and time deposits and the result of the redemption of commercial paper as well as in deferred tax assets.

Liabilities and Shareholders' Equity

Total liabilities amounted to ¥215.6 billion, down ¥33.5 billion from the previous fiscal year-end. This decline is largely due to lower short-term debt and termination and retirement benefits.

Total shareholders' equity was up ¥8.1 billion, to ¥320.8 billion, causing the shareholders' equity ratio to rise 4.1 percentage points, to 59.7%, compared with 55.6% at the end of the previous fiscal year. The debt/equity ratio was 0.675 times, showing improvement from the previous year's 0.799 times. Shareholders' equity per share was ¥1,457.51 at the end of the fiscal year, compared with ¥1,421.03 per share at the end of the previous fiscal year.

Cash Flows

Cash and cash equivalents at the end of the fiscal year stood at ¥45.3 billion, a ¥29.5 billion decrease from the end of the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥31.9 billion, down ¥10.0 billion from the previous fiscal year. Major factors included a decline in net income before the deduction of noncontrolling interests and decreases in notes and accounts receivable—trade, net, and inventories.

Cash Flows from Investing Activities

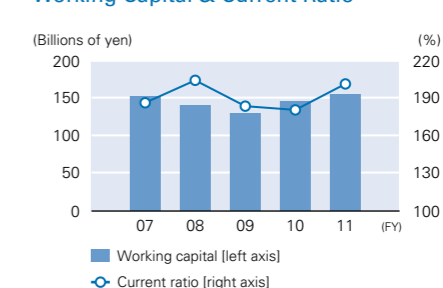
Net cash used in investing activities amounted to ¥26.5 billion, up ¥6.3 billion from the previous fiscal year. This advance was the result of increased investments in such areas as the expansion of production sites and production facilities.

largest portion of the sales and income compared with other overseas segments.

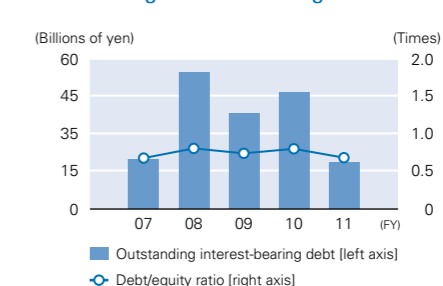
Asia Pacific

In the Asia Pacific region, the impact of the floods in Thailand was only temporary, and the subsequent reconstruction demand contributed to higher sales in the IAB. The AEC, HCB, and other businesses also registered improved performances. As a result, net sales in the Asia Pacific region increased 4.7% year on year, to ¥52.4 billion. Operating income contracted 20.6%, to 4.7%, due to the impacts of natural disasters and the worsening of product mixes.

Working Capital & Current Ratio



Outstanding Interest-Bearing Debt & Debt/Equity Ratio



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 these items may substantially affect investor decisions. Note that items referring to the future reflect the Omron Group’s forecasts and assumptions as of June 22, 2012, the release date of its *Yukashoukenhoukokusho (Annual Securities Report)* filed under the Financial Instruments and Exchange Act of Japan).

(1) Economic Conditions

The primary businesses of the Omron Group are the Industrial Automation Business, Electronic and Mechanical Components Business, Automotive Electronic Components Business, Social Systems, Solutions and Service Business, and Healthcare Business. Accordingly, demand for Omron Group products is affected by economic conditions in these markets. Both in Japan and overseas, therefore, market forces affecting the product markets in which the Omron Group conducts business can result in the contraction of demand for its 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 such business activities 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 the collection of receivables, specific legal systems and investment regulations; changes in tax systems; difficulty guaranteeing safety, labor shortages, and problems in the labor management relationship; and terrorism, wars, and other political circumstances.

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

(3) Exchange Rate Fluctuation

The Omron Group has 116 overseas affiliated companies and continues to target increased sales in emerging countries, such as China and other Asian countries, while taking other steps to reinforce its business operations in overseas markets. The percentage of consolidated net sales accounted for by overseas sales during fiscal 2011 was 52.2%, 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

The Omron Group seeks to provide “maximum customer satisfaction” by providing the best quality products and services based on its “Quality first principle.” Regarding

quality, the Group has established an ISO-certified quality control system and develops and manufactures its products in accordance with this system. A Groupwide quality check system is in place for the ongoing improvement of the quality of the Group’s entire line of products and services.

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

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

The Group also strives to provide Environmental Assurance Products that do not include banned substances designated in the Restriction of Hazardous Substances (RoHS) Directive enforced by the European Union in July 2006. The Group is investigating the status of regulated chemical substances in components and materials and is seeking to use components and materials that do not contain banned substances. Since 2009, the Group adheres to the European Union’s Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) Regulation concerning the identification of contained substances. Despite the Group’s efforts, the frequent modifications of the regulations on controlled substances complicate the supervisory efforts, and it is possible that infractions could incur, such as failure to comply with modified regulations.

(5) Research and Development Activities

The Omron Group has established technical strategies to facilitate the development and reinforcement of technologies from a medium- to long-term perspective and is advancing research and development (R&D) activities accordingly. Sensing and control technology is an area in which the Company is particularly strong; this area represents the source of our competitive edge. For this reason, we are focusing R&D expenses on our mainstay Industrial Automation Business and Electronic and Mechanical Components Business, areas in which we are pursuing the development of new products and the strengthening of manufacturing technologies. As a result, the R&D-to-sales ratio remains at approximately 7%.

The Group conducts R&D activities with the aim of developing new products that meet market needs. However, it is possible that the anticipated results of these activities may not be achieved due to delays in R&D plans or a lack of technological capabilities. It is also possible that the products created through such R&D activities may not be as successful in markets as expected. In such cases, the Omron Group’s operating results and financial condition could be adversely affected.

(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

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

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

(9) Raw Material Shortages and Provision Price Rises

It is absolutely essential to the Group’s manufacturing activities to obtain raw materials and parts of sufficient quality in a timely manner and in necessary quantities. Therefore, we stringently select suppliers from a reliability standpoint.

However, if one of the following supply issues were to arise and we were to have difficulty changing suppliers, securing additional suppliers, or switching to different parts under such conditions, the Group’s performance could be adversely affected.

- The supply chain is significantly disrupted due to an unforeseen natural disaster or accident.
- The deterioration of the management situation at a supplier resulted in reduced or halted supply of materials or parts.
- Market demand increased.

Further, while the Group has concluded contracts with suppliers to fix provision prices, if increased demand in emerging countries or an influx of capital into these countries were to result in a rise in the prices of petrochemicals, steel, silver, copper, rare earths, or other raw materials, it could impact manufacturing costs.

Certain raw materials and parts can only be procured from specific suppliers. According, events such as the above could have a negative impact on the Group’s operating results and financial condition.

(10) Environmental Laws and Regulations

The Group must comply with a wide variety of environmental laws and regulations, including those related to climate change, air and water pollution, hazardous substances, waste, product recycling, and the contamination of soil and groundwater. These laws and regulations not only apply to the Omron Group’s current business activities but may also be retroactively applied to past business activities or the past activities of businesses transferred from other companies through acquisition or some other means. It is possible that compliance with future environmental laws and regulations or efforts to improve the environmental soundness of operations could result in a rise in expenses related to the environment, which could subsequently have an adverse effect on the Group’s operating results and financial condition.

Consolidated Balance Sheets

OMRON Corporation and Subsidiaries
March 31, 2012 and 2011

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	FY2011	FY2010	FY2011
Current Assets:			
Cash and cash equivalents (Note 1)	¥ 45,257	¥ 74,735	\$ 551,915
Notes and accounts receivable—trade (Note 5)	143,304	137,531	1,747,610
Allowance for doubtful receivables (Note 1)	(2,205)	(2,230)	(26,890)
Inventories (Note 1, 3)	92,253	86,151	1,125,037
Deferred income taxes (Note 1, 13)	17,975	20,183	219,207
Other current assets (Note 4, 18, 20)	11,513	11,520	140,402
Total Current Assets	308,097	327,890	3,757,281
Property, Plant and Equipment (Note 1, 7):			
Land	26,950	27,875	328,659
Buildings	128,870	125,686	1,571,585
Machinery and equipment	142,148	136,792	1,733,512
Construction in progress	7,417	6,836	90,451
Total	305,385	297,189	3,724,207
Accumulated depreciation	(184,679)	(177,191)	(2,252,183)
Net Property, Plant and Equipment	120,706	119,998	1,472,024
Investments and Other Assets:			
Investments in and advances to affiliates (Note 1)	14,443	13,521	176,134
Investment securities (Note 1, 4, 20)	36,161	35,694	440,988
Leasehold deposits	7,219	7,126	88,037
Deferred income taxes (Note 1, 13)	34,516	42,190	420,927
Other assets (Note 1, 6, 7)	16,181	16,371	197,329
Total Investments and Other Assets	108,520	114,902	1,323,415
Total	¥ 537,323	¥ 562,790	\$ 6,552,720

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 2)
	FY2011	FY2010	FY2011
Current Liabilities:			
Short-term debt (Note 8)	¥ 18,774	¥ 45,519	\$ 228,951
Notes and accounts payable—trade	79,331	77,836	967,451
Accrued expenses	29,179	29,414	355,841
Income taxes payable	623	2,188	7,598
Other current liabilities (Note 1, 10, 13, 18, 20)	24,989	26,475	304,744
Total Current Liabilities	152,896	181,432	1,864,585
Deferred Income Taxes (Note 1, 13)	738	697	9,000
Termination and Retirement Benefits (Note 1, 10)	60,432	65,485	736,976
Other Long-Term Liabilities	1,577	1,524	19,232
Shareholders' Equity (Note 1, 11):			
Common stock, no par value:			
Authorized: 487,000,000 shares in 2012 and 2011			
Issued: 239,121,372 shares in 2012 and 2011	64,100	64,100	781,707
Capital surplus	99,078	99,081	1,208,268
Legal reserve	10,034	9,574	122,366
Retained earnings	260,557	250,824	3,177,524
Accumulated other comprehensive income (loss) (Note 1, 16)	(68,433)	(66,227)	(834,548)
Treasury stock, at cost—18,991,739 shares and 19,032,544 shares in 2012 and 2011, respectively	(44,496)	(44,599)	(542,634)
Total Shareholders' Equity	320,840	312,753	3,912,683
Noncontrolling interests	840	899	10,244
Total Net Assets	321,680	313,652	3,922,927
Total	¥537,323	¥562,790	\$6,552,720

See notes to consolidated financial statements.

Consolidated Statements of Income

OMRON Corporation and Subsidiaries
Years ended March 31, 2012, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	FY2011	FY2010	FY2009	FY2011
Net Sales (Note 1)	¥619,461	¥617,825	¥524,694	\$7,554,402
Costs and Expenses:				
Cost of sales	391,574	386,123	340,352	4,775,293
Selling, general and administrative expenses (Note 1)	145,662	142,365	133,426	1,776,366
Research and development expenses	42,089	41,300	37,842	513,280
Other expenses, net (Note 8,12,20,21)	6,589	6,344	2,879	80,353
Total	585,914	576,132	514,499	7,145,292
Income before Income Taxes and Equity in Loss (Earnings) of Affiliates	33,547	41,693	10,195	409,110
Income Taxes (Note 1,13)	17,826	14,487	3,782	217,390
Equity in Loss (Earnings) of Affiliates	(631)	190	2,792	(7,695)
Net Income	16,352	27,016	3,621	199,415
Net Income (loss) attributable to noncontrolling interests	(37)	234	103	(451)
Net Income attributable to shareholders	¥ 16,389	¥ 26,782	¥ 3,518	\$ 199,866

	Yen		U.S. dollars (Note 2)	
	FY2011	FY2010	FY2009	FY2011
Per Share Data (Note 14):				
Net Income attributable to shareholders				
Basic	74.46	121.66	15.98	0.91
Diluted	74.46	121.66	15.98	0.91

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

OMRON Corporation and Subsidiaries
Years ended March 31, 2012, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 2)	
	FY2011	FY2010	FY2009	FY2011
Net Income	¥16,352	¥ 27,016	¥ 3,621	\$199,415
Other Comprehensive Income (Loss), –net of tax (Note 16):				
Foreign currency translation adjustments:				
Foreign currency translation adjustments arising during the year	(1,613)	(10,376)	(1,400)	(19,671)
Reclassification adjustment for the portion realized in net income	(892)	(14)	—	(10,878)
Net change in Foreign currency translation adjustments during the year	(2,505)	(10,390)	(1,400)	(30,549)
Pension liability adjustments:				
Pension liability adjustments arising during the year	625	(1,534)	4,531	7,622
Reclassification adjustment for the portion realized in net income	(704)	(649)	(514)	(8,586)
Net change in Pension liability adjustments during the year	(79)	(2,183)	4,017	(964)
Unrealized gains (losses) on available-for-sale securities:				
Unrealized holding gains (losses) arising during the year	460	(1,566)	4,966	5,610
Reclassification adjustment for losses on impairment realized in net income	227	466	305	2,768
Reclassification adjustment for net gains on sale realized in net income	(188)	(10)	(350)	(2,293)
Reclassification adjustment for net gains on Share exchange in net income	(74)	(4)	—	(902)
Net unrealized gains (losses)	425	(1,114)	4,921	5,183
Net gains (losses) on derivative instruments:				
Net gains on derivative instruments designated as cash flow hedges during the year	3	893	737	37
Reclassification adjustment for net gains (losses) realized in net income	(57)	(841)	(186)	(695)
Net gains (losses)	(54)	52	551	(658)
Other Comprehensive Income (Loss)	(2,213)	(13,635)	8,089	(26,988)
Comprehensive Income	14,139	13,381	11,710	172,427
Comprehensive Income (Loss) attributable to noncontrolling interests	(44)	212	62	(536)
Comprehensive Income attributable to shareholders (Note 1)	¥14,183	¥ 13,169	¥11,648	\$172,963

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

OMRON Corporation and Subsidiaries
Years ended March 31, 2012, 2011 and 2010

	Millions of yen									
	Number of common shares issued	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total Shareholders' Equity	Noncontrolling interests	Total Net Assets
Balance, March 31, 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									(762)	(762)
Equity transactions with noncontrolling interests and other									(62)	(62)
Transfer to legal reserve				304	(304)					
Other comprehensive income (loss)						8,130		8,130	(41)	8,089
Acquisition of treasury stock							(13)	(13)		(13)
Sale of treasury stock				(0)			2	2		2
Grant of stock options				22				22		22
Balance, March 31, 2010	239,121,372	64,100	99,081	9,363	230,859	(52,614)	(44,462)	306,327	808	307,135
Net income					26,782			26,782	234	27,016
Cash dividends paid to OMRON Corporation shareholders, ¥30 per share					(6,605)			(6,605)		(6,605)
Cash dividends paid to noncontrolling interests									(0)	(0)
Equity transactions with noncontrolling interests and other									(121)	(121)
Transfer to legal reserve				211	(211)					
Other comprehensive income (loss)						(13,613)		(13,613)	(22)	(13,635)
Acquisition of treasury stock							(140)	(140)		(140)
Sale of treasury stock				(0)	(1)		3	2		2
Balance, March 31, 2011	239,121,372	64,100	99,081	9,574	250,824	(66,227)	(44,599)	312,753	899	313,652
Net income					16,389			16,389	(37)	16,352
Cash dividends paid to OMRON Corporation shareholders, ¥28 per share					(6,164)			(6,164)		(6,164)
Cash dividends paid to noncontrolling interests									(15)	(15)
Transfer to legal reserve				460	(460)					
Other comprehensive income (loss)						(2,206)		(2,206)	(7)	(2,213)
Acquisition of treasury stock							(10)	(10)		(10)
Sale of treasury stock				(3)	(32)		113	78		78
Balance, March 31, 2012	239,121,372	¥64,100	¥99,078	¥10,034	¥260,557	¥(68,433)	¥(44,496)	¥320,840	¥ 840	¥321,680

	Thousands of U.S. dollars (Note 2)									
	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total Shareholders' Equity	Noncontrolling interests	Total Net Assets	
Balance, March 31, 2011	\$781,707	\$1,208,305	\$116,756	\$3,058,829	\$(807,646)	\$(543,890)	\$3,814,061	\$10,963	\$3,825,024	
Net income				199,866			199,866	(451)	199,415	
Cash dividends paid to OMRON Corporation shareholders, \$0.34 per share				(75,171)			(75,171)		(75,171)	
Cash dividends paid to noncontrolling interests								(183)	(183)	
Transfer to legal reserve			5,610	(5,610)						
Other comprehensive income (loss)					(26,902)		(26,902)	(85)	(26,987)	
Acquisition of treasury stock						(122)	(122)		(122)	
Sale of treasury stock			(37)	(390)		1,378	951		951	
Balance, March 31, 2012	\$781,707	\$1,208,268	\$122,366	\$3,177,524	\$(834,548)	\$(542,634)	\$3,912,683	\$10,244	\$3,922,927	

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

OMRON Corporation and Subsidiaries
Years ended March 31, 2012, 2011 and 2010

	Millions of yen			Thousands of U.S. dollars (Note 2)
	FY2011	FY2010	FY2009	FY2011
Operating Activities:				
Net income	¥ 16,352	¥ 27,016	¥ 3,621	\$ 199,415
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	22,617	22,984	27,014	275,817
Net loss on sale and disposal of property, plant and equipment	861	606	558	10,500
Loss on impairment of property, plant and equipment	671	413	217	8,183
Net gain on sale of investment securities	(307)	(7)	(636)	(3,744)
Loss on impairment of investment securities	391	805	632	4,768
Loss on impairment of goodwill	2,009	—	—	24,500
Termination and retirement benefits	(5,669)	(4,785)	(5,110)	(69,134)
Deferred income taxes	9,981	5,374	(1,031)	121,720
Equity in loss (earnings) of affiliates	(631)	190	2,792	(7,695)
Changes in assets and liabilities:				
Notes and accounts receivable—trade, net	(6,838)	(16,227)	(14,440)	(83,390)
Inventories	(6,538)	(12,174)	4,977	(79,732)
Other assets	(483)	1,048	4,457	(5,890)
Notes and accounts payable—trade	682	9,301	13,298	8,317
Income taxes payable	(1,562)	(453)	1,995	(19,049)
Accrued expenses and other current liabilities	388	8,383	4,554	4,732
Other, net	22	(518)	(139)	268
Total adjustments	15,594	14,940	39,138	190,171
Net cash provided by operating activities	31,946	41,956	42,759	389,586
Investing Activities:				
Proceeds from sale or maturities of investment securities	693	109	1,004	8,451
Purchase of investment securities	(911)	—	(15)	(11,110)
Capital expenditures	(27,502)	(21,647)	(20,792)	(335,390)
Decrease (increase) in leasehold deposits	(101)	276	335	(1,232)
Proceeds from sale of property, plant and equipment	2,307	1,066	1,490	28,134
Equity transaction with noncontrolling interests	—	—	(106)	—
Decrease (increase) in investment in and loans to affiliates	(480)	20	(931)	(5,854)
Proceeds from acquisition of business, net	(1,012)	—	—	(12,341)
Proceeds from sale of business, net	—	(34)	431	—
Other, net	520	—	—	6,342
Net cash used in investing activities	(26,486)	(20,210)	(18,584)	(323,000)
Financing Activities:				
Net borrowings (repayments) of short-term debt	(26,744)	29,052	(16,282)	(326,146)
Repayments of long-term debt	—	(20,000)	—	—
Dividends paid by the Company	(6,604)	(5,285)	(3,083)	(80,537)
Dividends paid to noncontrolling interests	(15)	(0)	(762)	(183)
Acquisition of treasury stock	(10)	(140)	(13)	(122)
Sale of treasury stock	2	3	1	24
Other, net	(121)	(297)	(219)	(1,475)
Net cash provided by (used in) financing activities	(33,492)	3,333	(20,358)	(408,439)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,446)	(2,070)	1,278	(17,634)
Net Increase (Decrease) in Cash and Cash Equivalents	(29,478)	23,009	5,095	(359,487)
Cash and Cash Equivalents at Beginning of the Year	74,735	51,726	46,631	911,402
Cash and Cash Equivalents at End of the Year	¥ 45,257	¥ 74,735	¥ 51,726	\$ 551,915

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 more than 30 countries around the world and strategically manages its worldwide operations through four regional management centers in the United States, the Netherlands, China and Singapore. Products, classified by type and market, are organized into business segments as described below.

Industrial Automation Business manufactures and sells control components and systems, including programmable logic controllers, sensors, and switches used in automatic systems in industry. In the global market, industrial automation business offers many services, such as those involving sensors, programmable logic controllers, timers, vision sensors, automated optical inspection devices, safety components, temperature controllers, and motion controllers.

Electronic and Mechanical Components Business manufactures and sells electric and electronic components, such as those found in relays, switches, components, and units for amusement devices, connectors, and combination jogs.

Automotive Electronic Components Business develops and produces automotive electronic components and other components for automobiles and automotive electronic components manufacturers throughout the world. Automotive electronic components business offers many services, such as those involving passive entry devices, power window switches, and electric power steering.

Social Systems Solutions and Service Business encompass the sale of card authorization terminals mainly for the domestic markets. Passing gates, automated ticket machines, electronic panels, terminal displays, railway infrastructure systems, traffic control, road control systems, security systems, and payment systems for traffic information and monitoring purposes are also supplied for the domestic market.

Healthcare Business sells digital blood pressure monitors, digital thermometers, body composition monitors, pedometers, biological information monitors, and nebulizers aimed at both the consumer and institutional markets.

Other handles search and cultivation of new businesses and as headquarters’ direct control business cultivates and enhances businesses that are not part of the above five business segments. The group provides products, such as solar power conditioner equipment, computer peripheral equipment, microelectrical-mechanical system (MEMS) microphone chips, and liquid crystal display (LCD) backlight.

Basis of Financial Statements

The accompanying consolidated financial statements are stated in Japanese yen. Based upon requirements for depositary receipts issued in Europe, they are presented in accordance with accounting

principles generally accepted in the United States of America. Certain reclassifications have been made to amounts previously reported in order to conform to classifications as of and for the year ended March 31, 2012.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries (collectively, the “Companies”). All significant intercompany accounts and transactions have been eliminated in consolidation.

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 (153 and 152 companies at March 31, 2012 and 2011, respectively).

Application of Equity Method

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

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

2012

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

Total: 12 companies

2011

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

Total: 14 companies

Differing Fiscal Year Ends

Certain subsidiaries have different fiscal year ends from that of the Company and respective fiscal year end financial statements of those subsidiaries were used for the purpose of the Company’s consolidation. For the years ended March 31, 2012 and 2011, difference in fiscal year ends between certain subsidiaries and the Company did not have a material effect on the Company’s consolidated financial statements.

Use of Estimates

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

Cash Equivalents

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

Allowance for Doubtful Receivables

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

Marketable Securities and Investments

The Companies classify all of their marketable equity and debt securities as available for sale. Available-for-sale securities are carried at market value with the corresponding recognition of net unrealized holding gains and losses as a separate component of accumulated other comprehensive income (loss), net of related taxes, until recognized. If necessary, individual securities classified as available for sale are reduced to fair value by a charge to income in the period in which the decline is deemed to be other than temporary. Available-for-sale securities are reviewed for other-than-temporary declines in the carrying amount based on criteria that include the length of time and the extent to which the market value has been less than cost, the financial condition, and near-term prospects of the issuer and the Company’s intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value.

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

Inventories

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

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Depreciation of property, plant, and equipment has been computed principally on a declining-balance method based upon the estimated useful lives of the assets. However, certain of the Company’s subsidiaries located outside Japan have computed depreciation using 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. Depreciation expense was ¥19,165 million (\$233,720 thousand), ¥19,095 million, and ¥ 22,239 million for the years ended March 31, 2012, 2011, and 2010, respectively.

Goodwill and Other Intangible Assets

The Companies account for their goodwill and other intangible assets in accordance with the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) No. 350, “Intangibles-Goodwill and Other,” which requires that goodwill no longer be amortized, but instead tested for impairment at least annually. ASC No. 350 also requires recognized intangible assets be amortized over their respective estimated useful lives and reviewed for impairment. Any recognized intangible asset determined to have

an indefinite useful life is not to be amortized, but instead tested for impairment until its life is determined to be no longer 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 potentially impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value. Assets to be disposed of other than by sale are considered held and used until disposed. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value, less selling costs.

Advertising Costs

Advertising costs are charged to earnings as incurred. Advertising expense was ¥5,908 million (\$72,049 thousand), ¥5,701 million, and ¥ 4,957 million for the years ended March 31, 2012, 2011, and 2010, respectively, and are included in selling, general, and administrative expenses in the consolidated statements of operations.

Shipping and Handling Charges

Shipping and handling charges were ¥7,066 million (\$86,171 thousand), ¥7,125 million, and ¥6,005 million for the years ended March 31, 2012, 2011, and 2010, respectively, and are included in selling, general, and administrative expenses in the consolidated statements of operations.

Termination and Retirement Benefits

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

Income Taxes

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

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

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

Consumption Taxes and Other Value-Added Taxes

Consumption taxes and other value-added taxes have been excluded from sales and are shown net included in other receivables.

Product Warranties

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

Derivatives

Derivative instruments and hedging activities are accounted for in accordance with ASC No. 815, "Derivatives and Hedging." This standard establishes accounting and reporting standards for derivative instruments and for hedging activities and requires that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheets and measure those instruments at fair value.

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

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

Cash Dividends

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

Revenue Recognition

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

Stock-Based Compensation

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

Translation of financial statement items of the Company's subsidiaries located outside Japan into Japanese yen

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

Comprehensive Income (Loss)

The Companies apply ASC No. 220, "Comprehensive Income." Comprehensive income (loss) is composed of net income (loss) attributable to shareholders, changes in foreign currency translation adjustments, changes in pension liability adjustments, changes in unrealized gains (losses) on available-for-sale securities and changes in net gains (losses) on derivative instruments, and comprehensive income (loss) is disclosed within the consolidated statements of comprehensive income (loss).

New Accounting Standards

In September 2011, the FASB issued Accounting Standards Update No. 2011-8, "Intangibles-Goodwill and Other (Topic 350): Testing Goodwill for Impairment."

ASU No. 2011-8 gives companies the option to perform a qualitative assessment to first assess whether the fair value of a reporting unit is less than its carrying amount. If an entity determines that the carrying value of the reporting unit is more likely than not less than its fair value, then performing further impairment test becomes unnecessary. ASU No. 2011-8 is effective for fiscal years beginning on or after December 15, 2011. The adoption of this standard is not expected to have a significant impact on our consolidated financial statements.

2. Translation into U.S. 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 ¥82 to \$1, the approximate rate of exchange at March 31, 2012. 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, 2012 and 2011, consisted of:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Finished products	¥52,033	¥48,945	\$ 634,549
Work in process	14,177	11,644	172,890
Materials and supplies	26,043	25,562	317,598
Total	¥92,253	¥86,151	\$1,125,037

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, 2012 and 2011, were as follows:

	Unit: Millions of yen							
	2012				2011			
	Cost (*)	Gross unrealized gains	Gross unrealized losses	Fair value	Cost (*)	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale securities:								
Debt securities	¥ 10	¥ —	¥ —	¥ 10	¥ 10	¥ —	¥ —	¥ 10
Equity securities	19,382	12,366	(236)	31,512	19,173	12,126	(254)	31,045
Total	¥19,392	¥12,366	¥(236)	¥31,522	¥19,183	¥12,126	¥(254)	¥31,055

Unit: Thousands of U.S. dollars

	2012			
	Cost (*)	Gross unrealized gains	Gross unrealized losses	Fair value
	Available-for-sale securities:			
Debt securities	\$ 122	\$ —	\$ —	\$ 122
Equity securities	236,366	150,805	(2,878)	384,293
Total	\$236,488	\$150,805	\$(2,878)	\$384,415

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

	Unit: Millions of yen							
	2012				2011			
	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	¥150	¥—	¥—	¥150	¥175	¥—	¥—	¥175

Unit: Thousands of U.S. dollars

	2012			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
	Held-to-maturity securities:			
Debt securities	\$1,829	\$—	\$—	\$1,829

Maturities of debt securities classified as available-for-sale and held-to-maturity securities at March 31, 2012 and 2011, were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2012		2011		2012	
	Cost	Fair value	Cost	Fair value	Cost	Fair value
Due within one year	¥ 25	¥ 25	¥ 25	¥ 25	\$ 305	\$ 305
Due after one year through five years	¥110	¥110	¥110	¥110	\$1,341	\$1,341
Due over five years	¥ 25	¥ 25	¥ 50	¥ 50	\$ 305	\$ 305
Total	¥160	¥160	¥185	¥185	\$1,951	\$1,951

Gross unrealized holding losses and fair value of certain available-for-sale equity securities, aggregated by the length of time, that they have been in a continuous unrealized loss position at March 31, 2012 and 2011, were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2012		2011		2012	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
Less than 12 month Equity securities	¥2,020	¥(236)	¥862	¥(254)	\$24,634	\$(2,878)

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

Proceeds from sales of available-for-sale securities were ¥415 million (\$5,061 thousand), ¥106 million, and ¥938 million for the years ended March 31, 2012, 2011, and 2010, respectively.

Gross realized gains on sales were ¥318 million (\$3,878 thousand), ¥20 million, and ¥592 million for the years ended March 31, 2012, 2011, and 2010, respectively.

There were no realized losses on sales for the year ended March 31, 2012 and 2010. Realized losses on sales were ¥3 million for the years ended March 31, 2011.

Losses on impairment of available-for-sale securities recognized to reflect declines in market value considered to be other than temporary were ¥384 million (\$4,683 thousand), ¥790 million, and ¥517 million for the years ended March 31, 2012, 2011, and 2010, respectively.

Aggregate cost of nonmarketable equity securities accounted for under the cost method totaled ¥4,514 million (\$55,049 thousand) and ¥4,489 million at March 31, 2012 and 2011, respectively. Investments with an aggregate cost of ¥4,510 million (\$55,000 thousand) and ¥4,489 million at March 31, 2012 and 2011, respectively, 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. Notes and accounts receivables

The companies have entered into different types of transactions with affiliated companies through the ordinary course of business.

The amount of accounts receivable with affiliates resulting from these transactions was ¥2,484 million (\$30,393 thousand) for the year ended March 31, 2012.

6. Goodwill and Other Intangible Assets

The components of acquired intangible assets, excluding goodwill, at March 31, 2012 and 2011, were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2012		2011		2012	
	Gross amount	Accumulated amortization	Gross amount	Accumulated amortization	Gross amount	Accumulated amortization
Intangible assets subject to amortization:						
Software	¥34,618	¥27,316	¥ 35,060	¥ 26,771	\$422,171	\$333,122
Other	4,191	1,530	2,554	1,622	51,109	18,658
Total	¥38,809	¥28,846	¥ 37,614	¥ 28,393	\$473,280	\$351,780

Aggregate amortization expense related to intangible assets was ¥3,462 million (\$42,220 thousand), ¥3,889 million, and ¥4,775 million for the years ended March 31, 2012, 2011, and 2010, respectively.

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

Years ending March 31	Millions of yen	Thousands of U.S. dollars
	2013	¥3,718
2014	2,806	34,220
2015	1,540	18,780
2016	791	9,646
2017	296	3,610

Intangible assets, not subject to amortization, at March 31, 2012 and 2011, were immaterial.

The carrying amount of goodwill in each segment at March 31, 2012 and 2011, and changes in its carrying amount in each segment for the year ended March 31, 2012 and 2011, were as follows:

	Millions of yen						
	2012						
	Industrial Automation Business	Electronic and Mechanical Components Business	Automotive Electronic Components Business	Social Systems Solution and Service Business	Healthcare Business	Other	Total
Balance at beginning of year							
Goodwill	¥10,298	¥ 338	¥ 588	¥—	¥ 6,554	¥ 2,009	¥ 19,787
Accumulated impairment loss	(9,406)	(265)	(588)	—	(6,554)	—	(16,813)
Total	¥ 892	¥ 73	¥ —	¥—	¥ —	¥ 2,009	¥ 2,974
Acquisition	—	258	—	—	—	—	258
Impairment	—	—	—	—	—	(2,009)	(2,009)
Sales of business entity	—	—	—	—	—	—	—
Foreign currency translation adjustments and other	(1)	17	—	—	—	—	16
Balance at end of year							
Goodwill	10,297	613	588	—	6,554	2,009	20,061
Accumulated impairment loss	(9,406)	(265)	(588)	—	(6,554)	(2,009)	(18,822)
Total	¥ 891	¥ 348	¥ —	¥—	¥ —	¥ —	¥ 1,239

	Millions of yen						
	2011						
	Industrial Automation Business	Electronic and Mechanical Components Business	Automotive Electronic Components Business	Social Systems Solution and Service Business	Healthcare Business	Other	Total
Balance at beginning of year							
Goodwill	¥10,361	¥ 343	¥ 588	¥—	¥ 6,554	¥2,009	¥ 19,855
Accumulated impairment loss	(9,406)	(265)	(588)	—	(6,554)	—	(16,813)
Total	¥ 955	¥ 78	¥ —	¥—	¥ —	¥2,009	¥ 3,042
Acquisition	—	—	—	—	—	—	—
Impairment	—	—	—	—	—	—	—
Sales of business entity	—	—	—	—	—	—	—
Foreign currency translation adjustments and other	(63)	(5)	—	—	—	—	(68)
Balance at end of year							
Goodwill	10,298	338	588	—	6,554	2,009	19,787
Accumulated impairment loss	(9,406)	(265)	(588)	—	(6,554)	—	(16,813)
Total	¥ 892	¥ 73	¥ —	¥—	¥ —	¥2,009	¥ 2,974

	Thousands of U.S. dollars						
	2012						
	Industrial Automation Business	Electronic and Mechanical Components Business	Automotive Electronic Components Business	Social Systems Solution and Service Business	Healthcare Business	Other	Total
Balance at beginning of year							
Goodwill	\$ 125,585	\$ 4,122	\$ 7,171	\$—	\$ 79,927	\$ 24,500	\$ 241,305
Accumulated impairment loss	(114,707)	(3,232)	(7,171)	—	(79,927)	—	(205,037)
Total	\$ 10,878	\$ 890	\$ —	\$—	\$ —	\$ 24,500	\$ 36,268
Acquisition	—	3,146	—	—	—	—	3,146
Impairment	—	—	—	—	—	(24,500)	(24,500)
Sales of business entity	—	—	—	—	—	—	—
Foreign currency translation adjustments and other	(12)	207	—	—	—	—	195
Balance at end of year							
Goodwill	125,573	7,475	7,171	—	79,927	24,500	244,646
Accumulated impairment loss	(114,707)	(3,232)	(7,171)	—	(79,927)	(24,500)	(229,537)
Total	\$ 10,866	\$ 4,244	\$ —	\$—	\$ —	\$ —	\$ 15,110

In accordance with ASC No. 350, the Companies recognized impairment losses for the fiscal year ended March 31, 2012, of ¥2,009 million (\$24,500 thousand) in other. Due to the increasing competition in the backlight business market, the fair value of the associated reporting unit decreased. The impairment losses are included in "Other expenses, net" of the consolidated financial statements of income. The fair value of the reporting unit was estimated by using the present value of expected future cash flows.

7. Impairment loss on Long-lived Assets

In accordance with ASC No. 360, "Property, Plant and Equipment," the Companies recognized impairment losses on long-lived assets for the fiscal years ended March 31, 2012 of ¥534 million (\$6,512 thousand) for impairment of property plant and equipment due to decreasing profitability in the semiconductor-related business in other, and ¥137 million (\$1,671 thousand) for impairment of office building due to its uncertainty of usage since one of our subsidiaries relocated its head office.

The Companies recognized impairment losses on long-lived assets for the fiscal year ended March 31, 2011, of ¥96 million and ¥317 million in automotive electronic component business and other, respectively.

These impairment losses are included in "Other expenses, net" of consolidated statements of income. Each of the fair value of these reporting units was estimated by using their each present value of expected future cash flows.

8. Short-Term Debt

Short-term debt at March 31, 2012 and 2011, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Commercial paper			
The weighted-average annual interest rates	¥18,000	¥45,000	\$219,512
2012	0.1%		
2011	0.2%		
Unsecured debt:			
The weighted-average annual interest rates	774	519	9,439
2012	4.2%		
2011	3.1%		
Total	¥18,774	¥45,519	\$228,951

Total interest cost incurred and charged to expense for the years ended March 31, 2012, 2011, and 2010, amounted to ¥269 million (\$3,280 thousand), ¥219 million, and ¥381 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. Generally

leases that expire are expected to be renewed or replaced by other leases. At March 31, 2012, future minimum lease payments applicable to noncancelable leases having initial or remaining noncancelable lease terms in excess of one year were as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31		
2013	¥ 4,166	\$ 50,805
2014	3,560	43,415
2015	3,013	36,744
2016	2,507	30,573
2017	1,356	16,537
Thereafter	4,544	55,414
Total	¥19,146	\$233,488

Lease expense amounted to ¥13,207 million (\$161,061 thousand), ¥12,425 million, and ¥12,507 million for the years ended March 31, 2012, 2011, and 2010, respectively.

10. Termination and Retirement Benefits

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

If the termination is involuntary, the employee is usually entitled to greater payments than in the case of voluntary termination.

The Company and its domestic subsidiaries fund a portion of the obligation 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 reconciliation of beginning and ending balances of the benefit obligations and the fair value of the plan assets at March 31, 2012 and 2011, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Change in benefit obligation:			
Benefit obligation at beginning of year	¥166,874	¥164,857	\$2,035,049
Service cost, less employees' contributions	4,284	4,090	52,244
Interest cost	3,337	3,297	40,695
Actuarial loss	1,058	906	12,902
Benefits paid	(5,804)	(5,562)	(70,780)
Settlement paid	(737)	(714)	(8,988)
Benefit obligation at end of year	¥169,012	¥166,874	\$2,061,122
Change in plan assets:			
Fair value of plan assets at beginning of year	¥ 97,890	¥ 93,922	\$1,193,780
Actual return on plan assets	3,511	305	42,817
Employers' contributions	9,515	9,262	116,037
Benefits paid	(5,037)	(4,885)	(61,427)
Settlement paid	(737)	(714)	(8,987)
Fair value of plan assets at end of year	¥105,142	¥ 97,890	\$1,282,220
Fair value of assets in retirement benefit trust at beginning of year	¥ 6,279	¥ 7,356	\$ 76,573
Actual return on assets in retirement benefit trust	328	(1,077)	4,000
Fair value of assets in retirement benefit trust at end of year	¥ 6,607	¥ 6,279	\$ 80,573
Funded status at end of year	¥ (57,263)	¥ (62,705)	\$ (698,329)

Amounts recognized in the consolidated balance sheets at March 31, 2012 and 2011, consist of:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Other current liability	¥ (628)	¥ (902)	\$ (7,658)
Termination and retirement benefit	(56,635)	(61,803)	(690,671)
Total	¥(57,263)	¥(62,705)	\$ (698,329)

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2012 and 2011, consist of:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Net actuarial loss	¥ 78,213	¥ 80,558	\$ 953,817
Prior-service cost	(12,296)	(14,149)	(149,951)
Total	¥ 65,917	¥ 66,409	\$ 803,866

The accumulated benefit obligation at March 31, 2012 and 2011, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Accumulated benefit obligation	¥164,669	¥163,061	\$2,008,159

Components of Net Periodic Benefit Cost

The expense recorded for the contributory termination and retirement plans for the years ended March 31, 2012, 2011, and 2010, included the following components:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Service cost, less employees' contributions	¥ 4,284	¥ 4,090	¥ 3,978	\$ 52,244
Interest cost on projected benefit obligation	3,337	3,297	3,259	40,695
Expected return on plan assets	(3,482)	(3,349)	(3,316)	(42,463)
Amortization	1,193	1,100	873	14,548
Net periodic benefit cost	¥ 5,332	¥ 5,138	¥ 4,794	\$ 65,024

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, 2013, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Net actuarial loss	¥ 3,251	¥ 3,251	\$ 39,646
Prior-service cost	¥(1,853)	¥(1,853)	\$(22,598)

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, 2012 and 2011, are as follows:

	2012	2011
Discount rate	2.0%	2.0%
Compensation increase rate	2.0%	2.0%

Weighted-average assumptions used to determine termination and retirement benefit costs for the years ended March 31, 2012, 2011, and 2010 are as follows:

	2012	2011	2010
Discount rate	2.0%	2.0%	2.0%
Compensation increase rate	2.0%	2.0%	2.0%
Expected long-term rate of return on plan assets	3.0%	3.0%	3.0%

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

Plan assets

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

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

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

The Company's fair value of pension plan assets by asset category as of March 31, 2012 and 2011, are as follows:

	Millions of yen				Thousands of U.S. dollars			
	2012				2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Equity securities								
Domestic stocks(*1)	¥ 8,316	¥ —	¥ —	¥ 8,316	\$101,415	\$ —	\$ —	\$ 101,415
Overseas stocks	1,712	—	—	1,712	20,878	—	—	20,878
Joint trusts (*2)	—	20,030	—	20,030	—	244,268	—	244,268
Debt securities								
Joint trusts(*3)	—	59,521	—	59,521	—	725,866	—	725,866
Other assets								
Life insurance general account assets	—	14,291	—	14,291	—	174,280	—	174,280
Joint trusts	—	5,792	1,423	7,215	—	70,634	17,354	87,988
Others	664	—	—	664	8,098	—	—	8,098
Total	¥10,692	¥99,634	¥1,423	¥111,749	\$130,391	\$1,215,048	\$17,354	\$1,362,793

(*) 1. Domestic stocks of equity securities include ¥18 million (\$220 thousand) of common stock of the Company as of March 31, 2012.

2. Joint trusts of equity securities invest in listed equity securities consisting of approximately 20% Japanese companies and 80% foreign companies.

3. Joint trusts of debt securities invest in approximately 60% Japanese government bonds and 40% foreign government bonds.

	Millions of yen			
	2011			
	Level 1	Level 2	Level 3	Total
Equity securities				
Domestic stocks	¥ 8,047	¥ —	¥ —	¥ 8,047
Overseas stocks	1,873	—	—	1,873
Joint trusts (*1,2)	—	17,539	—	17,539
Debt securities				
Joint trusts (*3)	—	56,560	—	56,560
Other assets				
Life insurance general account assets	—	14,097	—	14,097
Joint trusts	—	5,102	367	5,469
Others	584	—	—	584
Total	¥10,504	¥93,298	¥367	¥104,169

(*) 1. Joint trusts of equity securities include ¥16 million of common stock of the Company as of March 31, 2011.

2. Joint trusts of equity securities invest in listed equity securities consisting of approximately 20% Japanese companies and 80% foreign companies.

3. Joint trusts of debt securities invest in approximately 60% Japanese government bonds and 40% foreign government bonds.

Level 1 assets are composed 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 composed principally of joint trusts and

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

Level 3 assets are composed of private equities and real estate funds, which are valued at net asset value.

The Company's pension plan assets classified as Level 3 as of March 31, 2012 and 2011, are as follows:

	Millions of yen				Thousands of U.S. dollars			
	2012				2011			
	Private equity	Hedge fund	Real estate fund	Total	Private equity	Hedge fund	Real estate fund	Total
Balance at beginning of year	¥367	¥—	¥—	¥367	¥347	¥508	¥—	¥855
Total gain and loss (realized or unrealized)								
Current period's holding	0	—	7	7	1	—	—	1
Current period's sale	—	—	—	—	—	(140)	—	(140)
Purchase, issuance, and settlement	13	—	1,036	1,049	19	(368)	—	(349)
Current period's transfer to (from) Level 3	—	—	—	—	—	—	—	—
Balance at end of year	¥380	¥—	¥1,043	¥1,423	¥367	¥—	¥—	¥367

Cash Flows

Contributions

The Companies expect to contribute ¥9,685 million (\$118,110 thousand) to their domestic termination and retirement benefit plans in the year ending March 31, 2013.

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		
2013	¥ 6,668	\$ 81,317
2014	6,935	84,573
2015	7,270	88,659
2016	7,057	86,061
2017	7,168	87,415
2018—2022	39,105	476,890

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 ¥4,672 million (\$56,976 thousand) and ¥3,844 million (\$46,878 thousand), respectively, at March 31, 2012, and ¥3,424 million and ¥2,872 million, respectively, at March 31, 2011.

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, 2012 and 2011, was ¥3,845 million (\$46,890 thousand) and ¥4,450 million, respectively. The aggregate net periodic benefit cost for such plans for the years ended March 31, 2012, 2011, and 2010, was ¥574 million (\$7,000 thousand), ¥346 million, and ¥515 million, respectively.

11. Shareholders' Equity

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

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

The Corporate Law also requires that an amount equal to 10% of dividends must be appropriated as a legal reserve or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed

without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

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

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

The Corporate Law permits companies to distribute dividends in kind (noncash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution of the board of directors if it is stipulated by the articles of incorporation of the company. Under the Corporate Law, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also provides certain limitations on the

amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million. Such amount available for the dividends under the Corporate Law was ¥58,699 million (\$715,841 thousand) at March 31, 2012, based on the amount recorded in the Company's general book of accounts.

Stock Options

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

Under the above-mentioned 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 five years after the date of the grant. Generally, options become fully vested and exercisable after two years. A summary of the Company's fixed stock option plan activity and related information for the year ended March 31, 2012, are as follows:

Fixed options	Shares (number)	Unit: Yen	
		Weighted-average exercise price	Weighted-average fair value of options granted during the year
Options outstanding at March 31, 2009	838,000	¥2,930	
Granted	—	—	¥ —
Exercised	—	—	
Expired	(179,000)	2,580	
Options outstanding at March 31, 2010	659,000	¥3,026	
Granted	—	—	¥ —
Exercised	—	—	
Expired	(205,000)	2,550	
Options outstanding at March 31, 2011	454,000	¥3,240	
Granted	—	—	¥ —
Exercised	—	—	
Expired	(217,000)	3,031	
Options outstanding at March 31, 2012	237,000	¥3,432	
Options exercisable at March 31, 2012	237,000	¥3,432	

Fixed options	Shares (number)	Unit: U.S. dollars	
		Weighted-average exercise price	Weighted-average fair value of options granted during the year
Options outstanding at March 31, 2011	454,000	\$39.51	
Granted	—	—	\$ —
Exercised	—	—	
Expired	(217,000)	36.96	
Options outstanding at March 31, 2012	237,000	\$41.85	
Options exercisable at March 31, 2012	237,000	\$41.85	

The fixed stock options at March 31, 2012 are as follows:

	Shares (number)	Weighted-average remaining contractual life	Range of exercise prices		Weighted-average exercise price	
			Yen	U.S. dollars	Yen	U.S. dollars
Options outstanding	237,000	0.25 years	¥3,432	\$41.85	¥3,432	\$41.85
Options exercisable	237,000	0.25 years	¥3,432	\$41.85	¥3,432	\$41.85

No fixed stock options were granted for the years ended March 31, 2012, 2011, 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. Additionally, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. It is management's opinion that the Company's stock options have characteristics significantly different from those of traded options and because

changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

There was no cash received from exercise of options under the plan for the year ended March 31, 2012. When options are exercised, the Company reissues its treasury stock.

12. Other Expenses, net

Other expenses, net, for the years ended March 31, 2012, 2011, and 2010, consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Net loss on sales and disposals of property, plant, and equipment	¥ 861	¥ 606	¥ 558	\$10,500
Loss on impairment of goodwill	2,009	—	—	24,500
Loss on impairment of property, plant, and equipment	671	413	217	8,183
Cost for quality control	330	2,874	—	4,024
Cost for environmental remediation	567	—	—	6,915
Loss on impairment of investment securities	391	805	632	4,768
Net gain on sales of investment securities	(307)	(7)	(636)	(3,744)
Interest income, net	(204)	47	(72)	(2,488)
Foreign exchange loss, net	1,195	2,102	723	14,573
Dividend income	(545)	(538)	(609)	(6,646)
Net loss on sales of business entity	—	—	966	—
Other, net	1,621	42	1,100	19,768
Total	¥6,589	¥6,344	¥2,879	\$80,353

13. Income Taxes

The provision for income taxes for the years ended March 31, 2012, 2011, and 2010, consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Current income tax expense	¥ 7,845	¥ 9,113	¥4,813	\$ 95,671
Deferred income tax expenses, exclusive of the following	4,802	5,640	(904)	58,561
Change in the valuation allowance	(167)	(266)	(127)	(2,037)
Change in the effective statutory tax rates	5,346	—	—	65,195
Total	¥17,826	¥14,487	¥3,782	\$217,390

Amendments to the Japanese tax regulations were enacted into law on November 30, 2011. As a result of these amendments, the statutory income tax rate will be reduced from approximately 41% to 38% effective April 1, 2012, and then further reduced to approximately 36% effective April 1, 2015.

Total amount of income taxes for the years ended March 31, 2012, 2011, and 2010, respectively, are allocated to the following items:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
“Income Taxes” in consolidated statement of income	¥17,826	¥14,487	¥ 3,782	\$217,390
Accumulated other comprehensive income (loss)				
Foreign currency translation adjustments	(257)	(88)	72	(3,134)
Pension liability adjustments	(1,377)	(94)	2,792	(16,792)
Unrealized gains (losses) on available-for-sale securities	(106)	(2,496)	3,420	(1,293)
Net gains (losses) on derivative instruments	(32)	36	383	(390)
Total	¥16,054	¥11,845	¥10,449	\$195,781

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 2012, 2011, and 2010.

The effective income tax rates of the Companies differ from the normal Japanese statutory rates for the years ended March 31, 2012, 2011, and 2010, as follows:

	2012	2011	2010
Japanese statutory effective tax rates	41.0%	41.0%	41.0%
Increase (decrease) in taxes resulting from			
permanently nondeductible items	1.1	2.0	1.1
Tax credit for research and development expenses	(0.6)	(0.4)	(3.5)
Losses of subsidiaries for which no tax benefit was provided	1.5	1.1	2.3
Difference in subsidiaries' tax rates	(11.5)	(10.2)	(3.6)
Change in the valuation allowance	(0.5)	(0.6)	(0.9)
Impairment of goodwill	2.5	—	—
Change in the effective statutory tax rates	15.9	—	—
Other, net	3.7	1.8	0.7
Income taxes burden rates after the application of tax effect accounting	53.1	34.7	37.1

The approximate effect of temporary differences and tax credit and loss carryforwards that gave rise to deferred tax balances at March 31, 2012 and 2011, were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2012	Deferred tax liabilities	2011	Deferred tax liabilities	2012	Deferred tax liabilities
Inventory valuation	¥ 5,730	¥ —	¥ 5,687	¥ —	\$ 69,878	\$ —
Accrued bonuses and vacations	5,161	—	5,990	—	62,939	—
Termination and retirement benefits	23,918	—	29,646	—	291,683	—
Marketable securities	—	2,775	—	3,490	—	33,841
Property, plant, and equipment	1,427	—	2,122	—	17,402	—
Other temporary differences	14,831	2,899	17,658	807	180,867	35,354
Tax credit carryforwards	3,800	—	4,990	—	46,341	—
Operating loss carryforwards	11,266	—	9,352	—	137,390	—
Subtotal	¥66,133	¥5,674	¥75,445	¥4,297	\$ 806,500	\$69,195
Valuation allowance	(8,802)	—	(9,639)	—	(107,341)	—
Total	¥57,331	¥5,674	¥65,806	¥4,297	\$ 699,159	\$69,195

The total valuation allowance decreased by ¥837 million (\$10,207 thousand) and ¥137 million in 2012 and 2011, respectively.

As of March 31, 2012 and 2011, the Companies had operating loss carryforwards corporate tax approximating ¥13,822 million (\$168,561 thousand) and ¥11,440 million, respectively, part of local tax approximating ¥12,338 million (\$150,463 thousand) and ¥10,430 million, respectively, available for reduction of future taxable income, the majority of which would expire by 2016.

The Company has not provided for Japanese income taxes on unremitted earnings of certain foreign subsidiaries to the extent that they are believed to be indefinitely reinvested. The accumulated unremitted earnings of the foreign subsidiaries which the Company has not recognized deferred tax liabilities were ¥88,417 million (\$1,078,256 thousand) and ¥78,769

million at March 31, 2012 and 2011, respectively. Dividends received from domestic subsidiaries are expected to be substantially free of tax.

The Companies have adopted ASC No. 740, “Income Taxes”. The Companies believe that the total amount of unrecognized tax benefits as of March 31, 2012, is not material to its result of operations, financial condition, or cash flows.

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

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

14. Per Share Data

The Company accounts for its net income per share in accordance with ASC No. 260, “Earnings per share.” Basic net income per share has been computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during each year. Diluted net income per share reflects the potential dilution of

convertible bonds and stock options and has been computed by the “if-converted” method for convertible bonds and by the treasury stock method for stock options.

A reconciliation of the numerators and denominators of the basic and diluted net income per share computations as of March 31, 2012, 2011, and 2010, was as follows:

Numerator	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Net income attributable to Shareholders	¥16,389	¥26,782	¥3,518	\$199,866
Diluted Net income attributable to shareholders	¥16,389	¥26,782	¥3,518	\$199,866
Denominator	Millions of yen			Thousands of U.S. dollars
Weighted-average common shares outstanding	220,093,275	220,131,599	220,158,389	
Dilutive effect of:				
Stock options	—	—	—	
Diluted common shares outstanding	220,093,275	220,131,599	220,158,389	

15. Supplemental Information for Cash Flows

Supplemental cash flow information for the years ended March 31, 2012, 2011, and 2010, was as follows:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Interest paid	¥ 269	¥ 482	¥ 652	\$ 3,280
Income taxes paid	9,409	9,636	2,813	114,744
Noncash investing and financing activities				
Liabilities assumed in connection with capital expenditures	2,682	1,843	299	32,707

16. Other Comprehensive Income (Loss)

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

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Foreign currency translation adjustments:				
Beginning balance	¥(34,046)	¥(23,678)	¥(22,319)	\$(415,195)
Change for the year	(2,498)	(10,368)	(1,359)	(30,464)
Ending balance	(36,544)	(34,046)	(23,678)	(445,659)
Pension liability adjustments:				
Beginning balance	(38,736)	(36,553)	(40,570)	(472,390)
Change for the year	(79)	(2,183)	4,017	(964)
Ending balance	(38,815)	(38,736)	(36,553)	(473,354)
Unrealized gains (losses) on available-for-sale securities:				
Beginning balance	6,570	7,684	2,763	80,122
Change for the year	425	(1,114)	4,921	5,183
Ending balance	6,995	6,570	7,684	85,305
Net gains (losses) on derivative instruments:				
Beginning balance	(15)	(67)	(618)	(182)
Change for the year	(54)	52	551	(658)
Ending balance	(69)	(15)	(67)	(840)
Total accumulated other comprehensive loss:				
Beginning balance	(66,227)	(52,614)	(60,744)	(807,645)
Change for the year	(2,206)	(13,613)	8,130	(26,903)
Ending balance	¥(68,433)	¥(66,227)	¥(52,614)	\$(834,548)

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, 2012, 2011, and 2010, were as follows:

	Millions of yen								
	2012			2011			2010		
	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	¥(1,870)	¥ 257	¥(1,613)	¥(10,464)	¥ 88	¥(10,376)	¥ (1,328)	¥ (72)	¥(1,400)
Reclassification adjustment for the portion realized in net income	(892)	—	(892)	(14)	—	(14)	—	—	—
Net change in foreign currency translation adjustments during the year	(2,762)	257	(2,505)	(10,478)	88	(10,390)	(1,328)	(72)	(1,400)
Pension liability adjustments:									
Pension liability adjustments arising during the year	(263)	888	625	(1,177)	(357)	(1,534)	7,681	(3,150)	4,531
Reclassification adjustment for the portion realized in net income	(1,193)	489	(704)	(1,100)	451	(649)	(872)	358	(514)
Pension liability Adjustments	(1,456)	1,377	(79)	(2,277)	94	(2,183)	6,809	(2,792)	4,017
Unrealized gains (losses) on available-for-sale securities:									
Unrealized holding gains (losses) arising during the year	379	81	460	(4,376)	2,810	(1,566)	8,417	(3,451)	4,966
Reclassification adjustment for losses on impairment in net income	384	(157)	227	789	(323)	466	516	(212)	304
Reclassification adjustment for net gains on sales in net income	(318)	130	(188)	(17)	7	(10)	(592)	243	(349)
Reclassification adjustment for net gains on share exchange in net income	(126)	52	(74)	(6)	2	(4)	—	—	—
Net unrealized gains (losses)	319	106	425	(3,610)	2,496	(1,114)	8,341	(3,420)	4,921
Net gains (losses) on derivative instruments:									
Net gains (losses) on derivative instruments designated as cash flow hedges during the year	11	(8)	3	1,514	(621)	893	1,250	(513)	737
Reclassification adjustment for net gains (losses) realized in net income	(97)	40	(57)	(1,426)	585	(841)	(316)	130	(186)
Net gains (losses)	(86)	32	(54)	88	(36)	52	934	(383)	551
Other comprehensive income (losses)	¥(3,985)	¥1,772	¥(2,213)	¥(16,277)	¥2,642	¥(13,635)	¥14,756	¥(6,667)	¥ 8,089

	Thousands of U.S. dollars		
	2012		
	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during the year	\$(22,805)	\$3,134	\$(19,671)
Reclassification adjustment for the portion realized in net income	(10,878)	—	(10,878)
Net change in foreign currency translation adjustments during the year	(33,683)	3,134	(30,549)
Pension liability adjustments:			
Pension liability adjustments arising during the year	(3,207)	10,829	7,622
Reclassification adjustment for the portion realized in net income	(14,549)	5,963	(8,586)
Pension liability Adjustments	(17,756)	16,742	(964)
Unrealized gains (losses) on available-for-sale securities:			
Unrealized holding gains (losses) arising during the year	4,622	988	5,610
Reclassification adjustment for losses on impairment in net income	4,683	(1,915)	2,768
Reclassification adjustment for net gains on sales in net income	(3,878)	1,585	(2,293)
Reclassification adjustment for net gains on share exchange in net income	(1,537)	635	(902)
Net unrealized gains (losses)	3,890	1,293	5,183
Net gains (losses) on derivative instruments:			
Net gains (losses) on derivative instruments designated as cash flow hedges during the year	134	(97)	37
Reclassification adjustment for net gains (losses) realized in net income	(1,182)	487	(695)
Net gains (losses)	(1,048)	390	(658)
Other comprehensive income (losses)	\$(48,597)	\$21,609	\$(26,988)

17. Financial Instruments and Risk Management

Fair Value of Financial Instruments

The carrying amounts and estimated fair values as of March 31, 2012 and 2011, of the Companies' financial instruments are as follows:

	Millions of yen		Thousands of U.S. dollars			
	2012	2011	2012			
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Derivatives						
Included in other current assets (liabilities)						
Forward exchange contracts	¥(703)	¥(703)	¥(340)	¥(340)	\$(8,573)	\$(8,573)
Foreign currency swaps	(16)	(16)	(27)	(27)	(195)	(195)
Commodities swaps	—	—	198	198	—	—

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

Nonderivatives

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

- (2) Investment securities (see Note 4):

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

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.

18. Derivatives and Hedging Activities

The Companies enter into foreign exchange forward contracts and combined purchased and written foreign currency swaps to hedge changes in foreign currency rates (primarily the U.S. dollar and the euro). The Companies enter into interest rate swaps to hedge changes in interest rates. The Companies enter into commodities swaps to hedge changes in prices of commodities, including copper and silver used in the manufacturing of various products. The Companies do not use derivatives for trading purposes. The Companies are exposed to credit risk in the event of nonperformance by counterparties to derivatives, but management considers the exposure to such risk to be minimal since the counterparties maintain good credit ratings.

Changes in the fair value of foreign exchange forward contracts, and foreign currency swaps designated and qualifying as cash flow hedges are reported in accumulated other comprehensive income (loss). These amounts are subsequently reclassified into other expenses, net, in the same period as and when the hedged items affect earnings. Changes in the fair value of commodities swaps designated and qualifying as cash flow hedges are reported in accumulated other comprehensive income (loss) and are subsequently reclassified into cost of sales, net, in the same period as and when the hedged items affect earnings. Substantially, all of the accumulated other comprehensive income (loss) in relation to foreign exchange forward contracts, foreign currency swaps, and commodities swaps at March 31, 2012, is expected to be reclassified into earnings within 12 months.

The notional amounts of outstanding contracts to exchange foreign currencies at March 31, 2012 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Forward exchange contracts	¥49,095	¥43,184	\$598,720
Foreign currency swaps	¥ 1,200	¥ 1,200	\$ 14,634
Commodities swaps	¥ —	¥ 1,307	\$ —

The fair values of derivatives at March 31, 2012 and 2011, were as follows:
Derivatives designated as hedges

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Assets			
Forward exchange contracts	¥394	¥254	\$4,805
Commodities swaps	¥ —	¥213	\$ —
	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Liabilities			
Forward exchange contracts	¥(1,096)	¥(594)	\$(13,366)
Foreign currency swaps	¥ (16)	¥ (27)	\$ (195)
Commodities swaps	¥ —	¥ (15)	\$ —

The effects on consolidated statements of operations for the year ended March 31, 2012, were as follows:
Derivatives designated as hedges

	Profit and loss of other comprehensive income (loss) (hedge effective portion)		Transfer from other comprehensive income (loss) to profit and loss (hedge effective portion)	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Cash flow hedge	2012			
Forward exchange contracts	¥ 6	\$ 73	¥ 89	\$ 1,085
Foreign currency swaps	¥ 8	\$ 98	¥ 0	\$ 0
Commodities swaps	¥(11)	\$(134)	¥(146)	\$(1,780)

The amount of hedge ineffectiveness was not material.

The effects on consolidated statements of income for the year ended March 31, 2011, were as follows:
Derivatives designated as hedges

	Profit and loss of other comprehensive income (loss) (hedge effective portion)		Transfer from other comprehensive income (loss) to profit and loss (hedge effective portion)	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Cash flow hedge	2011			
Forward exchange contracts	¥738		¥(841)	
Foreign currency swaps	¥ —		¥ —	
Interest rate swap	¥ 39		¥ —	
Commodities swaps	¥117		¥ —	

The amount of hedge ineffectiveness was not material.

19. Commitments and Contingent Liabilities

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 48% 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 payment in the event of default at March 31, 2012 and 2011, is ¥185 million (\$2,256 thousand) and ¥246 million, respectively. The carrying amount of the liability recognized under those guarantees at March 31, 2012 is immaterial.

Cost for Environmental Remediation

The Companies record an environmental remediation accrual when the probability of the accrual is probable and the amount can reasonably be estimated. As of March 31, 2012, the environmental remediation accrual is ¥567 million (\$6,915 thousand).

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, 2012 and 2011, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Balance at beginning of year	¥ 3,951	¥ 1,437	\$ 48,183
Addition	1,237	3,913	15,085
Utilization	(2,256)	(1,399)	(27,512)
Balance at end of year	¥ 2,932	¥ 3,951	\$ 35,756

20. Fair Value Measurements

ASC No. 820, "Fair Value Measurements and Disclosures," defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC No. 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

- Level 1 — Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 — Inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 — Inputs are significant to measure fair value of assets or liabilities and unobservable.

The assets and liabilities that are measured at fair value on a recurring basis at March 31, 2012, are as follows:

	Amount of Fair Value Measurements							
	Millions of yen				Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Investment securities								
Debt securities	¥ 10	¥ —	¥—	¥ 10	\$ 122	\$ —	\$—	\$ 122
Equity securities	31,512	—	—	31,512	384,293	—	—	384,293
Derivative								
Foreign exchange forward contracts	—	402	—	402	—	4,902	—	4,902
Liabilities								
Derivative								
Foreign exchange forward contracts	—	1,105	—	1,105	—	13,476	—	13,476
Foreign currency swaps	—	16	—	16	—	195	—	195

Investment securities

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

Derivatives

Derivatives consist of foreign exchange forward contracts, foreign currency swaps, and commodity futures. Since fair value of derivatives is valued using the observable market data, such as foreign exchange rates or interest rates, these are classified as Level 2.

The assets and liabilities that are measured at fair value on a nonrecurring basis at March 31, 2012, are as follows:

	Amount of Fair Value Measurements										
	Total amount of income (loss)	Millions of yen				Total	Total amount of income (loss)	Thousands of U.S. dollars			
		Level 1	Level 2	Level 3	Level 1			Level 2	Level 3	Total	
Assets											
Nonmarketable investment securities	¥ (6)	¥—	¥—	¥ 4	¥ 4	\$ (73)	\$—	\$—	\$ 49	\$ 49	
Long-lived assets	(671)	—	—	224	224	(8,183)	—	—	2,732	2,732	
Goodwill	(2,009)	—	—	—	—	(24,500)	—	—	—	—	

During the year ended March 31, 2012, the Company classified most of assets described above in Level 3 as the Company used unobservable inputs to value these assets when recognizing impairment losses related to the assets. The fair value for the major assets was measured through discounted future cash flows.

The assets and liabilities that are measured at fair value on a recurring basis at March 31, 2011, are as follows:

	Amount of Fair Value Measurements			
	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Debt securities	¥ 10	¥ —	¥ —	¥ 10
Equity securities	31,045	—	—	31,045
Derivative				
Foreign exchange forward contracts	—	254	—	254
Commodities swaps	—	213	—	213
Liabilities				
Derivative				
Foreign exchange forward contracts	—	594	—	594
Foreign currency swaps	—	27	—	27
Commodities swaps	—	15	—	15

Investment securities

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

Derivatives

Derivatives consist of foreign exchange forward contracts, foreign currency swaps, and commodity futures. Since fair value of derivatives is valued using the observable market data, such as foreign exchange rates or interest rates, these are classified as Level 2.

The assets and liabilities that are measured at fair value on a nonrecurring basis at March 31, 2011, are as follows:

	Amount of Fair Value Measurements				
	Total amount of income (loss)	Millions of yen			
		Level 1	Level 2	Level 3	Total
Assets					
Nonmarketable investment securities	¥ (5)	¥—	¥—	¥ 2	¥ 2
Long-lived assets	(413)	—	—	137	137

During the year ended March 31, 2011, the Company classified most of the assets described above in Level 3 as the Company used unobservable inputs to value these assets when recognizing impairment losses related to the assets. The fair value for the major assets was measured through discounted future cash flows.

21. Segment Information

Operating segment information

ASC No. 280, "Segment Reporting," establishes the disclosure of information about operating segments in financial statements. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The operating segments are determined based on the nature of the products and services offered.

The Company discloses five operating segments: "Industrial Automation Business," "Electronic and Mechanical Components Business," "Automotive Electronic Components Business," "Social Systems Solution and Service Business," and "Healthcare Business." These segments are mainly separated based on the Companies' consideration of their lines of business and size within the consolidation. The Company presents operating segments other than the above five segments in "Other."

The primary products included in each segment are as follows:

- (1) Industrial Automation Business: Sensors, programmable logic controllers, timers, vision sensors, automated optical inspection devices, safety components, temperature controllers, and motion controllers.
- (2) Electronic and Mechanical Components Business: Relays, switches, components, and units for amusement devices, connectors, and combination jogs.

- (3) Automotive Electronic Components Business: Passive entry devices, power window switches, and electric power steering.
- (4) Social Systems Solution and Service Business: Railway infrastructure systems, traffic control, road control systems, security systems, and payment systems.
- (5) Healthcare Business: Digital blood pressure monitors, digital thermometers, body composition monitors, pedometers, biological information monitors, and nebulizers.
- (6) Other: Solar power conditioner equipments, computer peripheral equipments, MEMS microphone chips, and LCD backlight.

The segment information is substantially presented in accordance with accounting principles generally accepted in the United States of America.

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

Based on the Company's allocation method used by management to evaluate results of each segment, revenues, and expenses not directly associated with specific segments are allocated to each segment or included in "Eliminations and others."

Operating segment information as of and for the years ended March 31, 2012, 2011, and 2010, was as follows:

2012

Millions of yen									
	Industrial Automation Business	Electronic and Mechanical Components Business	Automotive Electronic Components Business	Social Systems Solutions and Service Business	Healthcare Business	Other	Total	Eliminations and others	Consolidated
I Sales and Segment profit (loss)									
1. Sales to external customers	¥270,835	¥ 83,002	¥85,027	¥57,200	¥62,446	¥53,535	¥612,045	¥ 7,416	¥619,461
2. Intersegment Sales	6,054	53,080	296	3,980	69	15,417	78,896	(78,896)	—
Total	¥276,889	¥136,082	¥85,323	¥61,180	¥62,515	¥68,952	¥690,941	¥(71,480)	¥619,461
Segment profit (loss)	¥ 33,328	¥ 7,240	¥ 2,691	¥ 98	¥ 2,918	¥ (3,553)	¥ 42,722	¥ (2,586)	¥ 40,136
II Assets, depreciation, and capital expenditures									
Assets	¥211,356	¥106,011	¥55,452	¥57,423	¥46,436	¥38,756	¥515,434	¥ 21,889	¥537,323
Depreciation and amortization	¥ 4,186	¥ 7,169	¥ 2,105	¥ 1,125	¥ 1,533	¥ 939	¥ 17,057	¥ 5,560	¥ 22,617
Capital expenditures	¥ 3,758	¥ 9,908	¥ 5,196	¥ 856	¥ 3,752	¥ 2,096	¥ 25,566	¥ 2,775	¥ 28,341

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.

2011

Millions of yen									
	Industrial Automation Business	Electronic and Mechanical Components Business	Automotive Electronic Components Business	Social Systems Solutions and Service Business	Healthcare Business	Other	Total	Eliminations and others	Consolidated
I Sales and Segment profit (loss)									
1. Sales to external customers	¥271,894	¥ 81,216	¥84,259	¥63,846	¥60,629	¥49,672	¥611,516	¥ 6,309	¥617,825
2. Intersegment Sales	6,006	56,886	493	4,682	38	17,020	85,125	(85,125)	—
Total	¥277,900	¥138,102	¥84,752	¥68,528	¥60,667	¥66,692	¥696,641	¥(78,816)	¥617,825
Segment profit (loss)	¥ 38,228	¥ 11,914	¥ 4,162	¥ 1,653	¥ 4,078	¥ (4,659)	¥ 55,376	¥ (7,339)	¥ 48,037
II Assets, depreciation, and capital expenditures									
Assets	¥209,019	¥109,325	¥48,387	¥70,642	¥42,528	¥35,465	¥515,366	¥ 47,424	¥562,790
Depreciation and amortization	¥ 4,493	¥ 6,860	¥ 2,057	¥ 1,658	¥ 1,249	¥ 1,232	¥ 17,549	¥ 5,435	¥ 22,984
Capital expenditures	¥ 2,169	¥ 8,654	¥ 2,023	¥ 1,038	¥ 4,659	¥ 1,957	¥ 20,500	¥ 2,692	¥ 23,192

Annotations about the above segment information:

No. 1 Intersegment sales are recorded at the same prices used in transactions with third parties.

No. 2 Eliminations and others include items, such as unclassifiable expenses, eliminations of internal transaction among each segment.

No. 3 Depreciation and amortization and capital expenditures include expenses and expenditures arising from intangible assets.

2010

Millions of yen									
	Industrial Automation Business	Electronic and Mechanical Components Business	Automotive Electronic Components Business	Social Systems Solutions and Service Business	Healthcare Business	Other	Total	Eliminations and others	Consolidated
I Sales and Segment profit (loss)									
1. Sales to external customers	¥203,917	¥ 70,717	¥75,163	¥57,981	¥63,359	¥43,592	¥514,729	¥ 9,965	¥524,694
2. Intersegment Sales	4,088	43,961	691	3,898	86	14,047	66,771	(66,771)	—
Total	¥208,005	¥114,678	¥75,854	¥61,879	¥63,445	¥57,639	¥581,500	¥(56,806)	¥524,694
Segment profit (loss)	¥ 12,694	¥ 6,739	¥ 1,731	¥ 2,654	¥ 7,055	¥ (5,822)	¥ 25,051	¥(11,977)	¥ 13,074
II Assets, depreciation, and capital expenditures									
Assets	¥179,512	¥104,354	¥52,520	¥69,794	¥45,808	¥33,212	¥485,200	¥ 47,054	¥532,254
Depreciation and amortization	¥ 5,211	¥ 8,480	¥ 2,099	¥ 1,378	¥ 1,342	¥ 1,262	¥ 19,772	¥ 7,242	¥ 27,014
Capital expenditures	¥ 1,850	¥ 4,231	¥ 3,607	¥ 1,181	¥ 1,500	¥ 1,088	¥ 13,457	¥ 6,067	¥ 19,524

Annotations about the above segment information:

No. 1 Intersegment sales are recorded at the same prices used in transactions with third parties.

No. 2 Eliminations and others include items, such as unclassifiable expenses, eliminations of internal transaction among each segment.

No. 3 Depreciation and amortization and capital expenditures include expenses and expenditures arising from intangible assets.

2012

Thousands of U.S. dollars									
	Industrial Automation Business	Electronic and Mechanical Components Business	Automotive Electronic Components Business	Social Systems Solutions and Service Business	Healthcare Business	Other	Total	Eliminations and others	Consolidated
I Sales and Segment profit (loss)									
1. Sales to external customers	\$3,302,866	\$1,012,220	\$1,036,915	\$697,561	\$761,537	\$652,866	\$7,463,965	\$ 90,437	\$7,554,402
2. Intersegment Sales	73,829	647,317	3,610	48,537	841	188,012	962,146	(962,146)	—
Total	\$3,376,695	\$1,659,537	\$1,040,525	\$746,098	\$762,378	\$840,878	\$8,426,111	\$(871,709)	\$7,554,402
Segment profit (loss)	\$ 406,439	\$ 88,293	\$ 32,817	\$ 1,195	\$ 35,585	\$(43,329)	\$ 521,000	\$(31,537)	\$ 489,463
II Assets, depreciation, and capital expenditures									
Assets	\$2,577,512	\$1,292,817	\$ 676,244	\$700,280	\$566,293	\$472,634	\$6,285,780	\$266,940	\$6,552,720
Depreciation and amortization	\$ 51,049	\$ 87,427	\$ 25,671	\$ 13,720	\$ 18,695	\$ 11,451	\$ 208,013	\$ 67,805	\$ 275,818
Capital expenditures	\$ 45,829	\$ 120,829	\$ 63,366	\$ 10,439	\$ 45,756	\$ 25,561	\$ 311,780	\$ 33,841	\$ 345,621

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 before income taxes and equity in loss (earnings) of affiliates for the years ended March 31, 2012, 2011, and 2010, is as follows:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Total amount of segment profit	¥42,722	¥55,376	¥ 25,051	\$521,000
Other expenses, net	6,589	6,344	2,879	80,353
Eliminations and others	(2,586)	(7,339)	(11,977)	(31,537)
Income before income taxes and equity in loss (earnings) of affiliates	¥33,547	¥41,693	¥ 10,195	\$409,110

Geographic information

Information by the Companies' sales to external customers and property, plant, and equipment separated into major geographic areas as of and for the years ended March 31, 2012, 2011, and 2010, is as follows:

2012

	Millions of yen					Consolidated
	Japan	Americas	Europe	Greater China	Southeast Asia and Others	
Sales to external customers	¥307,649	¥74,820	¥83,561	¥101,074	¥52,357	¥619,461
Property, plant, and equipment	¥ 79,548	¥ 4,166	¥ 4,290	¥ 24,572	¥ 8,130	¥120,706

2011

	Millions of yen					Consolidated
	Japan	Americas	Europe	Greater China	Southeast Asia and Others	
Sales to external customers	¥311,906	¥74,397	¥84,511	¥97,012	¥49,999	¥617,825
Property, plant, and equipment	¥ 83,109	¥ 4,210	¥ 4,485	¥21,381	¥ 6,813	¥119,998

2010

	Millions of yen					Consolidated
	Japan	Americas	Europe	Greater China	Southeast Asia and Others	
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

2012

	Thousands of U.S. dollars					Consolidated
	Japan	Americas	Europe	Greater China	Southeast Asia and Others	
Sales to external customers	\$3,751,817	\$912,439	\$1,019,037	\$1,232,610	\$638,499	\$7,554,402
Property, plant, and equipment	\$ 970,098	\$ 50,805	\$ 52,317	\$ 299,659	\$ 99,145	\$1,472,024

Annotations about the above geographic information:

No. 1 Classification of country or area is based upon physical geographic approximation.

No. 2 Major countries or areas belonging to segments other than Japan are as follows:

- (1) Americas: United States of America, Canada and Brazil
- (2) Europe: Netherlands, Great Britain, Germany, France, Italy and Spain
- (3) Greater China: China, Hong Kong and Taiwan
- (4) Southeast Asia and Others: Singapore, Republic of Korea, India, and Australia

No. 3 For sales and property, plant, and equipment, there were no material amounts specific to a particular country that will have required separate disclosure as of and for the years ended March 31, 2012, 2011, and 2010.

No. 4 During the year ended March 31, 2012, we changed the name North America to Americas. This was only a name change and no change to the geographic composition of this group has been made.

No. 5 There are no sales to important single external customer, which is required to be separately disclosed, for the years ended March 31, 2012, 2011, and 2010.

22. Acquisition

There have not been any significant acquisitions for the years ended 2012, 2011 and 2010.

23. Subsequent Events

The Companies have adopted ASC No. 855, "Subsequent Events." ASC No. 855 establishes the disclosure of the date that subsequent events are recognized and the estimate of nature and financial effect of unrecognized subsequent events.

No significant event took place since March 31, 2012 through June 22, 2012, the date when Yukashouken-Houkokusho (Annual Securities Report filed under the Financial Instruments and Exchange Act of Japan) for the year ended March 31, 2012 was available to be issued.



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Independent Auditors' Report

To the Board of Directors and Stockholders of OMRON Corporation

We have audited the accompanying consolidated balance sheets of OMRON Corporation and subsidiaries (the "Company") as of March 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2012, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of OMRON Corporation and subsidiaries as of March 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

Our audits also comprehended the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2 to the consolidated financial statements. Such United States dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

Kyoto, Japan
June 22, 2012

Member of
Deloitte Touche Tohmatsu Limited

Internal Control Section

Management's Report on Internal Control

NOTE TO READERS:

The 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 annual consolidated net sales (after the elimination of transactions between consolidated companies), and companies with net sales of approximately two-thirds of the total amount on a consolidation basis were selected as "significant locations and/or business units." At selected "significant locations and/or business units," we included in the scope of assessment, business processes leading to sales, accounts receivable and inventories as significant accounts that may have a material impact on our business objectives. Further, in addition to selected significant locations and/or business units, we also included in the scope of assessment, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

Management's Report on Internal Control

1. Matters relating to the basic framework for internal control over financial reporting

Yoshihito Yamada, President and Chief Executive Officer; and Takayoshi Oue, Senior General Manager of the Accounting and Finance Center, Executive Officer, and Chief Financial Officer are responsible for designing and operating effective internal control over financial reporting of Omron Corporation (the "Company") and have 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, 2012 which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidation basis ("entity-level controls") and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and equity-method affiliated companies, from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined by taking into account the materiality of quantitative and qualitative

impacts on financial reporting. In light of the results of assessment of entity-level controls conducted for the Company and its consolidated subsidiaries, we reasonably determined the scope of assessment of internal controls over business processes. Consolidated subsidiaries and equity-method affiliated companies determined to have an insignificant quantitative and qualitative influence on the reliability of financial reporting are not included in the scope of assessment of entity-level controls.

Regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested based on the previous year's consolidated net sales (after the elimination of transactions between consolidated companies), and the companies whose net sales reaches two-thirds of total amount on a consolidation basis were selected as "significant locations and/or business units." At selected "significant locations and/or business units," we included in the scope of assessment, business processes leading to sales, accounts receivable and inventories as significant accounts that may have a material impact on the business objectives of the Company. Further, in addition to selected significant locations and/or business units, we also included in the scope of assessment, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

3. Matters relating to the results of the assessment

The above assessments determined that the Company's internal control over financial reporting was effective as of the last day of the fiscal year under review.

4. Additional notes

No material items to report.

5. Special notes

No material items to report.

June 22, 2012

Yoshihito Yamada
President
Chief Executive Officer
Omron Corporation

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, locations and business units to be tested were selected based on the previous year's net sales that in total reaches two-thirds of total net sales on a consolidation basis and were identified as "significant locations and/or business units." At the selected "significant locations and/or business units," 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") were included in the scope of assessment. Furthermore, in addition to selected "significant locations and/or business units" and their material business processes, other locations and /or business units and other business processes that may have (i) a greater likelihood of material misstatements and/or, (ii) significant accounts involving estimates and management's judgment, and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting, were also included in the list of locations and/or business units to be tested and in the scope of assessment.

Independent Auditors' Report

To the Board of Directors of OMRON Corporation.

June 22, 2012

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner, Engagement Partner, Certified Public Accountant: Kazuyasu Yamada

Designated Unlimited Liability Partner, Engagement Partner, Certified Public Accountant: Kenichi Takai

Designated Unlimited Liability Partner, Engagement Partner, Certified Public Accountant: Hiroaki Sakai

Audit of Financial Statements

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet, and the related consolidated statements of income, comprehensive income (loss), shareholders' equity and cash flows of OMRON Corporation (the "Company") and its consolidated subsidiaries for the fiscal year from April 1, 2011 to March 31, 2012, and the related notes, and consolidated supplementary schedules.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America pursuant to the third paragraph of the Supplementary Provisions of the Cabinet Office Ordinance for Partial Amendment of the Regulations for Terminology, Forms and Preparation Methods of Consolidated Financial Statements (No.11 of the Cabinet Office Ordinance in 2002), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of OMRON Corporation and its consolidated subsidiaries as of March 31, 2012, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Audit of Internal Control

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, 2012.

Management's Responsibility for the Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in conformity with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on management's report on internal control based on our internal control audit. We conducted our internal control 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 is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any 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, 2012

Date of Establishment
May 10, 1933

Number of Employees (Consolidated)
35,992

Paid-in Capital
¥64,100 million

Common Stock
Authorized
487,000,000 shares
Issued
239,121,372 shares
Number of shareholders
33,188

Stock Listings
Osaka Securities Exchange
Tokyo Stock Exchange
Frankfurt Stock Exchange

Ticker Symbol Number
6645

Custodian of Register of Shareholders
Mitsubishi UFJ Trust and Banking Corporation
1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan

Depository and Transfer Agent for American Depository Receipts
JPMorgan Chase Bank,
N.A.1 Chase Manhattan Plaza,
New York, NY 10005, U. S. A.

ADR Holder Contact :
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Fax 65-6835-2711

India
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Tel 91-124-4921700
Fax 91-124-4921777

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

Major Domestic Manufacturing, Marketing, and Research & Development Locations

Manufacturing
Kusatsu Office
Tel 81-77-563-2181
Fax 81-77-565-5588

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

Yasu Office
Tel 81-77-588-9000
Fax 81-77-588-9901

Sales & Marketing
Tokyo Office
2-3-13, Konan,
Minato-ku, Tokyo
108-0075, Japan
Tel 81-3-6718-3400
Fax 81-3-6718-3408

Mishima Office
Tel 81-55-977-9000
Fax 81-55-977-9080

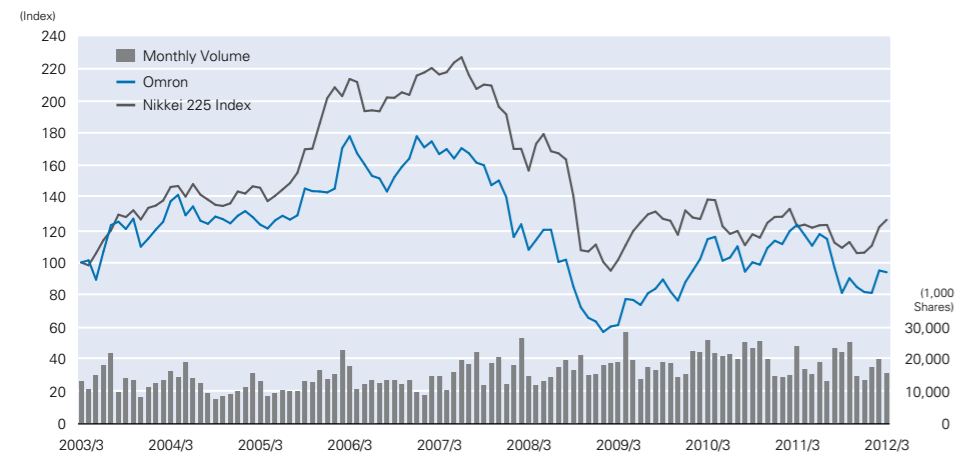
Nagoya Office
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Fax 81-52-565-1910

Osaka Office
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Fax 81-6-6347-5900

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

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

Stock Price Osaka Securities Exchange



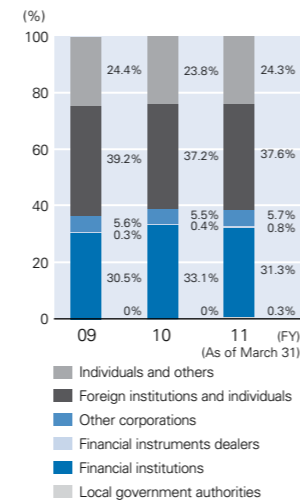
Note: Share index (2003/3E=100)

Yearly High and Low Prices*

FY	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
High (¥)	2,115	2,740	2,885	3,620	3,590	3,510	2,385	2,215	2,418	2,357
Low (¥)	1,320	1,648	2,150	2,210	2,615	1,950	940	1,132	1,749	1,381

* Stock prices listed in the First Section of Osaka Securities Exchange

Ownership and Distribution of Shares



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