

Financial Section (U.S. GAAP)

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Notes: Financial Highlights, Six-year Financial Summary, Fiscal 2008 Management's Discussion and Analysis, and Business and Other Risks are unaudited.

Financial Highlights

Omron Corporation and Subsidiaries
Years ended March 31, 2009, 2008, and 2007

	Millions of yen (except per share data)			Thousands of U.S. dollars (Note 2) (except per share data)
	FY2008	FY2007	FY2006	FY2008
For the year:				
Net sales	¥ 627,190	¥ 762,985	¥ 723,866	\$ 6,399,898
Income (Loss) from continuing operations before income taxes, minority interests, and equity in loss of affiliates	(39,133)	64,166	64,279	(399,316)
Income (Loss) from continuing operations	(29,172)	39,329	37,094	(297,673)
Net income (loss)	(29,172)	42,383	38,280	(297,673)
Per share data (yen and U.S. dollars):				
income from continuing operations				
Basic	¥ (132.2)	¥ 172.5	¥ 159.8	\$ (1.35)
Diluted	—	172.4	159.7	—
Net income (loss)				
Basic	(132.2)	185.9	165.0	(1.35)
Diluted	—	185.8	164.9	—
Cash dividends (Note 1)	25.0	42.0	34.0	0.26
Capital expenditures (cash basis)	¥ 37,477	¥ 37,848	¥ 44,689	\$ 382,418
Research and development expenses	48,899	51,520	52,028	498,969
At year end:				
Total assets	¥ 538,280	¥ 617,367	¥ 630,337	\$ 5,492,653
Total shareholders' equity	298,411	368,502	382,822	3,045,010

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, 2009 of ¥98=\$1.

Six-year Summary

Omron Corporation and Subsidiaries
Years ended March 31

	Millions of yen (except per share data)					
	FY2008	FY2007	FY2006	FY2005	FY2004	FY2003
Net sales (Note 2 and 3):						
Industrial Automation Business	¥ 262,922	¥ 328,811	¥ 305,568	¥ 272,657	¥ 250,329	¥ 229,638
Electronic Components Business	123,937	154,233	138,352	97,699	101,127	88,988
Automotive Electronic Components Business	82,109	107,521	93,321	77,593	64,558	58,824
Social Systems Business	79,886	85,223	105,944	91,804	115,205	135,997
Healthcare Business	63,797	71,562	65,726	61,090	50,583	46,962
Other Businesses	14,539	15,635	14,955	15,159	16,925	14,748
	627,190	762,985	723,866	616,002	598,727	575,157
Costs and expenses:						
Cost of sales	408,668	469,643	445,625	383,335	353,429	339,697
Selling, general and administrative expenses	164,284	176,569	164,167	157,909	141,185	139,569
Research and development expenses	48,899	51,520	52,028	55,315	49,441	46,494
Subsidy from the government	—	—	—	(41,339)	—	—
Other expenses (income), net	44,472	1,087	(2,233)	(2,724)	2,225	3,491
	666,323	698,819	659,587	552,496	546,280	529,251
Income (Loss) from continuing operations before income taxes, minority interests, and equity in loss of affiliates	(39,133)	64,166	64,279	63,506	52,447	45,906
Income taxes	(10,495)	24,272	25,595	26,701	21,482	19,930
Minority interests	(277)	217	238	150	264	411
Equity in loss (earnings) of affiliates	811	348	1,352	493	1,483	(92)
Income (Loss) from continuing operations	(29,172)	39,329	37,094	36,162	29,218	25,657
Income from discontinued operations, net of tax (Note 4)	—	3,054	1,186	802	958	1,154
Cumulative effect of accounting change, net of tax	—	—	—	(1,201)	—	—
Net income (loss)	(29,172)	42,383	38,280	35,763	30,176	26,811
Per share data (yen):						
Income (Loss) from continuing operations						
Basic	¥ (132.2)	¥ 172.5	¥ 159.8	¥ 152.8	¥ 122.5	¥ 105.9
Diluted	—	172.4	159.7	152.7	120.8	103.0
Net income (loss)						
Basic	(132.2)	185.9	165.0	151.1	126.5	110.7
Diluted	—	185.8	164.9	151.1	124.8	107.5
Cash dividends (Note 1)	25.0	42.0	34.0	30.0	24.0	20.0
Capital expenditures (cash basis)	¥ 37,477	¥ 37,848	¥ 44,689	¥ 40,560	¥ 38,579	¥ 38,115
Total assets	538,280	617,367	630,337	589,061	585,429	592,273
Total shareholders' equity	298,411	368,502	382,822	362,937	305,810	274,710
Value indicators:						
Gross profit margin (%)	34.8	38.4	38.4	37.8	41.0	40.9
Income (Loss) before tax/Net sales (%)	(6.2)	8.4	8.9	10.3	8.8	8.0
Return on sales (%)	(4.7)	5.6	5.3	5.8	5.0	4.7
Return on assets (%)	(6.8)	10.3	10.5	10.8	8.9	7.9
Return on equity (%)	(8.7)	11.3	10.3	10.7	10.4	10.2
Inventory turnover (times)	4.54	4.96	5.27	5.34	5.09	4.66
Price/earning ratio (times)	(8.7)	10.7	19.1	22.2	18.5	23.3
Assets turnover (times)	1.09	1.22	1.19	1.05	1.02	0.99
Debt/equity ratio (times)	0.804	0.675	0.647	0.623	0.914	1.156
Interest coverage ratio (times)	6.01	44.34	57.82	69.95	52.05	41.63

- Notes: 1. Cash dividends per share represent the amounts applicable to the respective year, including dividends to be paid after the end of the year.
2. The Automotive Electronic Components Business has been classified separately from the Electronic Components Business effective from April 2003. Figures for 2003 have been reclassified in accordance with the change.
3. As of October 1, 2004, the ATM and other information equipment business that was included in the Social Systems Business was transferred to an affiliate accounted for using the equity method.
4. In accordance with Statement of Financial Accounting Standards No.144, "Accounting for the Impairment of Disposal of Long-Lived Assets," the figures of the consolidated statements of income for the prior years related to the discontinued operations have been separately reported from the ongoing operating results to conform with the current year presentation. See Note 15 to the consolidated financial statements.

Fiscal 2008 Management's Discussion and Analysis

Note: The business divisions are presented using their abbreviated names

Industrial Automation Business (IAB), Electronic Components Business (ECB), Automotive Electronic Components Business (AEC), Social Systems Business (SSB), Healthcare Business (HCB).

Market Environment

1. Macroeconomic Environment

The subprime loan crisis originating in the United States had strong repercussions on the real economies in countries around the world in fiscal 2008, and when conditions deteriorated abruptly in the third quarter, the economic conditions took on the characteristics of a global recession. Japan's economy, which relies heavily on exports, was critically damaged during the year. The steep drop in demand and the appreciating value of the yen deeply impacted corporate earnings while employment conditions deteriorated markedly and private consumption continued to decline.

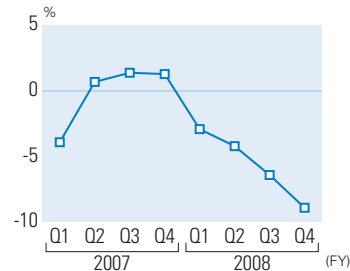
Growth Rates of Real GDP for Each Country/Region

CY	Japan	U.S.	EU	China
2007	2.4	2.0	2.7	13.0
2008	-0.6	1.1	0.9	9.0
2009 Estimates	-6.2	-2.8	-4.2	6.5

Source: IMF "World Economic Outlook," April 2009

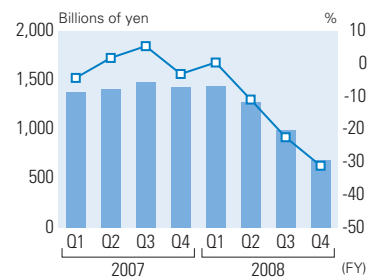
Domestic Macroeconomic Environment

Real Private Capital Investment



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

Machinery Orders (Manufacturing)



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

2. The Omron Group Market Environment

The business environment was extremely harsh for the Omron Group in fiscal 2008. Most manufacturing industries, including the Group's clients in the automotive and semiconductor industries, implemented production adjustments and reduced or postponed capital spending, particularly following the degeneration of business conditions in the third quarter.

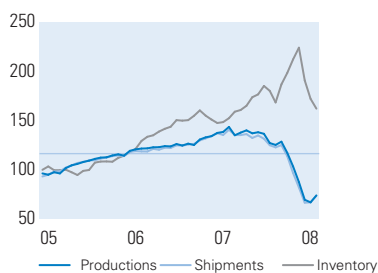
Demand plummeted for the Company's core factory automation control equipment. Strict inventory adjustments in the business and consumer equipment sectors also led to a steep drop in demand for electronic components. The steep production cuts in the automotive industry also led

to a further decline in demand for automotive electronics. On the positive side, demand grew in the first half in some regions for blood pressure monitors and other health-related equipment on growing health consciousness in emerging economies.

External factors influencing profits included a sharp decline in raw material prices and the strengthened yen beginning when economic conditions soured in the third quarter. The strong yen also impacted profits as the average exchange rates increased by ¥13.4 to ¥100.7 versus the U.S. dollar and by ¥17.4 to ¥144.5 versus the euro from the previous fiscal year.

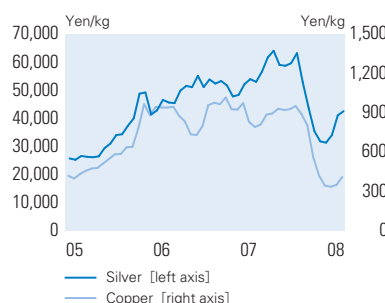
Indices of Electronic Parts and Devices

(Seasonally adjusted indices, 2005 average = 100)

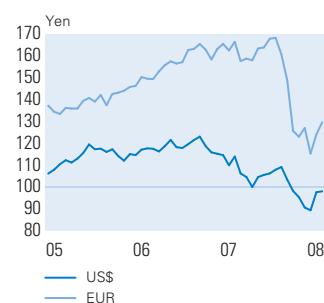


Source: Ministry of Economy, Trade and Industry

Silver and Copper Prices



Exchange Rates



Overview of Consolidated Results and Financial Condition

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

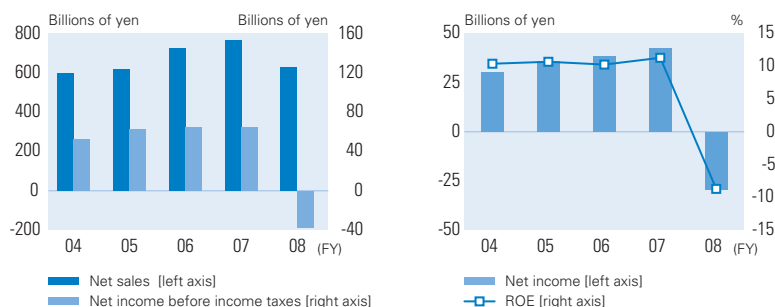
In this market environment, Omron's fiscal 2008 consolidated net sales declined 17.8% year on year to ¥627.2 billion and operating income plummeted 91.8% to ¥5.3 billion despite efforts to reduce costs in every business segment, restricting large investment, and launching wide-ranging structural reform of business operations with the objective of reestablishing our revenue bases. The Company also recorded a consolidated net loss before income taxes of ¥39.1 billion and a net loss of ¥29.2 billion, largely as a result of impairment losses for goodwill,

property, plant and equipment, and investment securities.

Total assets declined 12.8% from the previous fiscal year owing to reduced sales and asset impairment losses. The net loss contributed to a 19.0% year-on-year decline in total shareholders' equity, which lowered the equity ratio to 55.4%, from 59.7% at the end of the previous fiscal year.

Return on equity (ROE) fell to -8.7%, as the Group was unable to extend its streak of maintaining ROE above its benchmark 10% level for five consecutive years.

Net Sales & Net Income before Income Taxes Net Income & ROE



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

Review and Analysis of the Statements of Income

Sales

Consolidated net sales declined 17.8% year on year to ¥627.2 billion as the global recession and the strong yen led to declining revenue in all business segments. By region, sales declined 15.6% in Japan and decreased in all other regions as well, falling 21.1% in North America, 23.3% in Europe, 17.7% in the Greater China region, and 13.5% in Southeast Asia.

Cost of Sales and SG&A Expenses

The decline in sales led to a 13.0% year-on-year decrease in cost of sales. However, the cost to sales ratio rose 3.6 percentage points to 65.2%. Raw materials prices, which had risen sharply in the previous fiscal year, dropped back as economic conditions worsened, but sales revenue was strongly impacted by downward pressure on product prices and the sharp rise in the value of the yen.

SG&A expenses were reduced by 7.0% from the previous fiscal year as a result of company-wide efforts to

counter the decline in sales by cutting costs and restricting large investment. The Company reduced R&D by 5.1%, but the rapidity of the drop in sales resulted in the SG&A expense ratio growing 3.1 percentage points to 26.2% and the R&D expense ratio rising 1.0 percentage point to 7.7%.

Other Expenses (Income) *See Note 12 on page 79

The net amount of other expenses (income) was a net loss of ¥44.5 billion, as loss in this category expanded ¥43.4 billion from the previous fiscal year. The main factors were impairment losses for goodwill, property, plant and equipment, and investment securities.

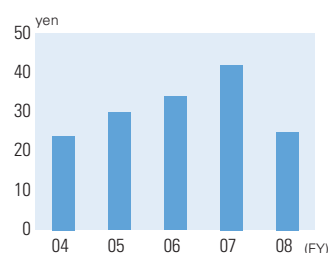
Net Income before Income Taxes, Net Income, and Profit Distribution

As a result of the above, net income before income taxes decreased ¥103.3 billion from ¥64.2 billion in the previous fiscal year to a net loss before income taxes of ¥39.1 billion. Net income declined ¥71.6 billion from ¥42.4 billion

to a net loss of ¥29.2 billion in fiscal 2008. Basic net income per share decreased to a ¥132.2 net loss per share, down from ¥185.9 in the previous year.

Based on our profit distribution policy (see page 19) and in consideration of the earnings results, ordinary dividends of ¥25 per share were distributed in the fiscal year under review.

Dividends per Share



Costs, Expenses, and Income as Percentages of Net Sales

	FY2008	FY2007	FY2006
Net sales	100.0%	100.0%	100.0%
Cost of sales	65.2	61.6	61.6
Gross profit	34.8	38.4	38.4
Selling, general and administrative expenses	26.2	23.1	22.6
Research and development expenses	7.7	6.7	7.2
Interest expenses (income), net	0.0	(0.1)	(0.1)
Income (Loss) from continuing operations before income taxes, minority interests, and equity in loss of affiliates	(6.2)	8.4	8.9
Income taxes	(1.6)	3.2	3.6
Income (Loss) from continuing operations	(4.7)	5.2	5.1
Income from discontinued operations	—	0.4	0.2
Net income (loss)	(4.7)	5.6	5.3

Segment Information

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

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

Please refer to pages 32–42 for detailed segment business results, fiscal 2009 outlook, and strategy.

1. Review of Operations by Business Segment

IAB (Industrial Automation Business)

IAB net sales declined 20.0% year on year to ¥262.9 billion and operating income fell 60.6% to ¥20.5 billion. Sales were suppressed by the postponement and cancellation of large-scale equipment investment projects beginning in the third quarter, particularly in the semiconductor, flat panel display, and automotive industries. Sales were also down sharply in the Asia Pacific and Greater China regions, where sales had been holding relatively firm.

ECB (Electronic Components Business)

ECB net sales decreased 19.6% year on year to ¥123.9 billion and operating income declined from ¥12.6 billion in the previous fiscal year to a ¥2.0 billion operating loss in fiscal 2008. The result was mainly due to a further decline in demand from the semiconductor and automotive indus-

tries in the second half, stepped up inventory adjustment measures in the business and consumer equipment sectors, and a loss of the previously steady momentum in orders for small-sized backlights and input switches for mobile devices.

AEC (Automotive Electronic Components Business)

AEC net sales declined 23.6% year on year to ¥82.1 billion and operating income declined from ¥1.4 billion in the previous fiscal year to a ¥6.4 billion operating loss in fiscal 2008. The primary factors were the spikes in gasoline prices and the global recession, which combined to sharply reduce automobile demand. Sales were also sluggish in China and emerging economies, largely due to declines in unit sales of mid- and large-size vehicles.

SSB (Social Systems Business)

SSB net sales decreased 6.3% year on year to ¥79.9 billion and operating income fell 24.0% to ¥5.4 billion. New railway line construction led to increased demand for railway infrastructure equipment, but the overall restrained spending for corporate capital investment and public sector investment ultimately drew down sales.

HCB (Healthcare Business)

HCB net sales declined 10.9% year on year to ¥63.8 billion and operating income decreased 48.5% to ¥4.8 billion. Sales of home blood pressure monitors and body composition monitors plummeted amid stagnant demand in the healthcare and medical equipment markets. Sales were

improving in the first half due to expanded sales channels in North America and growing demand for blood pressure monitors in China, Russia, Eastern Europe, and the Middle East. However, full-year sales declined, from the impacts of the global recession and strong yen in the second half.

Others

Other Business net sales declined 7.0% year on year to ¥14.5 billion and operating income dropped 49.4% to ¥4.4 million. Increasing consumer consciousness regarding energy consumption supported steady sales of electricity usage monitoring services. Sales declined for uninterruptible power supply units and broadband routers.

Growth in Net Sales by Business Segment

	FY2008	FY2007	FY2006
IAB	(20.0)%	7.6%	12.1%
ECB	(19.6)	11.5	41.6
AEC	(23.6)	15.2	20.3
SSB	(6.3)	(19.6)	15.4
HCB	(10.9)	8.9	7.6
Others	(7.0)	4.5	(1.3)

Composition of Net Sales by Business Segment

	FY2008	FY2007	FY2006
IAB	41.9%	43.1%	42.2%
ECB	19.8	20.2	19.1
AEC	13.1	14.1	12.9
SSB	12.7	11.2	14.6
HCB	10.2	9.4	9.1
Others	2.3	2.0	2.1

2. Review of Operations by Region

Japan

The rapid deterioration in economic conditions led to domestic sales declines of between 10% to 20% for each of the IAB, ECB, AEC, and HCB segments. Restrained capital investment by railway companies held domestic sales flat for the SSB segment. Net sales in Japan declined 15.6% year on year to ¥328.1 billion and operating income decreased 83.3% to ¥8.4 billion in fiscal 2008.

North America

Sales in North America were brisk for IAB's oil-related and safety businesses, but the severe production cuts by the automobile industry strongly impacted the sales results of AEC. Net sales in North America fell 21.1% year on year to ¥80.4 billion and operating income declined from ¥2.1 billion in the previous fiscal year to a ¥0.7 billion operating loss.

Europe

IAB sales in Europe declined 23.5% amid severe deterioration in the business environment in Italy, Spain, and Eastern Europe. HCB recorded rising sales of blood pressure monitors in Russia, Eastern Europe, and the Middle East, but posted declining sales for the year following a downturn in demand in the second half.

Net sales in Europe fell 23.3% year on year to ¥103.1 billion and operating income decreased 55.7% to ¥6.5 billion.

Greater China

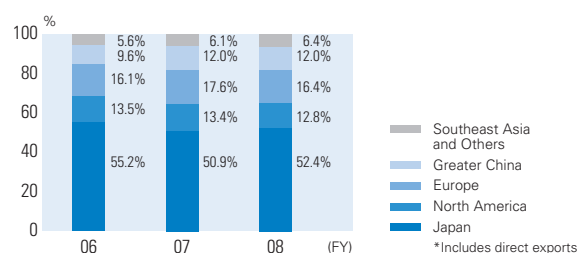
In the Greater China region, encompassing China, Hong Kong, and Taiwan, the rapid worsening in business conditions as the global economy deteriorated led to IAB and ECB sales declines of 25.5% and 21.7%, respectively. HCB posted 22.5% sales growth on expanding demand for blood pressure monitors.

Total net sales in the Greater China region declined 17.7% year on year to ¥75.2 billion and operating income decreased 61.4% to ¥3.1 billion.

Southeast Asia and Others

The economic recession and rapid strengthening of the yen were the major factors behind sales drops of 18.3% and 31.6% for ECB and AEC, respectively, in the region. IAB sales edged up 6.9%. Net sales in the Southeast Asia and other areas declined 13.5% year on year to ¥40.4 billion and operating income fell 67.1% to ¥1.5 billion.

Sales Breakdown by Region



Financial Condition

Assets

Total assets amounted to ¥538.3 billion in fiscal 2008, representing a decrease of ¥79.1 billion, or 12.8%, from the end of the previous fiscal year. The decline was primarily due to booking impairment losses for goodwill of ¥16.8 billion, property, plant and equipment of ¥21.2 billion, and investment securities of ¥5.4 billion along with a ¥53.3 billion decrease in notes and accounts receivable-trade associated with the drop in sales and a ¥10.4 billion decline in inventories.

Liabilities and Shareholders' Equity

Current liabilities, long-term liabilities, and minority interests in subsidiaries amounted to ¥239.9 billion in fiscal 2008, a decline of ¥9.0 billion, or 3.6%, from the previous fiscal year. Notes and accounts payable-trade declined ¥36.5 billion from the previous fiscal year, while an increase

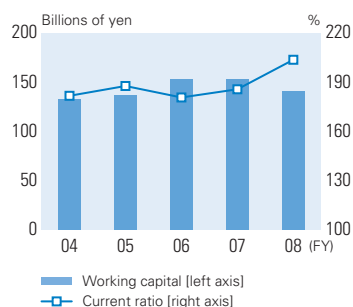
in loans raised interest-bearing liabilities by ¥35.1 billion, to ¥54.9 billion. Termination and retirement benefits increased by ¥16.9 billion, or 26.6%, from the previous fiscal year.

Total shareholders' equity amounted to ¥298.4 billion, representing a ¥70.1 billion, or 19.0%, decrease from the previous fiscal year in addition to a net loss of ¥29.2 billion, primarily due to the strong yen and the differences from securities revaluation.

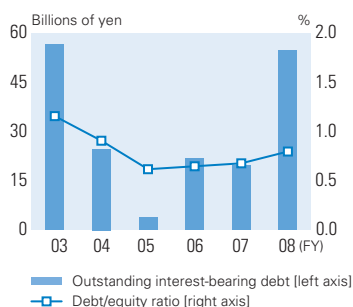
As a result, the shareholders' equity ratio decreased 4.3 percentage points to 55.4%, from 59.7% in the previous fiscal year, and the debt/equity ratio increased from 0.675 to 0.804 over the same period.

Net assets per share based on the number of shares outstanding at the end of the fiscal year was ¥1,355.41, compared to ¥1,662.32 at the end of the previous fiscal year.

Working Capital & Current Ratio



Outstanding Interest-bearing Debt & Debt/Equity Ratio



Cash Flow

Cash and cash equivalents at the end of the fiscal year amounted to ¥46.6 billion, a ¥6.0 billion increase from the end of the previous year.

Cash Flow from Operating Activities

Cash flow from operating activities decreased by ¥37.6 billion from the previous year to ¥31.4 billion, primarily due to the ¥29.2 billion net loss and the increase in the non-expenditure item of depreciation and amortization from booking impairment losses for goodwill and property, plant and equipment.

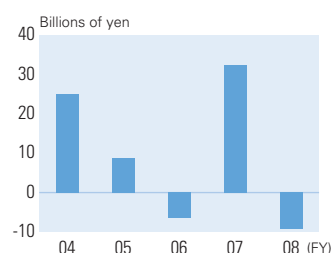
Cash Flow from Investing Activities

Cash flow from investing activities saw a net outflow of ¥40.6 billion representing a ¥3.9 billion increase in outflow from the previous fiscal year. The increase was largely due to decreased proceeds from the sale of property and equipment and this is despite limiting capital investment spending below the original plan for the year.

Cash Flow from Financing Activities

Cash flow from financing activities saw a net inflow of ¥21.9 billion, representing a ¥56.3 billion increase from the net outflow in the previous fiscal year. Inflow from the increase in loans was larger than dividend payments and other outflows.

Free Cash Flow



Business and Other Risks

Regarding a number of items described in the Status of Business and the Status of Accounting of this report, some items may pose risks and influence the Omron Group's management results and financial condition (including share price), and Omron believes that these items may substantially affect investor decisions. Note that items referring to the future reflect the Omron Group's forecasts and assumptions as of June 24, 2009 (date of submission of the Securities Report).

(1) Economic Conditions

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

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

(2) Risks Accompanying Overseas Business Activities

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

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

(3) Exchange Rate Fluctuation

The Omron Group has 120 overseas affiliated companies and continues to reinforce its business operations in overseas markets, such as China, for which major market growth is anticipated in the future. The percentage of consolidated net sales accounted for by overseas sales during fiscal 2008 was 49.7%, and Omron expects further increases in the overseas operations ratio due to factors such as production shifts. The Omron Group seeks to hedge against exchange rate risk, for example by balancing imports and

exports denominated in foreign currencies. Exchange rate fluctuations, however, could have a negative impact on the Omron Group's operating results and financial condition.

(4) Product Defects

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

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

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

(5) Research and Development Activities

Based on a policy of securing a balance between growth and income, the Omron Group invests aggressively in R&D as part of its technology-centered business operations for the realization of sustainable growth. As a result, the R&D expenses ratio remains at approximately 8%.

The Omron Group strives to increase the new product

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

(6) Information Leakage

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

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

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

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

When exercising our intellectual property rights during efforts to resolve issues related to the intellectual property rights of the Group, disputes with third parties could arise, such as oppositional tactics from the third party subject to the exercise of rights. The Omron Group takes appropriate measures to recognize and compensate employees for inventions, such as through the Employee Invention Compensation Program and the Invention Commendation Program. Disputes regarding the value of an invention can arise with inventors, including inventors who have retired from the Group.

The Omron Group has accumulated technology and expertise allowing it to differentiate its products from those of its competitors. However, the ever-increasing sophistication of counterfeit product manufacturing and sales methods and other factors make it virtually impossible to

completely protect all of the Group's proprietary technology and expertise in certain regions, including China. The Group implements strategic measures to protect its intellectual property rights, but the circulation of low-quality counterfeit items fraudulently bearing the Omron brand has the potential to damage the trust in the Group's products and the Group's brand image and could have a negative impact on the Group's operating activities.

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

(8) Natural Disasters

A natural disaster, fire, or other calamity, including a large-scale earthquake in Japan's Tokai, Tonankai, or Tokyo metropolitan areas, could lead to reduced production capability or temporary disruption of distribution and sales routes. The Omron Group has implemented the necessary safety measures and taken steps to facilitate the continuity and early restoration of business operations in the case of such an event. The Group maintains operating bases in Japan and around the world, making it virtually impossible to completely avoid the risks that would arise from an unforeseen natural disaster or other calamity.

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

Events such as the above could have a negative impact on the Group's performance or financial condition.

Consolidated Balance Sheets

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2009	2008	2009
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 46,631	¥ 40,624	\$ 475,827
Notes and accounts receivable – trade	113,551	166,878	1,158,684
Allowance for doubtful receivables	(2,562)	(2,211)	(26,143)
Inventories (Note 3)	84,708	95,125	864,367
Deferred income taxes (Note 13)	16,522	19,690	168,592
Other current assets	17,141	9,948	174,908
Total current assets	275,991	330,054	2,816,235
Property, plant and equipment:			
Land	26,753	27,126	272,990
Buildings	120,244	128,183	1,226,980
Machinery and equipment	143,801	167,036	1,467,357
Construction in progress	9,061	6,277	92,459
Total	299,859	328,622	3,059,786
Accumulated depreciation	(167,324)	(175,946)	(1,707,388)
Net property, plant and equipment	132,535	152,676	1,352,398
Investments and other assets:			
Investments in and advances to affiliates	15,638	16,645	159,571
Investment securities (Note 4)	31,682	39,139	323,286
Leasehold deposits	7,784	8,087	79,429
Deferred income taxes (Note 13)	53,783	28,151	548,806
Other (Note 6)	20,867	42,615	212,928
Total investments and other assets	129,754	134,637	1,324,020
Total	¥ 538,280	¥ 617,367	\$ 5,492,653

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 2)
	2009	2008	2009
Current liabilities:			
Short-term debt (Note 8)	¥ 32,970	¥ 17,795	\$ 336,429
Notes and accounts payable – trade	58,179	94,654	593,663
Accrued expenses	24,791	30,622	252,969
Income taxes payable	711	8,959	7,255
Other current liabilities (Note 13)	17,899	24,517	182,643
Current portion of long-term debt (Note 8)	488	522	4,980
Total current liabilities	135,038	177,069	1,377,939
Long-term debt (Note 8)	21,401	1,492	218,378
Deferred income taxes (Note 13)	941	3,887	9,602
Termination and retirement benefits (Note 10)	80,443	63,536	820,847
Other long-term liabilities	476	863	4,857
Minority interests in subsidiaries	1,570	2,018	16,020
Shareholders' equity (Note 11):			
Common stock, no par value:			
Authorized: 487,000,000 shares in 2009 and 2008, respectively			
Issued: 239,121,372 shares in 2009 and 2008, respectively	64,100	64,100	654,082
Capital surplus	99,059	98,961	1,010,806
Legal reserve	9,059	8,673	92,439
Retained earnings	231,388	266,451	2,361,102
Accumulated other comprehensive loss (Note 18)	(60,744)	(28,217)	(619,837)
Treasury stock, at cost — 18,958,944 shares in 2009 and 17,441,564 shares in 2008	(44,451)	(41,466)	(453,582)
Total shareholders' equity	298,411	368,502	3,045,010
Total	¥ 538,280	¥ 617,367	\$ 5,492,653

See notes to consolidated financial statements.

Consolidated Statements of Operations

Omron Corporation and Subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2009	2008	2007	2009
Net sales	¥ 627,190	¥ 762,985	¥ 723,866	\$ 6,399,898
Costs and expenses:				
Cost of sales	408,668	469,643	445,625	4,170,082
Selling, general and administrative expenses	164,284	176,569	164,167	1,676,367
Research and development expenses	48,899	51,520	52,028	498,969
Other expenses (income), net (Note 12)	44,472	1,087	(2,233)	453,796
Total	666,323	698,819	659,587	6,799,214
Income (Loss) from continuing operations before income taxes, minority interests, and equity in loss of affiliates	(39,133)	64,166	64,279	(399,316)
Income taxes (Note 13)	(10,495)	24,272	25,595	(107,092)
Income (Loss) from continuing operations before minority interests and equity in loss of affiliates	(28,638)	39,894	38,684	(292,224)
Minority interests	(277)	217	238	(2,827)
Equity in loss of affiliates	811	348	1,352	8,276
Income (Loss) from continuing operations	(29,172)	39,329	37,094	(297,673)
Income from discontinued operations, net of tax (Note 15)	—	3,054	1,186	—
Net income (loss)	¥ (29,172)	¥ 42,383	¥ 38,280	\$ (297,673)

	Yen			U.S. dollars (Note 2)
	2009	2008	2007	2009
Per share data (Note 16):				
Income (Loss) from continuing operations				
Basic	¥ (132.2)	¥ 172.5	¥ 159.8	\$ (1.35)
Diluted	—	172.4	159.7	—
Income from discontinued operations				
Basic	—	13.4	5.2	—
Diluted	—	13.4	5.2	—
Net income (loss)				
Basic	(132.2)	185.9	165.0	(1.35)
Diluted	—	185.8	164.9	—

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

Omron Corporation and Subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2009	2008	2007	2009
Net income (loss)	¥ (29,172)	¥ 42,383	¥ 38,280	\$ (297,673)
Other comprehensive income (loss), net of tax (Note 18):				
Foreign currency translation adjustments:				
Foreign currency translation adjustments arising during the year	(16,537)	(12,342)	7,907	(168,745)
Reclassification adjustment for the portion realized in net income	—	—	6	—
Net change in foreign currency translation adjustments during the year	(16,537)	(12,342)	7,913	(168,745)
Minimum pension liability adjustments	—	—	1,658	—
Pension liability adjustments				
Pension liability adjustments arising during the year	(10,838)	(6,707)	—	(110,592)
Reclassification adjustment for the portion realized in net income	(487)	(369)	—	(4,969)
Net change in pension liability adjustments during the year	(11,325)	(7,076)	—	(115,561)
Unrealized gains (losses) on available-for-sale securities:				
Unrealized holding gains (losses) arising during the year	(6,722)	(6,647)	(560)	(68,592)
Reclassification adjustment for losses on impairment realized in net income	2,987	1,315	85	30,480
Reclassification adjustment for net gains on sales realized in net income	(3)	(905)	(475)	(31)
Reclassification adjustment for net gains on contribution of securities to retirement benefit trust realized in net income	—	—	(5,983)	—
Net unrealized gains (losses)	(3,738)	(6,237)	(6,933)	(38,143)
Net gains (losses) on derivative instruments:				
Net gains (losses) on derivative instruments designated as cash flow hedges during the year	787	1,178	(1,208)	8,031
Reclassification adjustment for net gains (losses) realized in net income	(1,714)	(727)	1,172	(17,490)
Net gains (losses)	(927)	451	(36)	(9,459)
Other comprehensive income (loss)	(32,527)	(25,204)	2,602	(331,908)
Comprehensive income (loss)	¥ (61,699)	¥ 17,179	¥ 40,882	\$ (629,581)

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Omron Corporation and Subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Number of common shares issued	Millions of yen					
		Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock
Balance, March 31, 2006	249,121,372	¥ 64,100	¥ 98,724	¥ 8,082	¥ 227,791	¥ (2,971)	¥ (32,789)
Net income					38,280		
Cash dividends, ¥34 per share					(7,839)		
Transfer to legal reserve				174	(174)		
Other comprehensive income						2,602	
Adjustment to initially apply SFAS No.158 (Note 10)						(2,644)	
Acquisition of treasury stock							(11,204)
Sale of treasury stock			1				2
Exercise of stock options			10		(1)		585
Grant of stock options			93				
Balance, March 31, 2007	249,121,372	64,100	98,828	8,256	258,057	(3,013)	(43,406)
Amendment to adoption of FIN No.48					(266)		
Net income					42,383		
Cash dividends, ¥42 per share					(9,415)		
Transfer to legal reserve				417	(417)		
Other comprehensive loss						(25,204)	
Acquisition of treasury stock							(22,348)
Sale of treasury stock			1				7
Retirement of treasury stock	(10,000,000)				(23,858)		23,858
Exercise of stock options			(4)		(33)		423
Grant of stock options			136				
Balance, March 31, 2008	239,121,372	64,100	98,961	8,673	266,451	(28,217)	(41,466)
Net loss					(29,172)		
Cash dividends, ¥25 per share					(5,505)		
Transfer to legal reserve				386	(386)		
Other comprehensive loss						(32,527)	
Acquisition of treasury stock							(2,995)
Sale of treasury stock			(3)				10
Grant of stock options			101				
Balance, March 31, 2009	239,121,372	¥ 64,100	¥ 99,059	¥ 9,059	¥ 231,388	¥ (60,744)	¥ (44,451)

	Thousands of U.S. dollars (Note 2)						
	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	
Balance, March 31, 2008	\$ 654,082	\$ 1,009,806	\$ 88,500	\$ 2,718,888	\$ (287,929)	\$ (423,123)	
Net loss				(297,673)			
Cash dividends, \$0.26 per share				(56,174)			
Transfer to legal reserve			3,939	(3,939)			
Other comprehensive loss					(331,908)		
Acquisition of treasury stock						(30,561)	
Sale of treasury stock		(31)				102	
Grant of stock options		1,031					
Balance, March 31, 2009	\$ 654,082	\$ 1,010,806	\$ 92,439	\$ 2,361,102	\$ (619,837)	\$ (453,582)	

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Omron Corporation and Subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2009	2008	2007	2009
Operating activities:				
Net income (loss)	¥ (29,172)	¥ 42,383	¥ 38,280	\$ (297,673)
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	33,496	36,343	33,923	341,796
Net loss on sales and disposals of property, plant and equipment	1,983	963	6,445	20,235
Loss on impairment of property, plant and equipment	21,203	168	1,441	216,357
Net gain on sales of investment securities	(64)	(1,571)	(954)	(653)
Loss on impairment of investment securities and other assets	5,401	2,297	682	55,112
Loss on impairment of goodwill	16,813	—	—	171,561
Gain on contribution of securities to retirement benefit trust	—	—	(10,141)	—
Termination and retirement benefits	(1,390)	(1,722)	(1,403)	(14,184)
Deferred income taxes	(13,895)	(131)	3,887	(141,786)
Minority interests	(277)	217	238	(2,827)
Equity in loss of affiliates	811	348	1,352	8,276
Net gain on sale of business	—	(5,177)	—	—
Changes in assets and liabilities:				
Notes and accounts receivable – trade, net	47,526	4,977	(19,773)	484,959
Inventories	5,776	(3,002)	(13,955)	58,939
Other assets	(7,689)	644	2,248	(78,459)
Notes and accounts payable – trade	(34,046)	5,305	(5,674)	(347,408)
Income taxes payable	(8,044)	(2,663)	(2,244)	(82,082)
Accrued expenses and other current liabilities	(8,290)	(10,846)	6,480	(84,592)
Other, net	1,266	463	(293)	12,918
Total adjustments	60,580	26,613	2,259	618,163
Net cash provided by operating activities	31,408	68,996	40,539	320,490
Investing activities:				
Proceeds from sales or maturities of investment securities	1,742	3,955	1,643	17,775
Purchase of investment securities	(6,151)	(7,456)	(2,108)	(62,765)
Capital expenditures	(37,477)	(37,848)	(44,689)	(382,418)
Decrease (increase) in leasehold deposits	228	417	(9)	2,327
Proceeds from sales of property, plant and equipment	1,046	5,038	17,930	10,673
Acquisition of minority interests	—	—	(15)	—
Decrease (increase) in investment in and loans to affiliates	(16)	(850)	(1,189)	(163)
Proceeds from sale of business, net	—	8,089	—	—
Payment for acquisition of business entities, net	—	(8,026)	(18,638)	—
Net cash used in investing activities	(40,628)	(36,681)	(47,075)	(414,571)
Financing activities:				
Net borrowings (repayments) of short-term debt	15,291	(3,523)	13,812	156,031
Proceeds from issuance of long-term debt	20,000	28	242	204,082
Repayments of long-term debt	(916)	(772)	(455)	(9,347)
Dividends paid by the Company	(9,507)	(8,252)	(7,680)	(97,010)
Dividends paid to minority interests	(13)	(7)	(9)	(133)
Acquisition of treasury stock	(2,995)	(22,348)	(11,204)	(30,561)
Sale of treasury stock	7	7	3	71
Exercise of stock options	—	386	594	—
Net cash used in financing activities	21,867	(34,481)	(4,697)	223,133
Effect of exchange rate changes on cash and cash equivalents	(6,640)	(205)	1,943	(67,755)
Net increase (decrease) in cash and cash equivalents	6,007	(2,371)	(9,290)	61,296
Cash and cash equivalents at beginning of the year	40,624	42,995	52,285	414,531
Cash and cash equivalents at end of the year	¥ 46,631	¥ 40,624	¥ 42,995	\$ 475,827

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Omron Corporation and Subsidiaries

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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

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

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

Automotive Electronic Components Business (AEC) develops and produces automotive electronic components and other equipment for automakers and automotive electronic components manufacturers throughout the world.

Social Systems Solutions Business (SSB) encompasses the sale of card authorization terminals, ticket gates, automated ticket vending machines, electronic panels and terminal displays for traffic information and monitoring purposes, mainly for the domestic market.

Healthcare Business (HCB) sells blood pressure monitors, digital thermometers, body composition monitors, nebulizers, electronic therapy and other devices aimed at both the consumer and institutional markets.

Others consists of businesses with high growth potential. The group provides the peripheral equipment used in office automation equipment, modems, scanners and uninterrupted power supplies and energy consumption monitoring services in environmental fields.

Basis of Financial Statements

The accompanying consolidated financial statements, stated in Japanese yen, include certain adjustments, not recorded on the books of account, to present these statements in accordance with accounting principles generally accepted in the United States of America, except for the omission of segment information required by Statement of Financial Accounting Standards ("SFAS") No.131, "Disclosures about Segments of an Enterprise and Related Information." Certain reclassifications have been made to amounts previously reported in order to conform to 2009 classifications.

Principles of Consolidation

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

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

Use of Estimates

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

Cash Equivalents

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

Allowance for Doubtful Receivables

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

Marketable Securities and Investments

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

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

Inventories

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

Property, Plant and Equipment

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

Goodwill and Other Intangible Assets

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

Long-Lived Assets

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

Advertising Costs

Advertising costs are charged to earnings as incurred. Advertising expense was ¥7,146 million (\$72,918 thousand), ¥8,648 million and ¥9,600 million for the years ended March 31, 2009, 2008 and 2007, respectively.

Shipping and Handling Charges

Shipping and handling charges were ¥7,399 million (\$75,500 thousand), ¥8,121 million and ¥8,571 million for the years ended March 31, 2009, 2008 and 2007, 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 in accordance with SFAS No.87, "Employers' Accounting

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

Income Taxes

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

The Companies adopted FASB Interpretation ("FIN") No.48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No.109," for the year beginning after April 1, 2007. The amount of tax benefit related to tax position were recognized greater than 50 percent likely of being realized based on available information at the reporting date.

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

Product Warranties

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

Derivatives

Derivative instruments and hedging activities are accounted for in accordance with SFAS No.133, "Accounting for Derivative Instruments and Hedging Activities," SFAS No.138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No.133," SFAS No.149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," and SFAS No.161, "Disclosures about Derivative Instruments and Hedging Activities-an amendment of FASB Statement No.133." These standards establish accounting and reporting standards for derivative instruments and for hedging activities, and require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

For foreign exchange forward contracts, foreign currency swaps and interest rate swaps on the date the deriv-

Notes to Consolidated Financial Statements

Omron Corporation and Subsidiaries

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

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

Cash Dividends

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

Revenue Recognition

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

Stock-Based Compensation

The Companies applied revised SFAS No.123, "Share Based Payment," and recognized a stock-based compensation cost measured by the fair value method.

New Accounting Standards

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

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

In March 2008, the FASB issued SFAS No.161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No.133" ("SFAS 161"). SFAS 161 amends and expands the current disclosures required by SFAS No.133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 161 requires to provide greater transparency about how and why an company uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS 133 and its interpretations, and how derivative instruments and related hedged items affect a company's financial position, results of operations and cash flows. SFAS 161 does not change the existing standards relative to recognition and measurement of derivative instruments and hedging activities. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. The adoption of SFAS 161 will not have a material impact on the Companies' consolidated financial statements. See Note 20 for the disclosures required by SFAS161.

In December 2008, the FASB issued FSP FAS No.132(R)-1,"Employers' Disclosures about Post retirement Benefit Plan Assets" ("FSP 132R-1"). FSP 132R-1 requires additional disclosures about plan assets including investment allocation, fair value of major categories of plan assets, development of fair value measurements, and concentrations of risk. FSP 132R-1 is effective for fiscal years ending after December 15, 2009. The adoption of FSP 132R-1 will not have a material impact on the Companies' consolidated financial statements.

In May 2009, the FASB issued SFAS No.165, "Subsequent Events" ("SFAS 165"). SFAS 165 defines disclosures about the date through which companies have evaluated subsequent events and the nature and financial effect of nonrecognized subsequent events. SFAS 165 is effective for fiscal year ending after June 15, 2009. The adoption of SFAS 165 will not have a material impact on the Companies consolidated financial statements.

2. Translation into United States Dollars

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for convenience of the readers outside of

Japan and has been made at the rate of ¥98 to \$1, the approximate rate of exchange at March 31, 2009. Such translation should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

3. Inventories

Inventories at March 31 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Finished products	¥ 49,122	¥ 53,128	\$ 501,245
Work-in-process	13,068	16,656	133,347
Materials and supplies	22,518	25,341	229,775
Total	¥ 84,708	¥ 95,125	\$ 864,367

4. Marketable Securities and Investments

Investment securities include debt and marketable equity securities and consist of available-for-sale and held-to-maturity securities. Cost, gross unrealized holding gains

and losses and fair value of the securities at March 31, 2009 and 2008 were as follows:

	2009				2008			
	Cost (*)	Gross unrealized gains	Gross unrealized losses	Fair value	Cost (*)	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale securities								
Debt securities	¥ 19	¥ —	¥ —	¥ 19	¥ 1,541	¥ —	¥ —	¥ 1,541
Equity securities	20,602	7,042	(1,237)	26,407	20,802	12,932	(662)	33,072
Total available-for-sale securities	¥ 20,621	¥ 7,042	¥ (1,237)	¥ 26,426	¥ 22,343	¥ 12,932	¥ (662)	¥ 34,613

	Thousands of U.S. dollars			
	2009	2009	2009	2009
	Cost (*)	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale securities				
Debt securities	\$ 194	\$ —	\$ —	\$ 194
Equity securities	210,224	71,857	(12,622)	269,459
Total available-for-sale securities	\$ 210,418	\$ 71,857	\$ (12,622)	\$ 269,653

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

	Millions of yen				Thousands of U.S. dollars			
	2009	2009	2009	2009	2009	2009	2009	2009
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Held-to-maturity securities								
Debt securities	¥ 200	¥ —	¥ —	¥ 200	\$ 2,041	\$ —	\$ —	\$ 2,041

Notes to Consolidated Financial Statements

Omron Corporation and Subsidiaries

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

	Millions of yen				Thousands of U.S. dollars	
	2009		2008		2009	
	Cost	Fair value	Cost	Fair value	Cost	Fair value
Due after one year through five years	¥ 119	¥ 119	¥ 41	¥ 41	\$ 1,214	\$ 1,214
Due over five years	¥ 100	¥ 100	¥ 1,500	¥ 1,500	\$ 1,020	\$ 1,020

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

	Millions of yen				Thousands of U.S. dollars	
	2009		2008		2009	
	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses	Fair value	Gross unrealized holding losses
Less than 12 months						
Equity securities	¥ 3,740	¥ (1,237)	¥ 6,270	¥ (662)	\$ 38,163	\$ (12,622)

Proceeds from sales of available-for-sale securities were ¥26 million (\$265 thousand), ¥3,403 million and ¥976 million for the years ended March 31, 2009, 2008 and 2007, respectively.

Gross realized gains on sales were ¥7 million (\$71 thousand), ¥1,534 million and ¥805 million for the years ended March 31, 2009, 2008 and 2007, respectively.

Realized losses on sales were ¥1 million (\$10 thousand) for the years ended March 31, 2009, and there were no gross realized losses on sales for the years ended March 31, 2008 and 2007.

Losses on impairment of available-for-sale securities recognized to reflect declines in market value considered to be other than temporary were ¥5,062 million (\$51,653

thousand), ¥2,228 million and ¥144 million for the years ended March 31, 2009, 2008 and 2007, respectively.

Aggregate cost of non-marketable equity securities accounted for under the cost method totaled ¥5,256 million (\$53,633 thousand) and ¥4,526 million at March 31, 2009 and 2008, respectively. Investments with an aggregate cost of ¥5,105 million (\$52,092 thousand) were not evaluated for impairment because (a) the Companies did not estimate the fair value of those investments as it was not practicable to do so and (b) the Companies did not identify any events or changes in circumstances that might have had a significant adverse effect on the fair value of those investments.

5. Acquisition

In August 2006, the Company acquired 100% of the issued common stock of Pioneer Precision Machinery Corporation (now Omron Precision Technology Co., Ltd., "OPT") for cash in the aggregate amount of ¥7,721 million.

This acquisition was to expand and strengthen LCD backlights business from small-size to large-size.

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

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

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

In September 2006, Omron Management Center of America, Inc., a subsidiary of the Company, acquired 100% of the issued common stock of Scientific Technologies Incorporated (now Omron Scientific Technologies Incorporated, "OSTI") for cash in the aggregate amount of ¥11,667 million.

This acquisition was to fulfill line-up of safety equipment, expand safety business and create cutting-edge equipment.

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

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

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

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

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

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

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

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

6. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill at March 31, 2009 and 2008 were as follows:

	Millions of yen		2008		Thousands of U.S. dollars	
	2009	2008	2009	2008	2009	2008
	Gross amount	Accumulated amortization	Gross amount	Accumulated amortization	Gross amount	Accumulated amortization
Intangible assets subject to amortization:						
Software	¥ 30,280	¥ 21,900	¥ 38,875	¥ 25,210	\$ 308,980	\$ 223,469
Other	3,458	2,535	4,416	2,845	35,285	25,868
Total	¥ 33,738	¥ 24,435	¥ 43,291	¥ 28,055	\$ 344,265	\$ 249,337

Aggregate amortization expense related to intangible assets was ¥6,462 million (\$65,939 thousand), ¥6,769 million and ¥5,762 million for the years ended March 31, 2009, 2008 and 2007, 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
	2010	¥ 3,745
2011	2,722	27,776
2012	1,525	15,561
2013	746	7,612
2014	178	1,816

Intangible assets not subject to amortization at March 31, 2009 and 2008 were immaterial.

The carrying amount of goodwill at March 31, 2009 and 2008 and changes in its carrying amount for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Balance at beginning of year	¥ 22,236	¥ 19,021	\$ 226,898
Acquisition	—	4,131	—
Impairment	(16,813)	—	(171,561)
Foreign currency translation adjustments and other	(1,455)	(916)	(14,847)
Balance at end of year	¥ 3,968	¥ 22,236	\$ 40,490

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Omron Corporation and Subsidiaries

In accordance with SFAS No.142, the Companies recognized the impairment losses for the fiscal year ended March 31, 2009 related to goodwill allocated to the reporting units of Industrial Automation business, Electronic Components Business, Automotive Electronic Component Business and Healthcare Business. The amounts were ¥9,406 million (\$95,980 thousand), ¥191 million (\$1,949 thousand), ¥662 million (\$6,755 thousand) and ¥6,554 mil-

lion (\$66,878 thousand), respectively. Due to the sharp deterioration of business environment in automobile sector, FPD sector and medical equipment sector, the fair value of the associated reporting unit was decreased. The impairment losses are included in other expenses (income), net in the consolidated financial statements of operations. The fair value of the reporting unit was estimated using the expected present value of future cash flows.

7. Impairment loss on Long-lived Assets

In accordance with SFAS No.144, the Companies recognized the impairment losses for the fiscal year ended March 31, 2009 on long-lived assets in Industrial Automation business, Electronic Components Business, Automotive Electronic Component Business and Other Business. The amounts were ¥5,361 million (\$54,704 thousand), ¥5,788 million (\$59,061 thousand), ¥9,699 million (\$98,969 thousand) and ¥355 million (\$3,622 thou-

sand), respectively. Due to the sharp deterioration of the business environment in the automobile, FPD and semiconductor sectors, the carrying amount of the certain groups of assets exceeded their fair value. The impairment losses are included in other expenses (income), net in the consolidated financial statements of operations. The fair value of the group assets was estimated using the expected present value of future cash flows.

8. Short-Term Debt and Long-Term Debt

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

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Commercial Paper			
The weighted average annual interest rates			
2008 0.8%	¥ 31,000	¥ 16,000	\$ 316,327
2009 0.8%			
Unsecured debt:			
The weighted average annual interest rates			
2008 5.1%	1,970	1,795	20,102
2009 3.9%			
Total	¥ 32,970	¥ 17,795	\$ 336,429

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

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Unsecured debt:			
The weighted average annual interest rates			
2008 2.9%	¥ 20,000	¥ 384	\$ 204,082
2009 1.3%			
Other	1,889	1,630	19,276
Total	21,889	2,014	223,358
Less portion due within one year	488	522	4,980
Long-term debt, less current portion	¥ 21,401	¥ 1,492	\$ 218,378

The annual maturities of long-term debt outstanding at March 31, 2009 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥ 488	\$ 4,979
2011	20,049	204,582
2012	49	500
2013	50	510
2014	52	531
Thereafter	1,201	12,255
Total	¥ 21,889	\$ 223,357

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

As is also customary in Japan, the Company and

domestic subsidiaries maintain deposit balances with banks with which they have short- or long-term debt. Such deposit balances are not legally or contractually restricted as to withdrawal.

Total interest cost incurred and charged to expense for the years ended March 31, 2009, 2008 and 2007 amounted to ¥1,257million (\$12,827 thousand), ¥1,537 million and ¥1,116 million, respectively.

9. Leases

The Companies do not have any material capital lease agreements.

The Companies have operating lease agreements primarily involving offices and equipment for varying periods. Leases that expire generally are expected to be

renewed or replaced by other leases. At March 31, 2009, future minimum rental payments applicable to non-cancelable leases having initial or remaining non-cancelable lease terms in excess of one year were as follows:

	Millions of yen	Thousands of U.S. dollars
Years ending March 31		
2010	¥ 2,724	\$ 27,796
2011	2,343	23,908
2012	1,963	20,031
2013	1,725	17,602
2014	1,474	15,041
Thereafter	7,746	79,040
Total	¥ 17,975	\$ 183,418

Rental expense amounted to ¥13,787 million (\$140,684 thousand), ¥13,292 million and ¥12,598 million for the years ended March 31, 2009, 2008 and 2007, respectively.

10. Termination and Retirement Benefits

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

The Company and its domestic subsidiaries fund a portion of the obligations under these plans. The general funding policy is to contribute amounts computed in accordance with actuarial methods acceptable under Japanese tax law. The Company and substantially all domestic subsidiaries had a contributory termination and retirement plan which was interrelated with the Japanese government social welfare program and

consisted of a substitutional portion requiring employee and employer contributions plus an additional portion established by the employers.

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

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

Notes to Consolidated Financial Statements

Omron Corporation and Subsidiaries

Obligations and Funded Status

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

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Change in benefit obligation:			
Benefit obligation at beginning of year	¥ 159,025	¥ 154,529	\$ 1,622,704
Service cost, less employees' contributions	3,976	3,992	40,571
Interest cost	3,180	3,091	32,449
Actuarial loss	2,877	2,772	29,358
Benefits paid	(5,064)	(4,306)	(51,673)
Settlement paid	(1,042)	(1,053)	(10,633)
Benefit obligation at end of year	¥ 162,952	¥ 159,025	\$ 1,662,776
Change in plan assets:			
Fair value of plan assets at beginning of year	¥ 89,729	¥ 93,462	\$ 915,602
Actual return on plan assets	(9,723)	(4,516)	(99,214)
Employers' contributions	5,272	5,120	53,796
Benefits paid	(3,991)	(3,284)	(40,724)
Settlement paid	(1,042)	(1,053)	(10,633)
Fair value of plan assets at end of year	¥ 80,245	¥ 89,729	\$ 818,827
Fair value of assets in retirement benefit trust at beginning of year	10,828	13,750	110,490
Actual return on assets in retirement benefit trust	(3,788)	(2,922)	(38,653)
Fair value of assets in retirement benefit trust at end of year	¥ 7,040	¥ 10,828	\$ 71,837
Funded status at end of year	¥ (75,667)	¥ (58,468)	\$ (772,112)

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

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Termination and retirement benefit	¥ (75,667)	¥ (58,468)	\$ (772,112)

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

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Net actuarial loss	¥ 87,474	¥ 70,637	\$ 892,592
Prior service cost	(17,855)	(19,708)	(182,194)
	¥ 69,619	¥ 50,929	\$ 710,398

The accumulated benefit obligation at March 31 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Accumulated benefit obligation	¥ 158,225	¥ 154,412	\$ 1,614,541

Components of net Periodic Benefit Cost

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

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Service cost, less employees' contributions	¥ 3,976	¥ 3,992	¥ 3,954	\$ 40,571
Interest cost on projected benefit obligation	3,180	3,091	3,091	32,449
Expected return on plan assets	(3,128)	(2,955)	(3,411)	(31,918)
Amortization	826	625	612	8,429
Net periodic benefit cost	¥ 4,854	¥ 4,753	¥ 4,246	\$ 49,531

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, 2010 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Net actuarial loss	¥ 2,725	\$ 27,806
Prior service cost	(1,853)	(18,908)

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, 2009 and 2008 are as follows:

	2009	2008
Discount rate	2.0%	2.0%
Compensation increase rate	2.0%	2.0%

Weighted-average assumptions used to termination and retirement benefit cost for the years ended March 31, 2009, 2008 and 2007 are as follows:

	2009	2008	2007
Discount rate	2.0%	2.0%	2.0%
Compensation increase rate	2.0%	2.0%	2.0%
Expected long-term rate of return on plan assets	3.0%	3.0%	3.0%

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

Plan Assets

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

	2009	2008
Asset category		
Cash	0.9%	1.7%
Equity securities	19.4%	16.3%
Debt securities	44.5%	48.4%
Life insurance company general accounts	17.1%	14.6%
Other	18.1%	19.0%
Total	100.0%	100.0%

Notes to Consolidated Financial Statements

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The assets in the retirement benefit trust at March 31, 2009 and 2008 consisted of 95.3%, 98.1% equity securities, respectively, and consisted of 4.7%, 1.9% other, respectively.

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

Cash Flows

Contributions

The Companies expect to contribute ¥8,567 million (\$87,418 thousand) to their domestic termination and retirement benefit plans in the year ending March 31, 2010.

Target allocation of plan assets is 20% equity securities, 66% debt securities and life insurance company general account and 14% other for both 2009 and 2008.

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

Equity securities include a common stock of the Company in the amounts of ¥6 million (\$61 thousand) (0.01% of total domestic plan assets), and ¥4 million (0.00% of total domestic plan assets) at March 31, 2009, and 2008, respectively.

Estimated Future Benefit Payments

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

	Millions of yen	Thousands of U.S. dollars
Years ending March 31		
2010	¥ 6,114	\$ 62,388
2011	7,215	73,622
2012	6,880	70,204
2013	7,054	71,980
2014	6,805	69,439
2015-2019	35,983	367,173

Certain employees of European subsidiaries are covered by a defined benefit pension plan. The projected benefit obligation for the plan and related fair value of plan assets were ¥2,691 million (\$27,459 thousand) and ¥2,135 million (\$21,786 thousand), respectively, at March 31, 2009 and ¥2,891 million and ¥2,691 million, respectively, at March 31, 2008.

The Companies also have unfunded noncontributory termination plans administered by the Companies. These plans provide lump-sum termination benefits are paid at the earlier of the employee's termination or mandatory retirement age, except for payments to directors and corporate auditors which require approval by the shareholders

before payment. The Companies record provisions for termination benefits sufficient to state the liability equal to the plans' vested benefits, which exceed the plans' accumulated benefit obligations.

The aggregate liability for the termination plans excluding the funded contributory termination and retirement plan in Japan, as of March 31, 2009 and 2008 was ¥4,776 million (\$48,735 thousand) and ¥5,068 million, respectively. The aggregate net periodic benefit cost for such plans for the years ended March 31, 2009, 2008 and 2007 was ¥702 million (\$7,163 thousand), ¥258 million and ¥1,167 million, respectively.

11. Shareholders' Equity

Japanese companies are subjected to the Corporate Law.

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

The Corporate Law also requires that an amount equal

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

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

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

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

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

term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation.

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

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. Under the Corporate Law, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million. Such amount available for the dividends under the Corporate Law was ¥36,549 million (\$372,949 thousand) at March 31, 2009, based on the amount recorded in the parent company's general books of account.

Stock Options

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

Under the above plan, the exercise price of each option exceeded the market price of the Company's com-

mon stock on the date of grant and the options expire 5 years after the date of the grant. Generally, options become fully vested and exercisable after 2 years. A summary of the Company's fixed stock option plan activity and related information for the years ended March 31, 2009 is as follows:

Fixed options	Shares	Yen	
		Weighted-average exercise price	Weighted-average fair value of options granted during the year
Options outstanding at April 1, 2006	973,000	¥ 2,384	
Granted	217,000	3,031	¥ 539
Exercised	(260,000)	2,284	
Expired	(25,000)	2,306	
Options outstanding at March 31, 2007	905,000	¥ 2,570	
Granted	237,000	3,432	¥ 744
Exercised	(181,000)	2,131	
Expired	(3,000)	1,913	
Options outstanding at March 31, 2008	958,000	¥ 2,868	
Granted	—	—	¥ —
Exercised	—	—	
Expired	(120,000)	2,435	
Options outstanding at March 31, 2009	838,000	¥ 2,930	
Options exercisable at March 31, 2009	601,000	¥ 2,733	

Fixed options	Shares	U.S. dollars	
		Weighted-average exercise price	Weighted-average fair value of options granted during the year
Options outstanding at March 31, 2008	958,000	\$ 29.27	
Granted	—	—	\$ —
Exercised	—	—	
Expired	(120,000)	24.85	
Options outstanding at March 31, 2009	838,000	\$ 29.90	
Options exercisable at March 31, 2009	601,000	\$ 27.89	

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The following summarizes information about fixed stock options at March 31, 2009:

	Shares	Weighted-average remaining contractual life	Range of exercise prices		Weighted-average exercise price	
			Yen	U.S. dollars	Yen	U.S. dollars
Options outstanding	838,000	1.86 years	¥ 2,550 to ¥ 3,432	\$ 26.02 to \$ 35.02	¥ 2,930	\$ 29.90
Options exercisable	601,000	1.31 years	¥ 2,550 to ¥ 3,031	\$ 26.02 to \$ 30.93	¥ 2,733	\$ 27.89

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

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

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

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

reliable single measure of the fair value of its stock options.

Stock-based compensation cost recognized for the year ended March 31, 2009 was ¥101 million (\$1,031 thousand). As of March 31, 2009, total compensation cost related to nonvested options and not yet recognized was ¥24 million (\$245 thousand), and the weighted-average period over which it is expected to be recognized is 0.25 years.

There were no cash received from options exercised under the plan for the year ended March 31, 2009.

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

12. Other Expenses (Income), net

Other expenses (income), net for the years ended March 31, 2009, 2008 and 2007 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Net loss on sales and disposals of property, plant and equipment	¥ 1,983	¥ 963	¥ 6,427	\$ 20,235
Loss on impairment of property, plant and equipment	21,203	168	1,441	216,357
Loss on impairment of investment securities and other assets	5,401	2,297	682	55,112
Loss on impairment of goodwill	16,813	—	—	171,561
Net gain on sales of investment securities	(64)	(1,571)	(954)	(653)
Gain on contribution of securities to retirement benefit trust	—	—	(10,141)	—
Interest income, net	(173)	(828)	(710)	(1,765)
Foreign exchange loss, net	(1,060)	1,251	1,086	(10,816)
Dividend income	(786)	(525)	(654)	(8,020)
Other, net	1,155	(668)	590	11,785
Total	¥ 44,472	¥ 1,087	¥ (2,233)	\$ 453,796

13. Income Taxes

The provision for income taxes for the years ended March 31, 2009, 2008 and 2007 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Current income tax expense	¥ 3,400	¥ 24,403	¥ 21,688	\$ 34,694
Deferred income tax expenses, exclusive of the following	(14,866)	(367)	3,541	(151,694)
Change in the valuation allowance	971	236	366	9,908
Total	¥ (10,495)	¥ 24,272	¥ 25,595	\$ (107,092)

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 2009, 2008 and 2007.

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

	2009	2008	2007
Normal Japanese statutory rates	41.0%	41.0%	41.0%
Increase (decrease) in taxes resulting from:			
Permanently non-deductible items	(1.6)	0.9	0.5
Tax credit for research and development expenses	1.2	(4.6)	(4.0)
Losses of subsidiaries for which no tax benefit was provided	(11.9)	1.0	3.7
Difference in subsidiaries' tax rates	6.7	(1.7)	(2.0)
Change in the valuation allowance	(7.1)	0.4	0.6
Other, net	(1.5)	0.8	0.0
Effective tax rates	26.8	37.8	39.8

The approximate effect of temporary differences and tax credit and loss carry forwards that gave rise to deferred tax balances at March 31, 2009 and 2008 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2009		2008		2009	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Inventory valuation	¥ 6,145	¥ —	¥ 7,788	¥ —	\$ 62,704	\$ —
Accrued bonuses and vacations	4,626	—	5,913	—	47,204	—
Termination and retirement benefits	6,446	—	7,023	—	65,776	—
Enterprise taxes	—	246	1,001	—	—	2,510
Marketable securities	—	1,350	—	3,673	—	13,776
Property, plant and equipment	4,607	—	849	—	47,010	—
Allowance for doubtful receivables	3,018	—	1,195	—	30,796	—
Pension liability adjustment	28,544	—	20,881	—	291,265	—
Other temporary differences	13,683	3,888	8,632	5,704	139,623	39,673
Tax credit carryforwards	4,275	—	5,025	—	43,622	—
Operating loss carryforwards	13,691	—	3,483	—	139,704	—
Subtotal	¥ 85,035	¥ 5,484	¥ 61,790	¥ 9,377	\$ 867,704	\$ 55,959
Valuation allowance	(10,343)	—	(8,591)	—	(105,541)	—
Total	¥ 74,692	¥ 5,484	¥ 53,199	¥ 9,377	\$ 762,163	\$ 55,959

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The total valuation allowance increased by ¥1,752 million (\$17,878 thousand) in 2009 and decreased by ¥235 million in 2008.

As of March 31, 2009, certain subsidiaries had operating loss carryforwards approximating ¥45,780 million (\$467,143 thousand) available for reduction of future taxable income, the majority of which expire by 2015.

The Company has not provided for Japanese income taxes on unremitted earnings of certain foreign subsidiaries to the extent that they are believed to be indefinitely reinvested. Under Japanese Tax Reform on March, 2009, up to 95% of a dividend received by a company from the foreign subsidiaries is free of tax. As a result, the accumulated unremitted earnings of the foreign subsidiaries which the Company has not recognized deferred tax liabilities were ¥71,174 million (\$726,265 thousand) and ¥63,180 million at March 31, 2009 and 2008, respectively. Dividends received from domestic subsidiaries are expected to be substantially free of tax.

The Companies adopted FIN No.48 for the year beginning April 1, 2007. As a result of this adoption, the Companies decreased ¥266 million of the beginning retained earnings. The Companies believe that the total amount of unrecognized tax benefits as of March 31, 2009 is not material to its result of operations, financial condition or cash flows.

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

The companies file income tax returns in Japanese and foreign jurisdictions. With few exceptions, tax examinations in Japan for the year on and before ended March 31, 2007 have been finished. With few exceptions, tax examinations in foreign countries for the year on and before ended March 31, 2003 have been finished.

14. Foreign Operations

Net sales and total assets of foreign subsidiaries for the years ended March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Net sales	¥ 299,127	¥ 374,399	¥ 324,509	\$ 3,052,316
Total assets	¥ 205,199	¥ 257,151	¥ 263,900	\$ 2,093,867

15. Discontinued Operations

On April 1, 2007, the Company sold the entire business of Omron Entertainment Co., Ltd, which had been a consolidated subsidiary, to a third party. In accordance with SFAS No.144, the Companies presented the gains (net of tax) of its disposal business and the results of discontinued operations (including operations of subsidiaries that either have been disposed of or classified as held for sale) as separate line item in the consolidated statements of operations under "Income from discontinued operations, net of tax." Prior years' consolidated statements of operations including segment information and other related matters were restated to compare with the consolidated

statements of operations for the year ended March 31, 2009. On the other hand, the cash flows attributable to the operating, investing and financing activities of the discontinued operations were not presented separately from the cash flows attributable to activities of the continuing operations.

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

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

	Millions of yen	
	2008	2007
Net sales	¥ —	¥ 12,785
Cost of sales and expenses	—	10,776
Income from discontinued operations before income taxes	—	2,009
Net gain on sales of business entities	5,177	—
Income taxes	2,123	823
Income from discontinued operations, net of tax	¥ 3,054	¥ 1,186

16. Per Share Data

The Company accounts for its net income per share in accordance with SFAS No.128, "Earnings per Share." Basic net income per share has been computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding

during each year. Diluted net income per share reflects the potential dilution of convertible bonds and stock options, and has been computed by the if-converted method for convertible bonds and by the treasury stock method for stock options.

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

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Income from continuing operations	¥ (29,172)	¥ 39,329	¥ 37,094	\$ (297,673)
Diluted income from continuing operations	¥ (29,172)	¥ 39,329	¥ 37,094	\$ (297,673)

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Income from discontinued operations	¥ —	¥ 3,054	¥ 1,186	\$ —
Diluted income from discontinued operations	¥ —	¥ 3,054	¥ 1,186	\$ —

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Net income	¥ (29,172)	¥ 42,383	¥ 38,280	\$ (297,673)
Diluted income	¥ (29,172)	¥ 42,383	¥ 38,280	\$ (297,673)

	2009	2008	2007
Weighted average common shares outstanding	220,747,962	228,005,106	232,059,070
Dilutive effect of:			
Stock options	—	61,624	153,918
Diluted common shares outstanding	220,747,962	228,066,730	232,212,988

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17. Supplemental Information for Cash Flows

Supplemental cash flow information for the years ended March 31, 2009, 2008 and 2007 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Interest paid	¥ 1,257	¥ 1,536	¥ 1,130	\$ 12,827
Income taxes paid	18,776	27,216	24,591	191,592
Non-cash investing and financing activities:				
Liabilities assumed in connection with capital expenditures	1,567	2,202	2,977	15,990
Fair value of securities contributed to retirement benefit trust	—	—	16,019	—
Decrease in retained earnings as a result of extinguishment of treasury stock	—	23,858	—	—

18. Other Comprehensive Income (Loss)

The change in each component of accumulated other comprehensive income (loss) for the years ended March 31, 2009, 2008 and 2007 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Foreign currency translation adjustments:				
Beginning balance	¥ (5,782)	¥ 6,560	¥ (1,353)	\$ (59,000)
Change for the year	(16,537)	(12,342)	7,913	(168,745)
Ending balance	(22,319)	(5,782)	6,560	(227,745)
Minimum pension liability adjustments:				
Beginning balance	—	—	(21,183)	—
Change for the year	—	—	1,658	—
Adjustment to initially apply SFAS No.158	—	—	19,525	—
Ending balance	—	—	—	—
Pension liability adjustments:				
Beginning balance	(29,245)	(22,169)	—	(298,418)
Change for the year	(11,325)	(7,076)	—	(115,562)
Adjustment to initially apply SFAS No.158	—	—	(22,169)	—
Ending balance	(40,570)	(29,245)	(22,169)	(413,980)
Unrealized gains (losses) on available-for-sale securities:				
Beginning balance	6,501	12,738	19,671	66,337
Change for the year	(3,738)	(6,237)	(6,933)	(38,143)
Ending balance	2,763	6,501	12,738	28,194
Net gains (losses) on derivative instruments:				
Beginning balance	309	(142)	(106)	3,153
Change for the year	(927)	451	(36)	(9,459)
Ending balance	(618)	309	(142)	(6,306)
Total accumulated other comprehensive loss:				
Beginning balance	(28,217)	(3,013)	(2,971)	(287,929)
Change for the year	(32,527)	(25,204)	2,602	(331,908)
Adjustment to initially apply SFAS No.158	—	—	(2,644)	—
Ending balance	¥ (60,744)	¥ (28,217)	¥ (3,013)	\$ (619,837)

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments for the years ended March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen								
	2009			2008			2007		
	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	¥(17,054)	¥ 517	¥(16,537)	¥(12,384)	¥ 42	¥(12,342)	¥ 8,248	¥ (341)	¥ 7,907
Reclassification adjustment for the portion realized in net income	—	—	—	—	—	—	6	—	6
Net change in foreign currency translation adjustments during the year	(17,054)	517	(16,537)	(12,384)	42	(12,342)	8,254	(341)	7,913
Minimum pension liability adjustments									
	—	—	—	—	—	—	2,811	(1,153)	1,658
Pension liability adjustments									
Pension liability adjustments arising during the year	(18,368)	7,530	(10,838)	(11,369)	4,662	(6,707)	—	—	—
Reclassification adjustment for the portion realized in net income	(826)	339	(487)	(625)	256	(369)	—	—	—
Net change in pension liability adjustments during the year	(19,194)	7,869	(11,325)	(11,994)	4,918	(7,076)	—	—	—
Unrealized gains (losses) on available-for-sale securities:									
Unrealized holding gains (losses) arising during the year	(11,393)	4,671	(6,722)	(11,266)	4,619	(6,647)	(949)	389	(560)
Reclassification adjustment for losses on impairment realized in net income	5,062	(2,075)	2,987	2,229	(914)	1,315	144	(59)	85
Reclassification adjustment for net gains on sales realized in net income	(5)	2	(3)	(1,534)	629	(905)	(805)	330	(475)
Reclassification adjustment for net gains on contribution of securities to retirement benefit trust realized in net income	—	—	—	—	—	—	(10,141)	4,158	(5,983)
Net unrealized gains (losses)	(6,336)	2,598	(3,738)	(10,571)	4,334	(6,237)	(11,751)	4,818	(6,933)
Net gains (losses) on derivative instruments:									
Net gains (losses) on derivative instruments designated as cash flow hedges during the year	1,333	(546)	787	1,997	(819)	1,178	(2,047)	839	(1,208)
Reclassification adjustment for net gains (losses) realized in net income	(2,905)	1,191	(1,714)	(1,232)	505	(727)	1,986	(814)	1,172
Net gains (losses)	(1,572)	645	(927)	765	(314)	451	(61)	25	(36)
Other comprehensive income (losses)									
	¥(44,156)	¥11,629	¥(32,527)	¥(34,184)	¥ 8,980	¥(25,204)	¥ (747)	¥ 3,349	¥ 2,602

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	Thousands of U.S. dollars		
	2009		
	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during the year	\$ (174,020)	\$ 5,275	\$ (168,745)
Reclassification adjustment for the portion realized in net income	—	—	—
Net change in foreign currency translation adjustments during the year	(174,020)	5,275	(168,745)
Minimum pension liability adjustments	—	—	—
Pension liability adjustments			
Pension liability adjustments arising during the year	(187,429)	76,837	(110,592)
Reclassification adjustment for the portion realized in net income	(8,428)	3,459	(4,969)
Net change in pension liability adjustments during the year	(195,857)	80,296	(115,561)
Unrealized gains (losses) on available-for-sale securities:			
Unrealized holding gains (losses) arising during the year	(116,255)	47,663	(68,592)
Reclassification adjustment for losses on impairment realized in net income	51,653	(21,173)	30,480
Reclassification adjustment for net gains on sales realized in net income	(51)	20	(31)
Reclassification adjustment for net gains on contribution of securities to retirement benefit trust realized in net income	—	—	—
Net unrealized gains (losses)	(64,653)	26,510	(38,143)
Net gains (losses) on derivative instruments:			
Net gains (losses) on derivative instruments designated as cash flow hedges during the year	13,602	(5,571)	8,031
Reclassification adjustment for net gains (losses) realized in net income	(29,643)	12,153	(17,490)
Net gains (losses)	(16,041)	6,582	(9,459)
Other comprehensive income (losses)	\$ (450,571)	\$ 118,663	\$ (331,908)

19. Financial Instruments and Risk Management

Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values as of March 31, 2009 and 2008, of the Companies' financial instruments.

	Millions of yen				Thousands of U.S. dollars	
	2009		2008		2009	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Nonderivatives:						
Long-term debt, including current portion	¥ (21,889)	¥ (21,897)	¥ (2,014)	¥ (2,014)	\$ (223,357)	\$ (223,439)
Derivatives:						
Included in other current assets (liabilities):						
Forward exchange contracts	(779)	(779)	1,221	1,221	(7,949)	(7,949)
Foreign currency swaps	(27)	(27)	12	12	(276)	(276)
Interest rate swap	(24)	(24)	—	—	(245)	(245)

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

Nonderivatives

- (1) Cash and cash equivalents, notes and accounts receivable, short-term debt and notes and accounts payable: The carrying amounts approximate fair values.
- (2) Investment securities (see Note 4): The fair values are estimated based on quoted market prices or dealer quotes for marketable securities or similar instruments. Certain equity securities includ-

ed in investments have no readily determinable public market value, and it is not practicable to estimate their fair values.

- (3) Long-term debt:

The fair values are estimated using present value of discounted future cash flow analysis, based on the Companies' current incremental issuing rates for similar types of arrangements.

Derivatives

The fair value of derivatives generally reflects the estimated amounts that the Companies would receive or pay to terminate the contracts at the reporting date, thereby taking into account the current unrealized gains or losses

of open contracts. Dealer quotes are available for most of the Companies' derivatives; otherwise, pricing or valuation models are applied to current market information to estimate fair value. The Companies do not use derivatives for trading purposes.

20. Derivatives and Hedging Activities

The Companies enter into foreign exchange forward contracts and combined purchased and written foreign currency swap contracts to hedge foreign currency transactions (primarily the U.S. dollar and the EURO). The companies also enter into interest rate swap contracts to hedge interest-rate fluctuations. The Companies do not use derivatives for trading purposes. The Companies are exposed to credit risk in the event of non-performance by counterparties to derivatives, but management considers the exposure to such risk to be minimal since the counterparties are major financial institutions.

Changes in the fair value of foreign exchange forward contracts, foreign currency swaps and interest rate swaps designated and qualifying as cash flow hedges are reported in accumulated other comprehensive income (loss). These amounts are subsequently reclassified into other expenses (income), net in the same period as the hedged items affect earnings. Substantially all of the accumulated other comprehensive income (loss) in relation to foreign exchange forward contracts and interest rate at March 31, 2009 is expected to be reclassified into earnings within twelve months.

The notional amounts of contracts to exchange foreign currency outstanding at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Forward exchange contracts	¥ 63,784	¥ 64,916	\$ 650,857
Foreign currency swap	¥ 2,646	¥ 620	\$ 27,000
Interest rate swap	¥ 20,000	—	\$ 204,082

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

Derivatives designated as hedges

Assets	Millions of yen	Thousands of U.S. dollars	Liabilities	Millions of yen	Thousands of U.S. dollars
	2009			2009	
Forward exchange contracts	¥ 875	\$ 8,929	Forward exchange contracts	¥ (1,654)	\$ (16,878)
			Foreign currency swap	(27)	(276)
			Interest rate swap	(24)	(245)

The effects on consolidated statements of operations in fourth quarter were as follows:

Derivatives designated as hedges	Profit and loss of other comprehensive income (loss) [Hedge effective part]		Transfer from accumulated other comprehensive income (loss) to profit and loss [Hedge effective part]	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Cash flow hedge				
	2009			
Forward exchange contracts	¥ 809	\$ 8,255	¥ (1,714)	\$ (17,490)
Foreign currency swap	(8)	(82)	0	0
Interest rate swap	(14)	(143)	—	—

The amount of the hedging ineffectiveness was not material.

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21. Commitments and Contingent Liabilities

The Company has commitments as of March 31, 2009 of approximately ¥16,727 million (\$170,684 thousand) related to contracts for outsourcing computer services through 2013. The contracts require an annual service fee of ¥4,385 million (\$44,745 thousand) for the year ending March 31, 2009. The annual service fee will gradually decrease each year during the contract term to ¥4,209 million (\$42,949 thousand) for the year ending March 31, 2013. The contract is cancelable at any time subject to a penalty of 15% of aggregate service fees payable for the remaining term of the contract.

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

Concentration of Credit Risk

Financial instruments that potentially subject the Companies to concentrations of credit risk consist principally of short-term cash investments and trade receivables. The Companies place their short-term cash investments with high-credit-quality financial institutions. Concentrations of credit risk with respect to trade receivables, as approximately 52% of total sales are concentrated in Japan, are limited due to the large

number of well-established customers and their dispersion across many industries. The Company normally requires customers to deposit funds to serve as security for ongoing credit sales.

Guarantees

The Company provides guarantees for bank loans of other companies. The guarantees for the other companies are made to ensure that those companies operate with less finance costs. The maximum payments in the event of default is ¥712 million (\$7,265 thousand) at March 31, 2009. The carrying amounts of the liabilities recognized under those guarantees at March 31, 2009 were immaterial.

Bank loans of ¥364 million (\$3,714 thousand) of an unaffiliated company were jointly and severally guaranteed by the Company and six other unaffiliated companies. According to an agreement between the seven companies, any loss on these guarantees are to be borne equally among the companies.

Product Warranties

The Companies issue contractual product warranties under which they generally guarantee the performance of products delivered and services rendered for a certain period or term. Changes in accrued product warranty cost for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Balance at beginning of year	¥ 1,619	¥ 2,190	\$ 16,520
Addition	1,475	1,507	15,051
Utilization	(1,593)	(2,078)	(16,255)
Balance at end of year	¥ 1,501	¥ 1,619	\$ 15,316

22. Fair Value Measurements

SFAS 157 "Fair Value Measurements" ("SFAS 157") defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

Level 1— Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2— Inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3— Inputs are significant to measure fair value of assets or liabilities and unobservable.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents assets and liabilities that are measured at fair value on a recurring basis at March 31, 2009.

Items	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	¥ 26,426	¥ —	¥ —	¥ 26,426	\$ 269,653	\$ —	\$ —	\$ 269,653
Derivative	—	875	—	875	—	8,929	—	8,929
Liabilities								
Derivative	—	1,705	—	1,705	—	17,398	—	17,398

Investment Securities

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

Derivatives

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

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Non-marketable investment securities with a carrying amount of ¥496 million (\$5,061 thousand) were written down to their fair value of ¥153 million (\$1,561 thousand), resulting in an other-than-temporary impairment charge of ¥343 million (\$3,500 thousand), which was included in earnings for the fiscal year ended March 31, 2009.

These investments were classified as Level 3. Because these fair values were valued using unobservable inputs.

23. Business Structure Reform

The Companies established a new division, the "Emergency Measures and Structural Reform Headquarters," headed by Hisao Sakuta, President & CEO, in January 2009 in response to the rapid worsening of the business environment. Since February 2009, the Companies have been implementing "emergency measures" to generate profit, including cost cutting and the consolidation of unprofitable businesses, as well as "structural reform" aimed at strengthening the revenue base in the medium term through the reorganization of core businesses and closure/consolidation of sites. Major business structure reforms on March 31, 2009 are as follows;

[1] Electronic Components Business

The Companies decided to pull out of the large-size backlight business, which encompasses the development, manufacture and sales of large-size LCD backlights, dissolving three subsidiaries. According to this decision, the Companies recognized impairment losses on long-lived

assets and other losses for the fiscal year ended March 31, 2009. The subsidiaries are planned to be liquidated by the end of March 2011. The Companies decided to reorganize semiconductor production sites and close a part of them in Japan. According to this decision, the Companies recognized impairment losses on long-lived assets for the fiscal year ended March 31, 2009. The closure of the site is planned to be completed by the end of March 2010.

[2] Automotive Electronic Component Business

The Companies decided to reorganize automotive electronic component production sites and dissolve the manufacturing subsidiary in the United Kingdom. According to this decision, the Companies recognized impairment losses on long-lived assets and other losses for the fiscal year ended March 31, 2009. The subsidiary is planned to be liquidated by the end of March 2011.

24. Subsequent Events

No significant event took place.

Independent Auditors' Report

To the Board of Directors and Stockholders of Omron Corporation

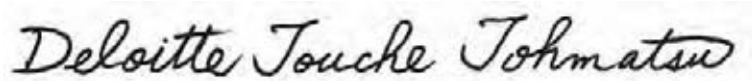
We have audited the accompanying consolidated balance sheets of Omron Corporation and subsidiaries (the "Company") as of March 31, 2009 and 2008, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2009, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

In our opinion, except for the omission of segment information as discussed in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Omron Corporation and subsidiaries as of March 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, 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.



Osaka, Japan
June 8, 2009

Member of
Deloitte Touche Tohmatsu