Sustainability Report 2004

OMRON

Sensing tomorrow™

Editorial Policy

Publication of the Sustainability Report

Omron has published an environmental report every year since 1998. Beginning this year, the company will expand its vision as a socially responsible corporate citizen by issuing an annual “Sustainability Report” in order to offer information on the company’s social and economic impact as well as on its environmental activities.

Looking back over the past 45 years, Omron has made tremendous efforts to fulfill its corporate public responsibility since 1959, when it became keenly aware that it should fulfill its obligations as a corporate citizen. For that reason, this report is titled “Sustainability Report 2004.”

Keywords: ‘Safety,’ ‘Security,’ ‘Environment’

Omron constantly works to support businesses through development of sensing and control equipment centered on the keywords “security, safety, and the environment.”

This report will present information about Omron products and technology that contribute to our achieving of these goals.

Other Omron publications present complementary information

Details about Omron’s financial information are available in the company’s annual report. The Omron website (http://www.omron.com/) offers information about our products and the environmental activities being undertaken by Omron facilities both in Japan and in other countries.

This Sustainability Report complements the other publications offered by Omron and should be reviewed for its unique information about the company.

Challenges for the Future

(1) Responsibilities as a corporate citizen, including complete reporting of labor and human rights issues at overseas facilities.

(2) Environmental activities, with expanded reports covering overseas to include overseas non-production and development facilities.

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Scope of This Report

Period : April 1, 2003 to March 31, 2004
Described as fiscal 2003 in this report.
Some items outside this period are also reported.

Affiliated Companies : Omron Corporation and 14 major affiliates in Japan*
16 major affiliates overseas*
(3 companies in North America, 3 companies in Europe, 6 companies in China, 4 companies in Asia-Pacific)

Group employees are 20,707,
85.1% of the 24,331 total personnel. (March 31,2003)

Previous publication: End of June 2003 (Environmental Report)
Next scheduled publication: End of June 2005

Guideline References

*Ministry of the Environment: “Environmental Reporting Guidelines” (Fiscal year 2000 version and fiscal year 2003 version)
*Global Reporting Initiative (GRI): “Sustainability Reporting Guidelines 2002”

*See page 4 for details.

Omron's Public Responsibility

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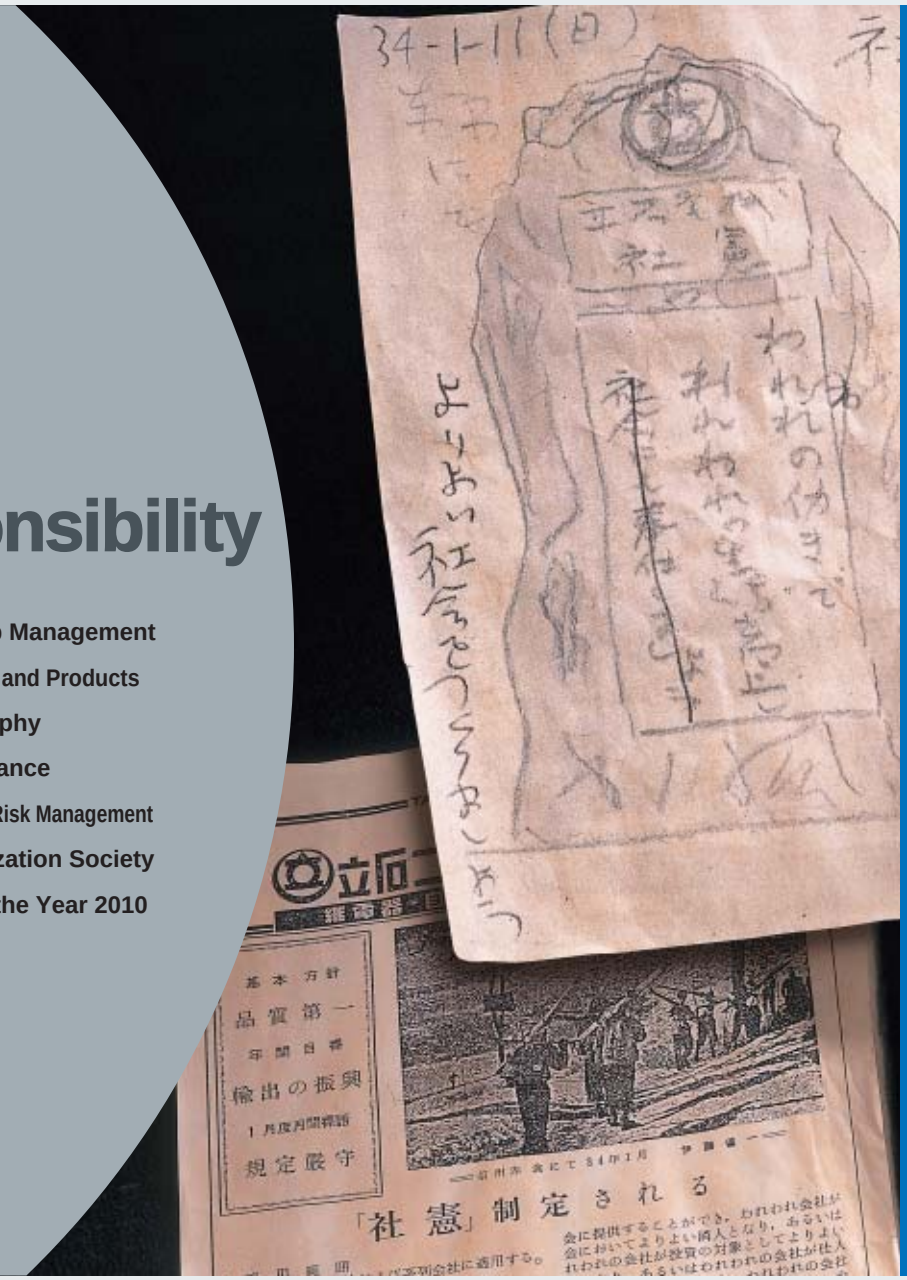
14 Grand Design for the Year 2010



(Left) Corporate newsletter announcing creation of Corporate motto
(Right) Corporate motto memorial concept sketch drawn by founder

"At work for a better life, a better world for all." From the very start, as the company established its motto in 1959 based on this concept, Omron has understood the importance of "Corporate public responsibility", and we have constantly worked to fulfill social responsibilities through business activities and corporate citizenship activities.

Message from Top Management

To fulfill its corporate social responsibilities, Omron is aiming to maximize corporate value on a long-term basis.

We take corporate public responsibility seriously.

While rapid changes in the business environment surround us, changes in information technology, globalization of the economy, concern for population issues, management of natural resources, and emphasis on environmental preservation, companies have entered an era in which we are called on to raise its corporate citizenship to higher levels. Rather than merely pursue earnings, companies have made larger ideas part of its central management policy, to protect consumers and preserve the environment, while staying in compliance with legal limitations and remaining a good corporate citizen. These activities that make significant contributions to our country, society, and industry are greatly valued.

Based on the idea that the company has corporate public responsibility and should serve society, as put forward by Omron founder Kazuma Tateisi, the Omron motto was established in 1959 with the easily remembered words "At work for a better life, a better world for all."

Ever since, Omron has been pushing ahead taking up our social responsibilities with the spirit of corporate public responsibility embodied in the corporate motto.

We fulfill social responsibilities through business activities and corporate citizenship activities.

The corporate public responsibility ideals in our motto can be seen as "business aspects of public responsibility" met through business activities and "social aspects of public responsibility" met through social involvement activities.

In our business activities, we have quickly recognized the emerging needs of society, with our development of the world's first contactless sensors and non-contact sensors (proximity sensors), the first automatic ticket gate system, traffic control systems, and other technology. We have always accepted the challenges of creating new markets for our products. This could be called "cultivating the needs of society," and an enterprising spirit is needed to succeed in this. We might also refer to this as the "DNA" we have inherited through the years. Through this driving force in our genes, we have worked globally in the fields of factory automation systems, electronic components, health care equipment, and social systems, building on the core competence in Sensing and Control technologies that we have fostered since our founding. And we will continue to make contributions to the development of society through this kind of business, creating benefits for customers, shareholders, suppliers, and employees.

Our socially responsible activities include contributions to society that directly benefit many people, such as the establishment of "Omron Taiyo," Japan's first factory for disabled workers, and the establishing of the Tateisi Science Technology Foundation, which seeks to guide technology's advance in ways best suited for human beings. Going forward, Omron will continue to be involved as a good corporate citizen.

Yoshio Tateisi
Chairman and
of the BOD

Hisao Sakuta
President and
CEO

Making optimization with our Sensing & Control technology.

"SINIC Theory" can be thought of as the compass of Omron management. In 1970, founder Kazuma Tateisi presented this future prediction theory to the International Research Conference, and from that point more than 30 years ago, the theory predicted that industrialization society would be succeeded by the optimization society starting in the year 2005.

The optimization society maintains balances for offsetting values such as "individuals and society," "people and nature," and "people and machines", and it combines these with solutions for the forgotten issues of materially successful industrial society, such as concerns for environment resources, energy, industrial waste, safety, security, social services, health, education, and human rights.

Regarding the arrival of this new society, Omron announced the release of its "Sensing Tomorrow" corporate statement in fiscal 2001. Looking ahead to tomorrow, this statement set forth our commitment to high goals for advanced development and announces our drive to add value through innovation. We therefore consider "Social Needs Theory of New Market Creation" as a company mission to use our strength in Sensing and Control technology, along with the concept of the best matching of machines to people, and the keyword of safety, security and environmental preservation.

Aiming for environmentaly advanced for the 21st century

Reducing the burden on the environment that accompanies economic activity is also an important issue at Omron. To support both ecology and the economy, in fiscal 2002 we established our environment vision "Green Omron 21," defining our plans, goals, and direction for environmental management. This enabled us to accomplish the following in fiscal 2003. (1) We accelerated use of recycling and reusable resources by 100% for discarded items naming it the "zero emission". (2) We evaluated the environmental management systems of our suppliers and investigated whether or not controlled chemicals were included in our purchased materials. (3) We tested environmental management assessment systems for accelerating solutions to environmental issues important to the entire group.

We are making every effort to attain our plans and goals, to foster environmental advances appropriate for the 21st century.

Additional enhancement of corporate governance

Omron is currently working to strengthen corporate governance.

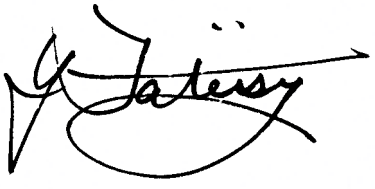
To meet the expectations of all our stakeholders, we are implementing operations that quickly respond to changing times, and we are placing additional importance on oversight of management. To do so, the board of directors was greatly reduced in 1999, and an executive officer system and internal company system were introduced. Outside directors and outside auditors were also appointed. Now, accountability, disclosure, transparency, and corporate ethics have been recognized as major concerns, and we are proceeding with actions to strengthen corporate governance. Comprehensive adoption of corporate ethics is being fostered through our Corporate Ethics Declaration, the creation of guidelines, and the formation of special committees. We will continue to cultivate corporate ethics throughout the Omron Group.

Omron will always place high value on corporate public responsibility, meeting the expectations of our stakeholders, providing maximum satisfaction to our customers, working to maximize long-term company value, and making contributions to our global society.

We will be most grateful for your continued support and encouragement.

June 2004

Chairman of the BOD
OMRON Corporation



Yoshio Tateisi

President and CEO
OMRON Corporation

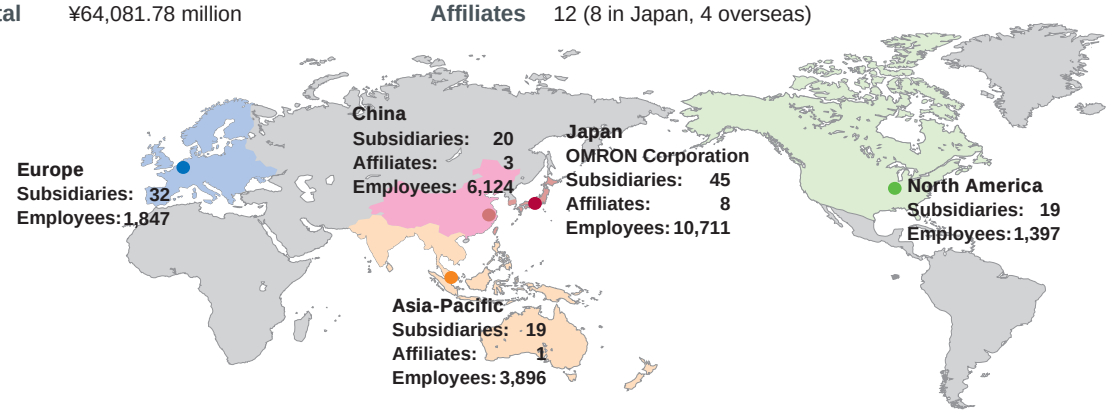
Hisao Sakuta

Corporate Activities and Products

24,000 people working worldwide

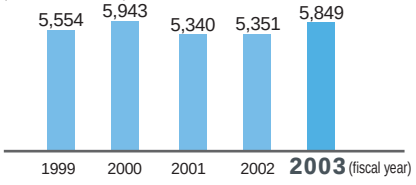
Company overview (March 31, 2004)

Company name	OMRON Corporation	Sales	¥351.1 billion (consolidated ¥584.9 billion)
Established	May 10, 1933	Employees	5,158 (24,331 total)
Incorporated	May 19, 1948	Subsidiaries	135 companies (45 in Japan, 90 overseas)
Capital	¥64,081.78 million	Affiliates	12 (8 in Japan, 4 overseas)



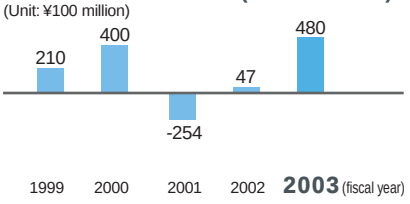
Sales Trends (Consolidated)

(Unit: ¥100 million)



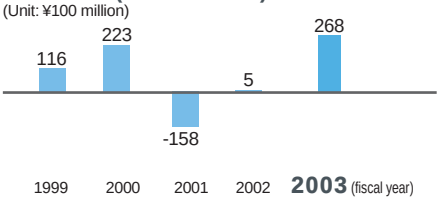
Net Profit Before Tax (Consolidated)

(Unit: ¥100 million)



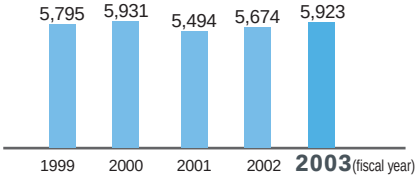
Net Profit (Consolidated)

(Unit: ¥100 million)

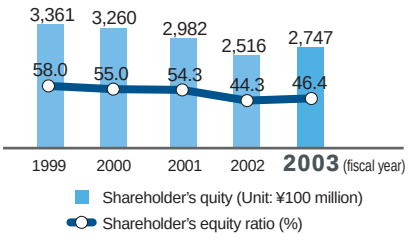


Total Assets (Consolidated)

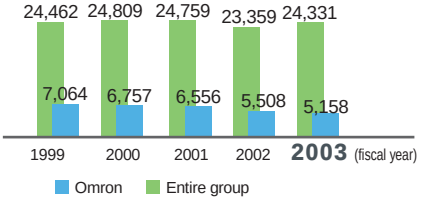
(Unit: ¥100 million)



Shareholder's Equity Capital, Shareholder's Equity Ratio (Consolidated)



Employees



Omron Group Major Subsidiaries and Affiliates (within the scope of this report, as of March 31, 2004)

Company	Employees
OMRON Corporation	4874
Domestic Production and Development Companies/Maintenance Services	
Industrial Automation Business	
Omron Okayama Co., Ltd.	423
Omron Izumo Co., Ltd.	168
Omron Takeo Co., Ltd.	344
Omron Aso Co., Ltd.	203
Electronics Components Business	
Omron Ichinomiya Co., Ltd.	265
Omron Kurayoshi Co., Ltd.	418
Omron Sanyo Co., Ltd.	89
Omron Relay & Devices Corporation	577
Automotive Electronics Components Business	
Omron Iida Co., Ltd.	349
Social System Business	
Omron Nohgata Co., Ltd.	165
Omron Software Co., Ltd.	798
Omron Field Engineering Co., Ltd.	1144
Health Care Business	
Omron Healthcare Co., Ltd.	181
Omron Matsuzaka Co., Ltd.	140

Company	Employees
Overseas Production and Development Companies	
Industrial Automation Business	
OMRON Manufacturing of America, Inc. (U.S.A.)	50
OMRON Manufacturing of The Netherlands B.V.	105
OMRON Electronics Manufacturing of Germany G.m.b.H.	77
Shanghai OMRON Automation System Co., Ltd. (China)	149
OTE Engineering Inc. (Taiwan)	131
OMRON (Shanghai) Co., Ltd. (China)	500
Electronics Components Business	
OMRON Malaysia Sdn. Bhd.	795
PT OMRON Manufacturing of Indonesia	1781
Shanghai OMRON Control Components Co., Ltd. (China)	346
OMRON Electronic Components (Shenzhen) Ltd.	2600
Automotive Electronics Components Business	
OMRON Automotive Electronics, Inc. (U.S.A.)	320
OMRON Dualtec Automotive Electronics, Inc. (Canada)	550
OMRON Electronics Components Ltd. (UK)	151
OMRON Automotive Electronics Korea Co., Ltd.	384
Social System Business	
OMRON Mechatronics of the Philippines Corporation	987
Health Care Business	
OMRON Dalian Co., Ltd. (China)	1643

Japan employees: 10,138 Overseas employees: 10,569 **Total employees: 20,707**

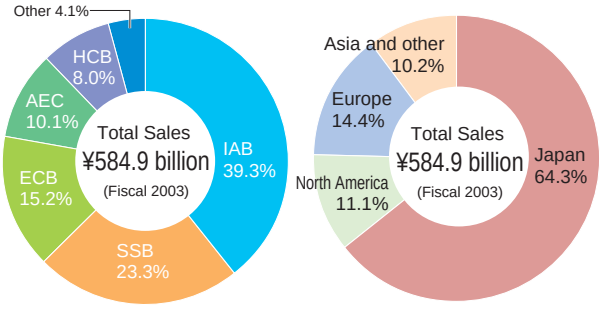
Offering a variety of products that support industry, society and consumers.

Corporate activities in fiscal 2003 (April 1, 2003 to March 31, 2004)

The Omron group offers a variety of products that follow our corporate philosophy “To the machine, the work of the machine, to man the thrill of creation.”

Industrial Automation Business (IAB), Electronics Components Business (ECB) and Health Care Business (HCB) sales have increased as the Japanese economy has rebounded and as we increased management efficiency. Social System Business (SSB) and, including Advanced Modules Business (AMB) sales have also increased due to demand stimulated by a new note issue, but sales for Automotive Electronics Components (AEC) were down slightly from the previous year due to a weak market for our major customers. The results of other divisions were affected by lower sales due to a maturing market for digital photo print stations and pricing pressure for computer peripherals.

Performance for fiscal 2003 demonstrated a gain in sales to ¥584,889 million, a 9.3% increase over the previous year.



Sales by Segment **Sales by Region**

IAB Industrial Automation Business

Sales have risen in Japan, China and Southeast Asia as capital investment for mechanical equipment continued. By industry, growth was excellent for semiconductors and flat panel displays, and there was a shift to considerable growth for the automotive field, generating sales of ¥229,638 million, a 13.4% increase over the previous year.

Main Products
Control relays, control switches, specialized control devices, sequence control system components, motion control equipment, sensors, inspection equipment, safety equipment

SSB Social System Business

A new note issue resulted in increases for updated and remodeled equipment such as ATM machines and currency exchange machines. Demand was also excellent for major products focused on improving traveler services, such as IC cards. As for traffic control and street management systems, large-scale demand for intercity highways increased sales by 16.6% over the previous year, to ¥135,997 million.

Main Products
Electronic settlement systems, station service systems, traffic control and street management systems, facility access control systems, face recognition systems,currency differentiation and processing equipment, ticket processing equipment, vehicle sensing equipment, card reader-writers

ECB Electronics Components Business

While severe price competition accelerated falling prices, conditions were good for the consumer electronics, communications, and mobile communications industries, with sales rapidly growing for mobile phone backlight technology. The results showed a 12.1% increase over the previous year, with sales at ¥88,988 million.

Main Products
Switches, relays, amusement device components, connectors, business and household sensors, micro-lens arrays, duplicators, printer components, mobile communication device components

HCB Health Care Business

Sales increased in tandem with growing needs to control health care costs and provide services both in Japan and around the world. The market was particularly good for electronic blood pressure measurement devices due to the larger number of high blood pressure patients in Japan and overseas. Sales increased over the previous year by 10.9%, at ¥46,962 million.

Main Products
Health care equipment, medical instruments, health care services

AEC Automotive Electronics Components Business

Automobile manufacturing in Japan leveled out, but new products such as laser radar and electric power steering contributed to sales. Vehicle production fell in America, and factors such as the appreciation of the yen had an impact, but conditions improved comparatively in Europe and Asia, resulting in ¥58,824 million in sales, a decline of 1.1% from the previous year.

Main Products
Automobile electric components

Other

Severe market conditions continued due to falling market prices for computer peripherals and fierce competition for game center amusement equipment, causing a drop in sales for the period. There was also an impact from the exclusion of sales for Omron Alphatech, Ltd., from the latter half of the previos year. Sales came in at ¥24,480 million, a 29.5% decline from the previous year.

Main Products
Computer peripheral equipment, RF tags, voice activated response systems, remote container monitoring systems, automobile alarm systems, vehicle surveillance systems, digital photograph printing stations, mobile telephone contents

Corporate Philosophy

Starting with the Omron motto in 1959, we have emphasized "corporate public responsibility" over the past 45 years.

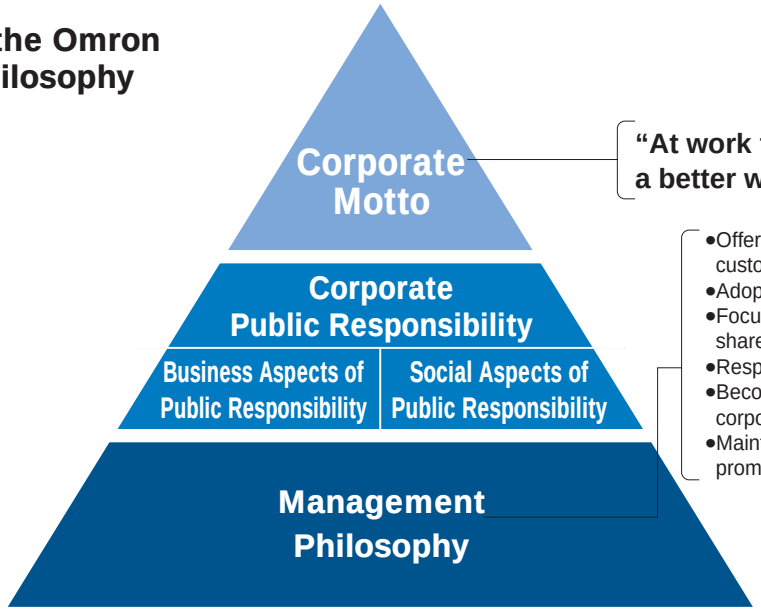
When Omron founder Kazuma Tateisi first visited America in 1953, he was deeply impressed by, as he put it, "The pioneering spirit of American businesses, which is their strength," and he was convinced that "High goals are essential for good corporate management." Returning home, Japan Association of Corporate Executives brought with them the opportunity to consider the theme "Understanding and executing the social responsibilities of management." From these profound experiences he recognized that "corporate public resposibility" is an outgrowth of conducting business not just to earn profits but to serve society.

From that point, to spread this way of thinking throughout the company, Tateisi created the easily-remembered motto "At work for a better life, a better world for all," and in January of 1959 a company motto was established.

"We will develop our company by working everyday to create value that furthers the goals of society. Through our actions, we will share our riches with those less fortunate, so that we can help make a world where none is in need, where we can be surrounded by the joy of a peaceful and prosperous life, and where we can fully accomplish the duties of a good corporate citizen." With these brief words, the thoughts of founder Tateisi were collected to become the corporate motto.

Since establishing this motto, the Omron Group in and outside Japan has made these words a part of morning briefings, printed them on its business cards, and passed them on to each employee.

Structure of the Omron Corporate Philosophy



Corporate Ethics Declaration

As we are very aware of our position in a lawful and ethical society, we regard complying with society's laws and regulations to hold the utmost importance. All corporate activities are guided by our corporate ethics.

(➔ P10)

Corporate Citizenship Declaration

As a responsible member of society, we pledge to promote corporate citizenship activities toward the goal of creating a better society.

(➔ P26)

Environmental Declaration

We pledge to aspire to harmonize with nature and work for a better environment through activities showing a strong sense of public responsibility.

(➔ P34)

There has been much discussion recently about the corporate social responsibility. At Omron, we take much pride in the fact that we have been addressing these issues for 45 years, since these ideas were set down in our corporate motto.

The spirit of our motto is based on two types of public responsibility in the concept of "corporate public responsibility."

The first type of corporate public responsibility is the "business aspects of public responsibility" that strives to bring value to society through business activities such as product development, manufacturing, and sales and service. These activities bring ever improving products to customers, offer challenging work and respectful relationships to employees, present technology and compensation to suppliers, serve the country through payment of taxes, and provide the fullest possible dividends to shareholders.

The second type of corporate public responsibility is the "social aspects of public responsibility" that seeks to contribute to society directly through citizenship activities. Part of the profit earned by Omron is used to contribute to the building of regional communities, citizen groups and international communities, thus supporting scientific research, social welfare, cultural events and endowments for the arts.

Based on these two pillars, we provide lasting value that is useful to the world, and we are convinced that we can do this while we continue to do well financially.

We will always maintain "corporate public responsibility" as one of our most important values, and we will always maximize our effort to make the Omron Group a source of value to our stakeholders around the world.

Spirit of the Omron Corporate Motto

Corporate Philosophy

To the machine, the work of the machine, to man the thrill of creation

Corporate Ideals

"Offer maximum satisfaction to customers" and "Adopt a challenging spirit"

These ideals display our position on strengthening competitiveness and management attitude.

To overcome fierce competition, maintaining a good reputation on the world market is essential, and for this reason, it is very important for all our employees to work to attain the maximization of customer satisfaction. To produce the kind of value that will bring that satisfaction, we are constantly looking for new challenges as we also bear in mind the "venture spirit" that has been with the company since its founding.

"Focus on going our shareholders' trust"

A management style that values stakeholders by the highest global standards shows how Omron seeks to gain the confidence of shareholders.

Corporate accountability, disclosure of information, transparency, and high ethical standards are of course essential requirements for meeting the expectations of shareholders. To pursue these goals and achieve further growth as a company with a global presence, clarifying our business positions for shareholders is more important than ever before.

"Respect individuals"

This principle shows how we respect our employees as individuals. Each one supports our company and our business activities.

In a merit society we must evaluate individuals and companies on the basis of performance. Each employee must independently work with important issues, and in this way connections are made between lives worth living and work worth completing.

"Become a responsible corporate citizen" and "Maintain corporate ethics while promoting corporate activities"

It is by these ideals that we demonstrate our efforts to fulfill social responsibilities more than before.

If we do not stay considerate the company's impact on society, act together as a group, and maintain our business in line with the highest ethical standards, we will not be able to continue as a successful enterprise.

Corporate Governance

Omron's direction with corporate governance

**As stated in our corporate motto,
our mission is to constantly pursue and
practice corporate public responsibility,
for the further advancement of society.
With the spirit of our corporate motto as a guide,
we are actively engaged in maximizing long-term value
on capital markets to raise share value and meet
the expectations of our stakeholders,
including our customers, shareholders,
employees, and society as a whole.**

3 Aspects of Corporate Governance

Accountability

1. Separate management and executive branches
2. Strengthen the roles of the board of directors and the board of auditors
3. Establish and support a Personnel Advisory Committee and Compensation Advisory Committee

Omron will efficiently and effectively manage the resources entrusted to it by its stakeholders, with fairness and impartiality, and with clear and appropriate resolve, in order to bring about ample return on that value, with reward that matches the risk, and make every effort to perform with accountability and fulfill our responsibilities.

Disclosure and Transparency

1. Promptly disclose business results
2. Strengthen investor relations activities
3. Conduct open shareholders meetings
4. Make timely disclosure of management decisions on the company website and through public relations activities

As Omron shares its deeper commitment to corporate citizenship with the public, beginning with its stakeholders, the company will use appropriate means and clearly recognizable fairness and impartiality to make timely and accurate disclosure of important information, including information on its financial condition, business performance, holdings, and governance activities.

Ethical Standards

1. Establish a Corporate Ethics & Business Conduct Committee
2. Create and circulate Corporate Ethics Action Guidelines based on our "Corporate Ethics Declaration"

Omron will conduct all of its business in line with its "Corporate Ethics Declaration." We will thoroughly promote this ideal so that all those under the company's management, employees and personnel of related entities alike, will always be familiar with and act in accordance with the declaration.

To promote governance that can quickly respond to changes in the business environment, we are separating corporate management and business operations management and are strengthening corporate management oversight.

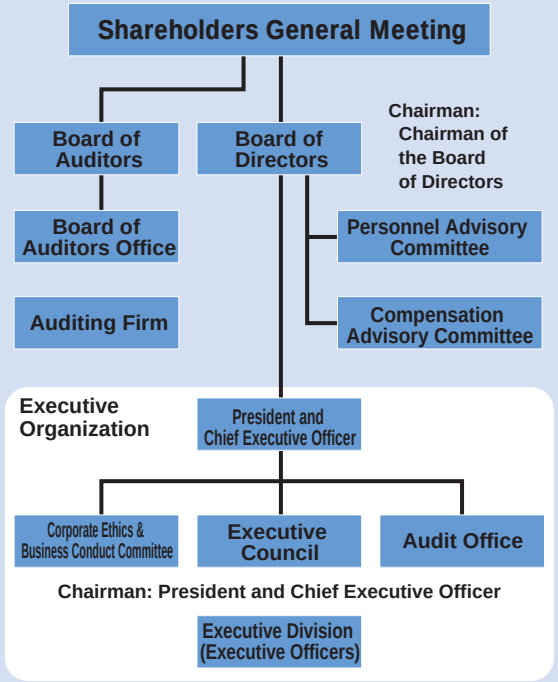
Productivity of capital assets at international levels is being sought in today's global business environment, and for that reason the importance of corporate governance continues to increase.

Omron has joined this effort to improve corporate governance, strengthening its competitiveness as a global business and aiming to attain the company objective of long-term maximum value. To create an organization that can quickly respond to changes in the business environment, Omron pressed ahead with the separation of corporate management and business operations management in 1999. It also introduced an executive officer system and an internal company system, and it reduced the number of board members to six people as it also separated the functions of the Board of Directors and business operations executives. This separated the board of directors from day-to-day operations executive activities, placed added importance on management monitoring functions, increased the board of auditors to four members, and embraced the supervisory and guardianship roles of operations executives.

To make corporate management more objective, in June of 2003 the company increased the number of outside directors to two directors from one director and raised the number of outside auditors from two to three, giving outside auditors a majority on the board of auditors. In addition, the board chairman and chief executive officer positions were separated and management oversight activities were strengthened. A Compensation Advisory Committee was also established within the board of directors, and, as is the case for the Personnel Advisory Committee, an outside director was appointed committee chairman. Following this, a compensation structure was decided for the board of directors, the auditors, and the operations executive officers, and there was an impartial evaluation of the performance of current board members. Several other reforms were carried out in succession, such as reevaluation of board member compensation, further clarification of roles, responsibilities, and boundaries of authority, and compensation was revised to match duties and business performance more closely than in the past.

In these and in other ways, we are aiming to provide stakeholders with valuable, transparent and timely information, and we have begun to offer quarterly statements on our business performance. Omron will continue to pursue the ideal of corporate public responsibility presented in its corporate motto by diligently practicing the three points of effective corporate governance.

Structure of Omron Corporate Governance



Board of Directors
This board monitors executive operations (President and Chief Executive Officer) and decides important business practices and strategies for matters such as company objectives and management strategy. The board is chaired by the Chairman of the board of directors, and he monitors executive activities and represents stakeholders who do not hold executive positions.

Board of Auditors
This board consists of four auditors, of whom three are outside auditors. The board checks expected governance and management conditions, and it monitors daily activities of management, including the board of directors.

Personnel Advisory Committee
This committee, formed of outside directors, receives guidance from the chairman of the board of directors and from the president; sets election standards for the board of directors, board of auditors and executive officers; selects candidates; and evaluates current officers.

Compensation Advisory Committee
This committee, which consist of outside directors, receives guidance from the chairman of the board of directors and from the president; decides the compensation structure for the board of directors, board of auditors and executive officers; sets evaluation standards; and evaluates current officers.

<Executive Organization>

Executive Council
This council determines and reviews important executive matters that are within the scope of authority of the president. Under the internal company system, decision-making is streamlined and operations made more efficient by transferring authority to the presidents of each company.

Audit Office
This office periodically conducts internal audits of accounting, administration, business risks, and compliance for each headquarters division and each company, and it offers concrete advice for monitoring and administrative improvement.

Corporate Ethics and Risk Management

Omron has reorganized its Corporate Ethics & Business Conduct Committee and has further strengthened corporate ethics and risk management.

Business risks are those that cause uncertainty and endanger the general administrative stability and the achievement of business objectives. Omron believes that by carefully recognizing these risks and by controlling the causes of major risks we can prevent and avoid them and thus reliably attain management stability and business objectives. In short, Omron remains fully aware that "Risk management is a primary program for improving business competitiveness."

On the one hand, corporate ethics is an important concept at Omron, and it is a management objective. We also see stakeholders expecting the company's ethical guidelines to be widely adhered to further raising the value of our business, but we also see that the prevention of misconduct is only one item on an important risk management menu.

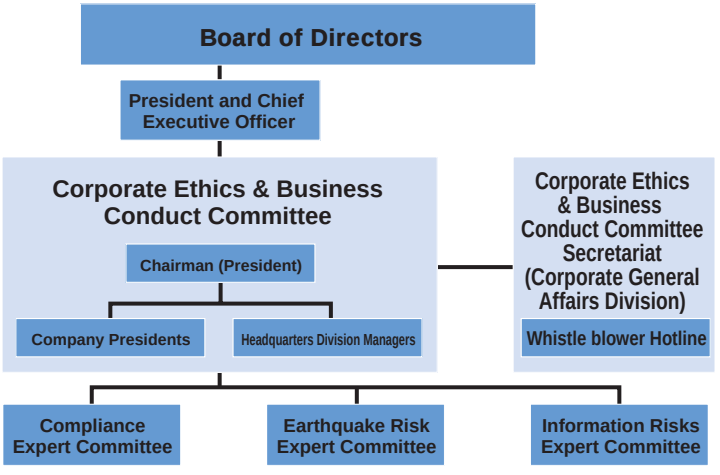
Based on this type of thinking, we have integrated corporate ethics and risk management, organizing the Corporate Ethics & Business Conduct Committee in April of 2003 to more forcefully drive this forward. The committee has the corporate president as its chairman, and the presidents of the companies within the Omron Group and the divisions managers of the headquarters are committee members. They examine topics relevant to short-term and middle-term operations, decide on countermeasures, assess progress in these areas, and offer instructions for needed improvements.

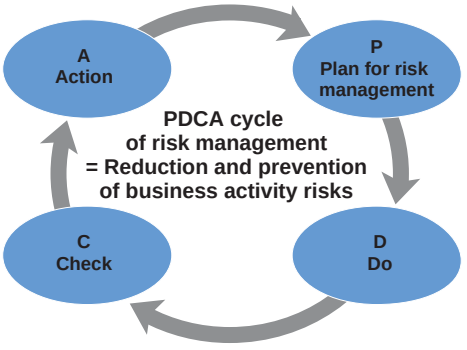
Because much importance was placed on compliance with legal issues, a Compliance Expert Committee was established under the Corporate Ethics & Business Conduct Committee. Based on a risk analysis for the entire group, the Earthquake Risk Expert Committee and the Information Risks Expert Committee were created to respond to risks of high urgency and severity. Each of the special committees will operate for an effective period of two years.

In addition, Omron instituted the Corporate Ethics Action Guidelines in 1998 as a concrete guide representing our Corporate Ethics Declaration. Since fiscal 2003, we have added Chinese versions (for mainland China, Hong Kong, and Taiwan) to our existing versions for Japan, North America, and Europe, and we created a standard version for the Asia-Pacific region. Training is proceeding at our facilities in each region, at all group companies.

As a further step, Omron established the "119 Corporate Ethics Hotline" in April of 2003 as a whistle blower system for early detection of misconduct of problems with business ethics or legal violations. In addition, October of each year was made Corporate Ethics Month, and through actions such as a wistle blower announcements from the president and distribution of cards bearing our Corporate Ethics Declaration, we have worked to enhance ethical consciousness for each group employee and officer around the world.

Structure of Omron Corporate Ethics/Risk Management



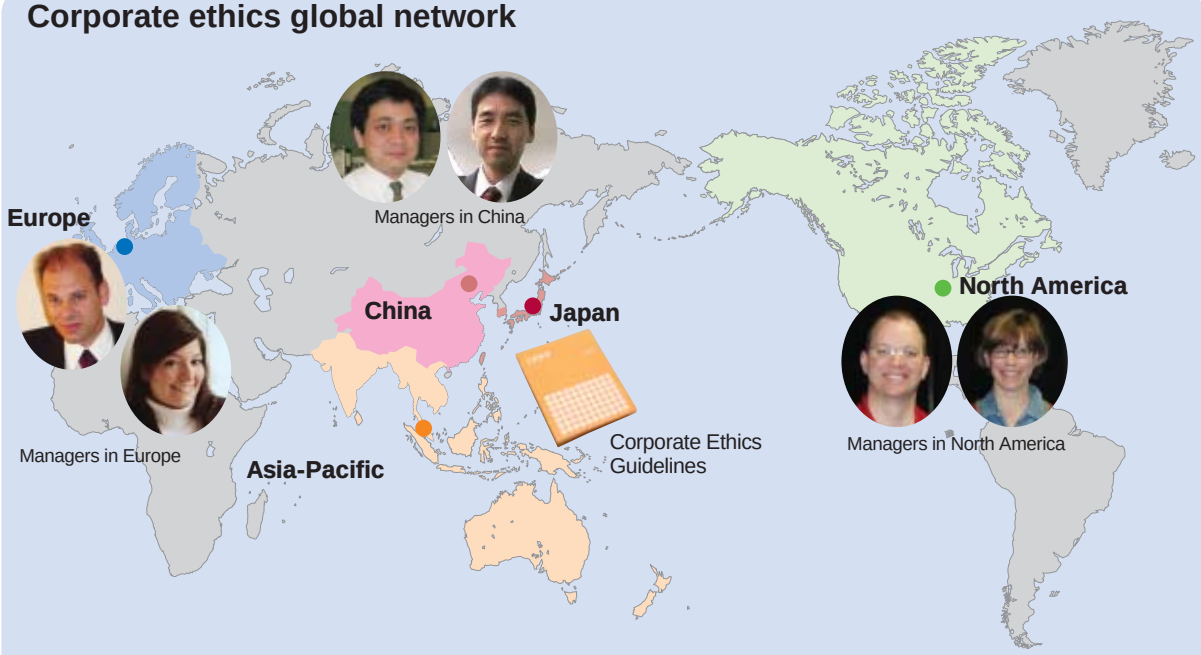


Statement of Corporate Ethics

We at OMRON reaffirm that our corporate existence depends on a law-abiding and ethical society.
We will place the highest priority on complying with laws and respecting appropriate rules of our communities and will maintain high ethical standards in our corporate activities.

1. Fair and Open Competition
2. Proper and Active Disclosure of Information
3. Safety and Environmental Protection
4. Respect For Human Rights
5. Respect For Intellectual Property Rights
6. Compliance with International Rules and Local Rules of the World Locations
7. Compliance with International Trade Regulations
8. Sound Relations with Governmental Authorities
9. Standing Firm Against Anti-Social Forces
10. Implementation of this Statement

Corporate ethics global network



Comprehensive worldwide adoption of Corporate Ethics Action Guidelines

To promote adherence to corporate ethics in overseas regions, Omron made adjustments to its Corporate Ethics Guidelines based on the laws and customs of each region, creating a version of the guidelines for each area. These guidelines were completed by 2002 for North America, followed by a version for Europe, and in 2003, three versions were completed for China: one of for the mainland, one for Hong Kong, and one for Taiwan. We also created a standard version for the Asia-Pacific region, offering adapted sections to match the laws of each country. At the same time, we placed offices of the legal affairs division in North America (Chicago), Europe (Amsterdam), and China (Shanghai), thereby creating a global network. These actions are promoting a greater awareness of corporate ethics at all of our overseas facilities.

Corporate Ethics Guidelines in version for each region

Starting “Corporate Ethics Month”

During corporate ethics month, the company newsletter “Omron News” carried a message from the corporate president. That message was titled “Let us embrace corporate ethics with a positive attitude and put it into practice.” This article emphasized the connection between practicing corporate ethics and maximizing corporate value. During the same month, “Corporate Ethics Cards” bearing Omron’s Corporate Ethics Declaration were distributed to every employee, and the president notably took the very first card.

The president’s message appearing in the company newsletter “Omron News”

A thorough evaluation using Corporate Ethics Action Guidelines and checklists

To measure the degree to which its corporate ethics guideline had taken hold, the company established 320 items based on the Corporate Ethics Action Guidelines and developed a checklist. From June through July of 2003, a thorough inspection based on the checklist was carried out in every division. For items needing improvement, management training was carried out, action plans were started in each division, and a goal was established to evaluate results by the end of the fiscal year.

Starting a Whistle blower Hotline

Beginning in April of 2003, the corporate general affairs division developed and operated the “119 Corporate Ethics Hotline” in order to create an internal notification system for discussing problems related to corporate ethics. The system receives contacts from temporarily assigned personnel and family members as well as from regular employees, and privacy is made a priority, with anonymous contacts also being allowed.
When the system was established, a notification was carried by the “Corporate Ethics Bulletin Board” database, and all Omron companies were notified. In addition, system contact information was printed on the back of the Omron Corporate Ethics Declaration Card.

Corporate Ethics Declaration Card

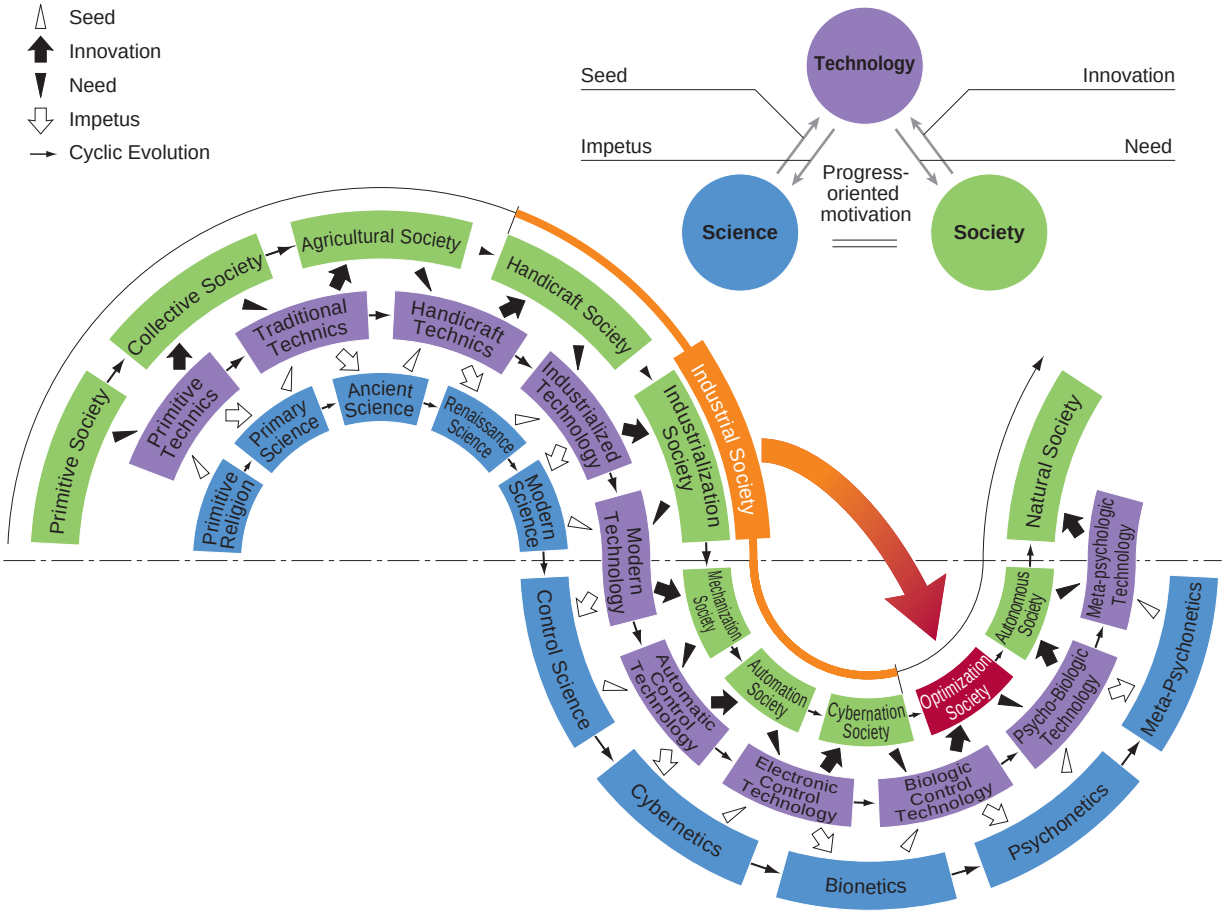
Corporate ethics bulletin board “Kirin (giraffe)”

Toward to the Optimization Society

Omron's future prediction theory and SINIC theory

The compass guiding Omron's management is the SINIC theory. This theory was developed more than thirty years ago, when Omron founder Kazuma Tateisi made a presentation on future prediction theory at the 1970 International Future Research Conference, and it forecasts that a shift from the industrialization society to the optimization society would begin in the year 2005.This new society would not only have the material wealth brought about by industrial society but also bring about spiritual riches through the pursuit of lifestyles better suited to human beings, providing answers for problems not solved by industrial society –the "forgotten issues" such as environmental concerns, resources, energy, industrial waste products, safety, security, welfare, health, education, and human rights. It would also achieve a balance between individuals and society, people and nature, and people and machines. To hasten the arrival of this new society, Omron is contributing by creating products that meet social needs, through the concept of the best matching of machines to people, through strengthening of Sensing and Control technology, and through pursuit of the keywords safety, security and environment.

Some examples of this new society are: a machine with the ability to select its functions to meet the needs of a person who has no previous experience or knowledge of how to operate the machine. An automobile that can avoid danger by predicting hazards by monitoring the surrounding conditions, providing safety not only for the driver but also for pedestrians. A society where people are not matched to machines but where machines are matched to people. This is the kind of optimization society hailed by SINIC theory, and it is just around the



SINIC DIAGRAM

Seed-Innovation to Need-Impetus Cyclic Evolution

Under the SINIC Theory, science, technology and society have a cyclical relationship, mutually impacting and influencing each other spurring the formation of two directions. In one direction, developments in science give rise to new technologies, and those technologies in turn promote new innovations for society. An alternate direction is generated when social needs spur new technologies, resulting in new scientific advancements. Developments in these two directions affect each other encouraging society to evolve and advance.

Sensing & Control that advances industry, society and lifestyles

The optimization society predicted by SINIC theory is due to arrive in 2005. One important factor helping usher in this new era will be Omron's strength in Sensing and Control.

By combining control technology with knowledge and judgment nearing that of specialists with sensing technology having capabilities exceeding the five human senses, such as seeing and hearing, we will be able to produce valuable information from data representing diverse factors, and this will enable the development of even more beneficial processes. Rather than merely matching people to machines, machines will be able to recognize surrounding conditions and users, realizing the concept of the best matching of machines to people, as machines adjust their functions to particular match situations.

In fiscal 2003, Omron began testing an information delivery system that enables sight-impaired persons to walk freely through busy rail stations (see page 16). In other ways as well, including development of a liquid crystal display that uses nanotechnology to achieve both lower power consumption and better display definition (see page 45) and design of systems for automated traffic control based on recognition of traffic conditions (see page 45), Omron is using its Sensing and Control technology to make valuable contributions to industry, society and lifestyles.

Bringing together the strengths by encouraging exchange between business and university research around the world, we will further accelerate technological development based on our belief that "cooperative creation" will create even higher levels of value.

6 technologies that support Sensing & Control

Sensing

Vision Sensing

This technology searches through huge amounts of image data to recognize shapes, patterns, letters and numbers with high accuracy and efficiency. Omron is developing high accuracy sensing technology such as the world's best performing face recognition technology "OKAO Vision" and stereo traffic volume sensors that use two cameras for three-dimensional recognition of vehicles.

Optical & Radio Wave Sensing

This technology can perceive the movement of persons and objects by using wave motion characteristics as light or radio waves reflect from or penetrate into objects. Light wave sensing technology perceives differences in target quality through differences of color, gloss, and brightness. Radio wave sensing technology uses radio wave characteristics to sense objects that cannot be seen visually.

Control

Knowledge & Information Processing

This area of technology improves control intelligence by adding knowledge to machines. Machines that study, real time control through networks, multimodal interaction to enable "talking" between people at machines, and P2P (peer to peer) communication technologies like SOBA are examples of expanding the range of tasks machines are capable of performing, and they are stimulating discussions about the relationship between people and machines.

Software Engineering

Software Process Improvement Technology

This type of technology improves the productivity and quality of software development. By using new technologies such as the object-oriented technology Capability Maturity Model®, our goal is to improve product quality, meet delivery times, and further increase customer satisfaction.

®Capability Maturity Model and CMM are trademarks registered at the U.S. Patent & Trademark Office.

Advanced Devices

Micromachining

For integrated circuits having two-dimensional structures, this technology is bringing about ultraminiaturization and ultra high speed processing by building extremely fine, micro meter scale, three-dimensional structures in semiconductors. This technology is creating intelligence-capable structures with products such as the world's smallest micro-machined contact relay and ultra-miniature micro-machined sensors having the world's highest sensitivity.

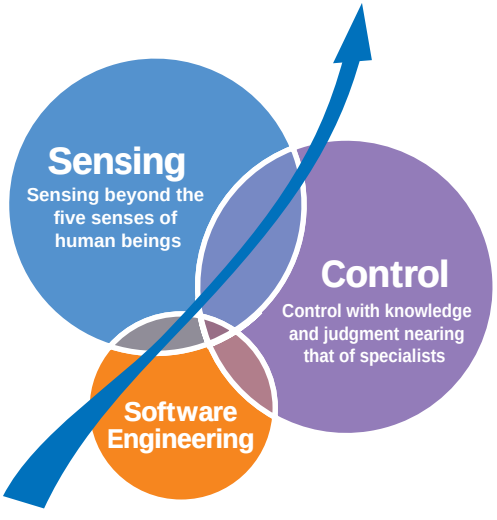
"OKAO Vision"
Face recognition technology

Microphotonics

Microphotonics controls light waves through ultra-miniaturization and integration of various optical operations. In addition to our work on the development of micro-lens arrays for controlling polarization and wavelength light properties, which cannot be controlled with single-function optical devices such as lenses and prisms, we are also researching the development of breakthrough optical control devices in the fields of high-brightness double reflection LED's and optical communication.

Micro-machined sensor

Micro-lens array



Grand Design for Year 2010

GD2010, A Grand Design for the future

Omron will continue to be a company that faces the future by advancing today. In this spirit, Omron introduced Grand Design 2010 in May of 2001. These are management ideals that demonstrate the company strategies and foundational policies we aim for as the Omron Group moves through the first ten years of the 21st century.

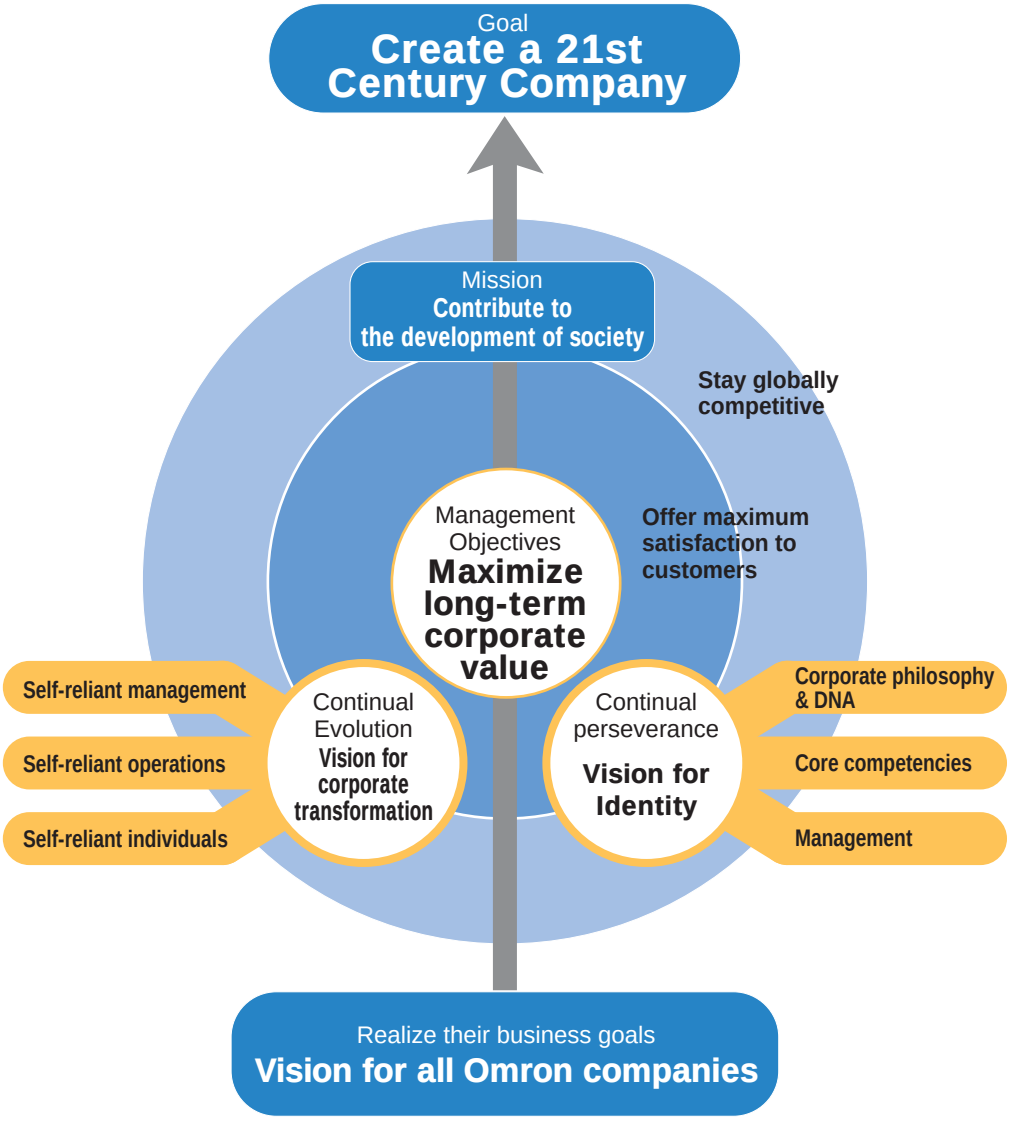
These ideals are centered on three important visions. The first is self-reliance. Management, operations, and its individuals should all have a degree of autonomy, able to respond to sudden changes. While pursuing the fullest potential for each entity, we will also work to eradicate the principal of placing self first and instead promote the basic strategy of cooperative creation with other companies.

The second ideal is our identity vision. We will increase the business opportunities by responding to newly developing customer needs. We refer to this spirit of creating in response to social needs as the "DNA" that has been with us since the company's founding, and we will continue to encourage that venture spirit. At the same time, Omron will further strengthen its Sensing and Control technology, which is its core competence for growth and stability.

The third ideal is our internal business company vision to realize their business goals, and we will build the corporation based on these three ideals.

Bearing these in mind, Omron plans to maximize corporate value while contributing to the development of society. We will strive to become a 21st century company.

GD2010 Concept Diagram



Global Citizenship

16 Topics
Trials Begin of a System for Providing Information to the Sight-Impaired

18 For Our Employees

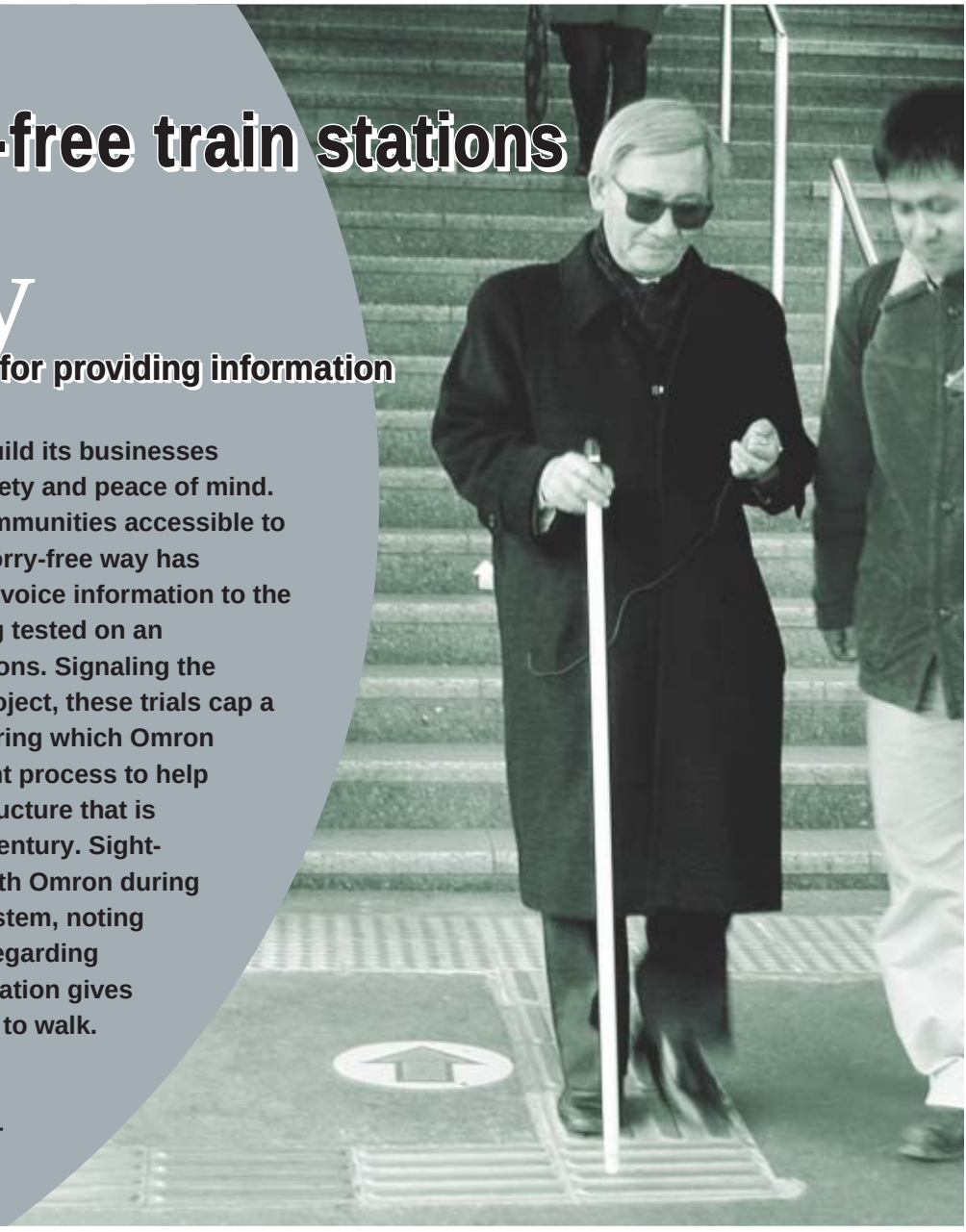
21 For Our Suppliers

22 For Our Shareholders

24 For Our Customers

26 For Society

Omron is committed not only to providing a return for customers, employees, suppliers, and shareholders through traditional business activities, but also to responding positively to the expectations of all stakeholders by working to contribute to society through corporate citizenship activities.



Safer, worry-free train stations and towns

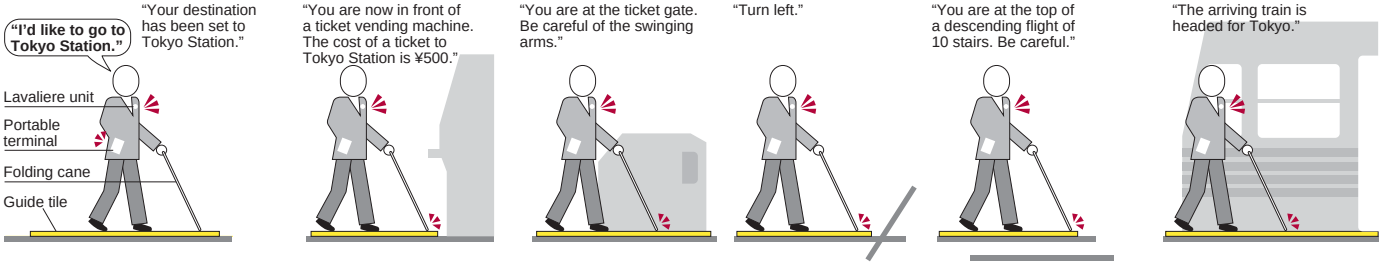
Safety

Trials begin of a system for providing information to the sight-impaired

Omron has always worked to build its businesses around the twin concepts of safety and peace of mind. This commitment to making communities accessible to the blind in a safer and more worry-free way has inspired a system for providing voice information to the sight-impaired that is now being tested on an experimental basis at train stations. Signaling the implementation phase of the project, these trials cap a long period of trial and error during which Omron sought through the development process to help create a people-friendly infrastructure that is appropriate to the twenty-first century. Sight-impaired people who worked with Omron during these trials have praised the system, noting that its audio-based guidance regarding distance and route to the destination gives peace of mind and make it easy to walk. Not content with these accomplishments, Omron is dedicated to creating even safer and easier to use products.

How the system works

Setting the destination → **Guidance**



The guidance process starts when the user sets the destination by speaking a station or place name into the lavaliere unit.

In addition to instructions on how to reach the destination, the system provides information such as ticket costs and travel times to help the user change trains smoothly.

When the user reaches a point requiring special care, the system provides related information and urges caution.
The best possible route to the destination is provided based on safety considerations.
The route can be changed on the fly if the user needs to stop by a restroom or store on the way.

Once the user has arrived at the station platform, the system can be used to confirm the destination, wait time, reserved seat number, and other information.

Audio guidance via a cane

Jointly developed by Omron and the Railway Technical Research Institute, the system consists of a special folding cane, a portable terminal, and a lavaliere unit incorporating a speaker, microphone, and “request” switch. Audio guidance is relayed to the user via this system from guide tiles placed along station platforms and surrounding streets.

The system’s white folding cane

First, IC chips (actually RF-ID tags) are embedded in the yellow guide tiles that are a familiar sight along train platforms. These modified tiles are then placed at a fixed interval throughout the station and along area sidewalks. The user inputs information about where he or she wants to go into the portable terminal, and as the special cane approaches the tagged guide tiles, it automatically reads the information stored by the embedded IC chips and transmits it using a wireless protocol to the portable terminal. The terminal creates the best route from the user’s current location to the destination and informs the user of this route via the lavaliere unit’s speaker. The device does not stop there; it also helps to ensure that the user will arrive at the destination safely and comfortably by providing additional information such as the train fare to the desired station, information about stations where the user must change trains, the number of stairs in staircases approached by the user, etc.

Weighing just 310 grams with its battery, the cane is about as heavy as a normal white cane. It folds into four sections and can be easily stowed in a bag. The portable terminal incorporates advanced voice recognition function so that the user can set the destination by simply speaking it. All system components have been ergonomically designed to make the system accessible to all potential users, with special consideration given to characteristics such as the shape of switches and the ease with which batteries can be changed.

The portable terminal and lavaliere unit

Building on a successful trial for greater ease of use

According to a Ministry of Health, Labour and Welfare survey conducted in 2001, there are about 301,000 sight-impaired people in Japan. In order to be able to enjoy an independent lifestyle, these people require an environment that allows them to move about their communities freely, even when alone. Yet research into the use of the rail system by the sight-impaired reports that “one-third of respondents feel it is difficult to make their way to the platform” and that “about 40% have experienced falling down stairs, with about 20% having fallen from a platform.”

With rail systems comprising an important means of transportation in urban areas, Omron realized that ensuring trains are easily accessible is a critical part of creating a barrier-free society. Motivated by this belief and eager to enable the sight-impaired to go about their lives with peace of mind, not just at train stations but throughout their communities, Omron set about developing this innovative system.

Cane and guide tiles

The company enlisted the help of many sight-impaired people between June 2003 and March 2004 to conduct numerous trials at locations such as Wakamatsu-Kawata Station on the municipal subway’s Oedo line. During these trials, the participants’ patterns of activity were monitored to make the system easier to use.

Trial participants responded favorably, praising the system for giving them a feeling of security, making it easier to move about, and providing a sense of the distance to their destination by informing them how many meters they had left to travel.

Devices related to people’s lives and safety must be both safe and easy to use. Omron is committed to contributing to the creation of a safe and comfortable barrier-free society for all people as it works to further improve the system’s ease of use in anticipation of the real-world application of this new technology.

Developer’s comment: Considering those who have difficulty traveling

Shin Asakura

Business Development Division, Public Solutions Business Department
Social Systems Solutions and Service Business Company

We wanted to create a new means of providing information that would feel just like a station worker or caretaker and provide only the necessary information when asked by the user. I look forward to developing systems for use not just by the sight-impaired but also by others for whom travel poses some difficulty, as well as by those with unrestricted mobility.

For Our Employees

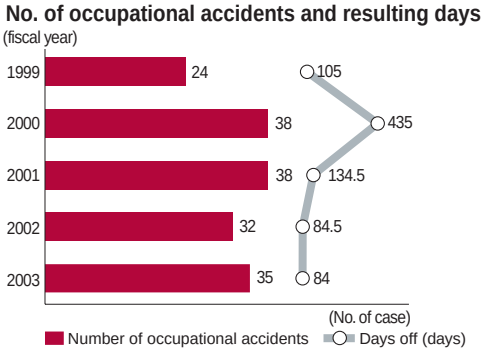
Occupational health and safety

A management system that brings together the company and its employees

Omron's approach to occupational health and safety brings the company and its employees together to discuss and examine issues of mutual concern at health and safety committees established in each of the Omron Group's facilities.

Health and safety management is implemented according to the rights and responsibilities of line managers, with health and safety managers appointed at each office. Occupational health and safety initiatives seek to identify and resolve issues in each workplace with zero-accident goals and inspections such as safety patrols by safety managers.

No. of occupational accidents and resulting days off (in Japan)



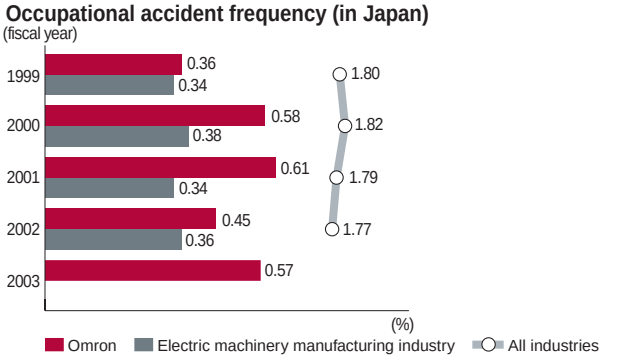
No serious occupational accidents

Because there is relatively little dangerous or hazardous work performed on Omron Group production lines, occupational accidents that are serious enough to warrant time off from work are extremely rare.

Nonetheless, inexperienced employees occasionally sustain minor injuries involving pinched fingers or cuts due to carelessness during unscheduled work such as the repair or adjustment of machinery. Omron is working to prevent such accidents through more aggressive workplace instruction.

No serious occupational accidents occurred in fiscal 2003.

Occupational accident frequency (in Japan)



$$\text{Accident frequency} = \frac{\text{Deaths and injuries resulting from occupational accidents}}{\text{Total working hours}} \times 1 \text{ million hours}$$

Healthcare management

Health Management Center seeks to prevent sickness

Omron established a Health Management Center in April 2000 to help employees create and maintain healthy lifestyles while preventing sickness. Staffed by 14 industrial physicians, 11 nurses, and 2 counselors, the Center provides lifestyle surveys, physical fitness checkups, and medical advice through a health management system.

By providing a unified means of managing periodic checkup data, the Center ensures continuity in the tracking of medical changes over time, even if an employee's primary caregiver changes as a result of a work-related transfer. This approach helps to better prevent long-term health threats resulting from lifestyle choices.

The Center also relies on programs such as the Ministry of Health, Labour and Welfare's occupational accident benefits and secondary checkups to complement periodic checkups as essential parts of its approach to disease prevention.

Omron Healthcare Co., Ltd. supports the health insurance societies and local health promotional initiatives by providing six lifestyle improvement programs for employees. These programs have insured employees answer questions about their health and lifestyle to provide personalized advice based on a behavioral science approach about how they can improve their lifestyles.

Emphasizing prevention in mental healthcare

Omron began conducting mental health training for administrative staff in fiscal 1997 as a means of encouraging administrators to prevent problems through sufficient oversight of their staff and to work towards early discovery and early treatment by paying close attention to behavior changes in their staff members. By fiscal 2003, about 920 employees had participated in this training program.

In an effort to promote self-awareness of mental health, since 1991 the company has also been conducting a biennial "Mental Health Diagnosis" of all employees.This program remains an important part of Omron's commitment to foster its employees' mental health.

Employment and employee compensation

Basic employment policy

Omron's employment policy originates in a commitment to the inherent value of people. The company believes in providing a variety of opportunities and support to employees who contribute to the development of the company and who demonstrate an interest in their own growth. The changes being experienced by the Omron Group as a whole extend to include the company's employee compensation system, with the establishment in 2003 of a joint labor-management committee tasked with examining and revising that system. These initiatives resulted in the establishment in March 2004 of a new system that more closely aligns compensation and treatment with skills and capabilities. The new system is designed to offer a new level of encouragement to mutual growth by the company and its employees.

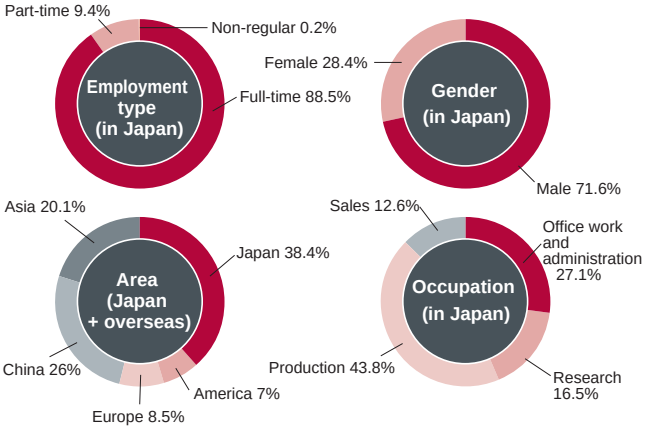
Employment

As of March 2004, Omron employees (including temporary and part-time employees) numbered 10,711 at Omron and its domestic affiliates and 13,290 at overseas affiliates. Omron has historically established and implemented plans that call for the sustained employment of a fixed number of employees. These plans are devised from a medium- to long-term perspective and are not significantly affected by the company's financial results.

In strict accordance with the Equal Employment Opportunity Law, Omron's employment process is governed by a set of detailed regulations requiring that information be provided at explanatory meetings or mailed to prospective employees in a gender-neutral way and that there be no gender-based differences in the handling of employment tests and interviews. The company publicizes employment opportunities widely using its website and a variety of other promotional media in order to attract a large base of prospective recruits.

A post-retirement re-employment system known as the Elder Partner Program allows employees to continue their relationship with the company past mandatory retirement at age 60, extending employment until age 65.

Employee breakdown



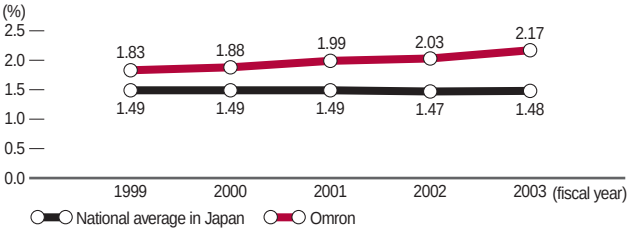
Seeking normalization: Employment of disabled persons

In addition to strictly observing legally mandated employment rates for disabled persons, Omron is committed to creating expanded opportunities for disabled employees to leverage their skills and abilities.

The disabled employment rate for Omron in fiscal 2003 reached 2.17%, an improvement of 0.14 points over the previous year and 0.37 points in excess of the legally mandated rate (1.8%). Efforts to maintain and expand disabled employment on the part of Omron Taiyo Co., Ltd. and Omron Kyoto Taiyo Co., Ltd., special subsidiaries charged with providing special consideration to the needs of physically and mentally disabled employees, made a significant contribution to this progress.

In the coming years Omron looks forward to working to expand disabled employment beyond special subsidiaries to include other group companies. The company is committed to pursuing a knowledge-centered job model that reflects the special needs of disabled employees and to creating a barrier-free work environment.

Disabl employment rate (in Japan)



Labor-management relations

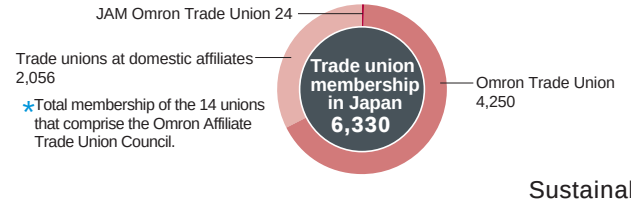
Building a healthy relationship between labor and management

Omron and the Omron Trade Union have concluded a labor agreement that requires both sides to act in good faith and to strictly observe contract provisions in order to establish and develop labor-management relations based on mutual sincerity and faith.

Management policies, business plans, and management and business measures are implemented in the context of a Central Management Council and a Site Management Council that allow labor and management to exchange opinions.

The company has also established a Labor-Management Council to address changes in working conditions and modifications to the employee compensation system. Important issues are examined by a Labor-Management Review Committee and implemented after agreement has been reached.

Trade union membership at Omron (in Japan)



For Our Employees

Basic employee development policy

Providing opportunities for training and self-education in the context of personal autonomy

By implementing programs that are grounded on the autonomy of each employee, Omron is committed to cultivating a talented workforce that will be able to maximize corporate value.

The company works hard to complement workplace education for all employees with a variety of opportunities for training and self-education for employees who seek to contribute to their company as well as their own growth and development.

Through these policies Omron seeks to develop a corporate staff with specialized knowledge and skills that will enable them to act on the global stage. Employee development programs are designed to produce future business leaders who will be charged with implementing more advanced management and business practices, all while maintaining and improving staff employability.

Omron's skill development system

On-the-job training, corporate training, and support for self-education

Omron's employee skill development system consists of on-the-job training, a corporate training system, and a self-education support system.

On-the-job training enhances the skills necessary for employees to perform their day-to-day jobs in the workplace and occurs in the context of the performance of those responsibilities, while the corporate training system helps employees acquire the knowledge and skills needed for their careers and positions. The self-education support system encourages employees to pursue their own studies by supplying space, funds, and study materials.

Skill development system

OJT	• Supervisors provide individual guidance in the workplace based on workplace directives. • Programs provide guidance and support for setting learning goals and developing individual skills.
Corporate training system	**Training for specific qualifications** • Programs designed for specific qualifications tests focus on the corporate philosophy, globalization, management, and problem resolution. • Omron Business Academy (OBA) provides training for corporate officers, councelors, executives, and managers.
	Select management training • Programs focus on globalization and management and are geared towards the development of corporate management.
	Assessment training • Programs assess participants in terms of skills needed at next level of management, and each participant creates a self-development plan to enhance strength and improve weaknesses.
	Selected training • Programs seek to lead students to master skills appropriate to their individual needs according to assessments, product skill diagnoses, etc.
	Career design training • Programs help students design their careers in the context of a life plan goals.
	Vocational training • Programs seek to lead students to master the knowledge and technology needed for their positions and fulfillment of their job responsibilities.The company tailors these programs to meet various company needs.
Self-development support system	**e-learning** • This system is operated as a means of complementing group training and supporting employee self-developemnet.
	Correspondence courses • Employees receive a 50% tuition discount when they complete certain designated correspondence courses.
	Video library • Employees have access to a library of about 600 videos that are available for viewing free of charge.
	Simple skill diagnostic system • This simple skill assessment system is available on Lotus Notes and is available to employees free of charge.
	Professional certification incentive program • This program provides financial assistance to employees for acquiring certain designated professional certification.
	Self-education courses • Programs include English conversation and other courses.

Initiatives targeting overseas facilities: Developing management talent in China

Omron takes developing local management personnel at its overseas facilities seriously.

In fiscal 2003, the company conducted a three-day management seminar at the Kyoto headquarters for 20 managers from its Chinese production facilities. Participants focused on deepening their understanding of Omron's management philosophy and business strategy, with additional time devoted to overcoming the culture gap between Japan and China and to mastering intercultural communication skills.

Self-education and employee education through e-learning

Omron has introduced e-learning self-education and learning systems that use the Internet and the corporate intranet as part of its program of supporting employees' autonomous efforts to develop their own skills and abilities.

In fiscal 2003, corporate support for self-education included collecting 50 e-learning courses provided by various educational groups and offering employees who complete those courses a full reimbursement of course tuition costs. Omron incorporated new subject matter addressing environmental issues into the employee education program (see page 47), and the company is committed to continuing to enhance course content by creating unique new subject matter.

e-learning

Human rights education

Eliminating historical discrimination

Omron continues to engage employees through systematic training in order to create a proper understanding and awareness of human rights, to eliminate historical instances of prejudice such as Japan's buraku-based discrimination of the past, and to create a positive and discrimination-free society and workplace.

A delegate responsible for encouraging education relating to human rights is selected for each department, usually from department management. These delegates are appointed in the name of the company president and serve to relay to their workplaces the corporate training they receive.

Not only these delegates but all employees, from directors to new staff, participate in the corporate training program to an extent determined by their position in the company. Directors, administrative personnel, general managers, and managers also participate in outside training programs as necessary.

Other initiatives cut across department lines, such as the internal and outside training programs conducted during Constitution Week in May and Human Rights Week in December, when employees submit slogans and display signs and posters around the company.

In fiscal 2004, Omron will be inviting temporary and part-time workers to participate in its human rights training program. The company is also considering widening the scope of its human rights education programs to include overseas affiliates.

For Our Suppliers

Fair transactions

Opening up opportunities for participating in transactions

Omron believes that purchasing should be conducted in a fair and open way. The company has incorporated regulations governing the purchasing process into its Corporate Ethics Action Guidelines and is committed to providing open access to a purchasing process that selects suppliers of products and services in a fair way, based on the principle of free competition.

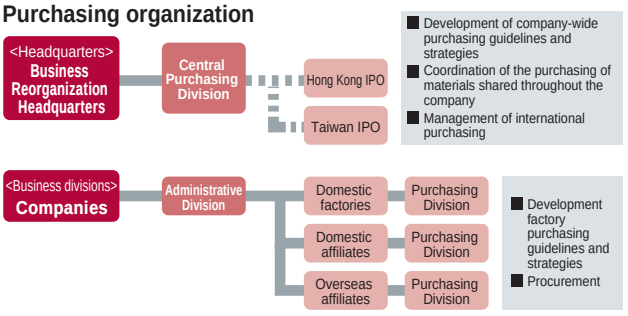
Selection criteria for suppliers consist exclusively of reasonable standards that are of critical relevance to the purchasing process, such as quality, price, delivery timeframe, and environmental considerations. The nationality, size, and delivery history of prospective suppliers are never considered. Omron strictly observes the Subcontractor Act and has forbidden "reciprocal transaction" practices that make the purchase of Omron products a precondition of selection. Practices that abuse the position of purchaser to force acceptance of inequitable conditions or otherwise run contrary to the principle of fairness are forbidden outright by the company's guidelines.

To Omron, good suppliers are important assets. Committed to building superior products and relationships of trust with suppliers through its fair and open purchasing rules, Omron is working to build a robust global network with its suppliers.

Purchasing policies

- **OPEN** Transparent purchasing practices are based on the principle of free competition.
- **FAIR** The purchasing process is fair and places value on building partnerships with suppliers.
- **GLOBAL** Omron is seeking global partners.

Purchasing organization



Supplier partnerships and the announcement of Central Purchasing Division guidelines

Responsible for coordinating the centralized purchasing of five* types of materials and processed goods used throughout the company, Omron's Central Purchasing Division oversees about 60% of all materials purchasing on a cost basis.

To restructure its purchasing process, Omron has sought to establish "best price" purchasing over the course of the last two years and has made progress in selecting and centralizing purchased materials and their suppliers. The company has basically sought first to improve quality and price standards by switching to materials and suppliers offering the best prices and subsequently to bring those standards closer to "best prices" ideals by centralizing purchasing.

Omron continues to place great importance on creating a win-win relationship, which the company calls a "relationship of collaborative innovation", with suppliers. Purchasing guidelines are announced at annual meetings that provide an opportunity for Omron to share information about the state of its businesses and purchasing policies with suppliers.

Omron has adopted guidelines that call for the expansion of its compensated supply program, where the company procures raw materials whose prices are rising rapidly at favorable prices and provides them to suppliers. The company is also involved in clearing fixed dies and providing technical support for improving quality and productivity.

Meeting announcing purchasing guidelines

*Five types of processed goods: Formed, sheet metal, machined, pressed, and printed circuit boards.

China Central Purchasing Center

Production volume for Omron's Chinese facilities, including China and Taiwan, is expected to grow by about 200% in the three years between fiscal 2002 and fiscal 2004, with further expansion expected in subsequent years.

China currently accounts for five of Omron's production facilities and two of its development and production management facilities. Until now these facilities have maintained separate purchasing processes, precluding the mutual sharing of information about competitive parts and suppliers and preventing the negotiation of comprehensive standards for common parts.

To address this issue, the China Central Purchasing Center was established in April 2003 in Shenzhen with the goal of supporting the purchasing activities of Chinese production affiliates and sustaining the rapid growth being experienced by Omron production in China. The center's primary mission is to implement "best price" purchasing by encouraging the evaluation and adoption of local materials and suppliers, providing centralized management of purchasing operations, standardizing the purchasing process, and performing centralized purchasing.

Omron plans to accelerate the switch to locally procured materials in partnership with local Chinese facilities and is committed to offering local suppliers the same fair and open access to the purchasing process as is provided in Japan.

China Central Purchasing Center

For Our Shareholders

Information disclosure and interaction

Always two-way communications

Another way to look at two-way communications with shareholders and investors is that they assure the transparency of management operations and allow us to reflect the valuable opinions of shareholders and investors in managing the company. This is the purpose of Omron's IR activities. In our efforts to achieve this target, we are working hard to provide information openly and in a timely manner.

Omron posts from time to time important information that we are obliged to disclose under the Securities and Exchange Law and the rules of disclosure of the Tokyo Stock Exchange on our website (http://www.omron.com), as well as other information that we are not obliged to disclose but which helps shareholders and investors to understand the company better. Moreover, the IR Department of our Tokyo Headquarters has created a library of business materials and also responds to information demands and interviews from institutional investors.

Open general shareholders' meetings

To make our Shareholders' Meeting more open and easier for shareholders to attend, Omron has in recent years scheduled the meetings around the shareholders' meetings of other big businesses, and used the hotel in JR Kyoto station building as the venue.

Also, for shareholders who cannot attend the meeting, we introduced an electronic voting system in 2003 with which they can exercise their voting rights online over the Internet. The meeting is also broadcast via a monitor to members of the press.

Furthermore, after the Shareholders' Meeting closes, we hold a separate meeting in which we explain to shareholders about management in an easy-to-understand fashion, and a confab at which shareholders can talk freely with management. Omron takes advantage of every opportunity to ensure two-way communications with shareholders.

Shareholders' meeting

A wide range of IR events

Other than the Shareholders' Meeting, Omron stages various events where we can communicate with shareholders and investors and they with us.

Every quarter, we stage a meeting in which we explain our business situation to institutional investors and the CEO travels around Japan and abroad to meet personally with institutional investors.

Explanatory meeting
for institutional investors

Increased investors by reducing unit shares

In a move to draw individual investors, Omron reduced the number of unit shares from 1,000 to 100 in August 2003. By lowering the minimum trading size, our goal is to make it easier to buy our stock. We also upgraded IR activities for individual investors by participating in the Individual Investor Fair sponsored by the Nihon Keizai Shimbun in September 2003. As a result of these efforts, the number of shareholders as of March 31, 2004, increased about 15% to 27,020 from the 23,574 registered at the same time the year before.

Disclosure efforts

Omron considers our website (http://www.omron.com) an important asset for IR disclosure. There, we post a wide range of content that we believe effective towards gaining the investor's understanding of the company. The content includes financial reports, information required by law, and text and video of the latest news out of Omron.

Our website was one of eight company websites which won the 2003 Internet IR Best Company Award from Daiwa Investor Relations. Selection was based on the quality of content amongst IR sites of 844 listed top companies. Our site also was named the 2003 Internet IR Best Effort Company Award for the marked improvements in content over this past one year. And, our site was selected the "2nd Best Site for Content" by Nikko Investor Relations.

Without contenting ourselves with these awards, Omron aims to build an IR site that is even easier to use.

We will also continue to publish our Annual Report, Environmental Report and other publications in order to clarify our position, record and targets in business and environmental protection.

Annual Report

Group Report

Fact Book

Best Company Award 2003

Best Effort Company Award 2003

Profit sharing

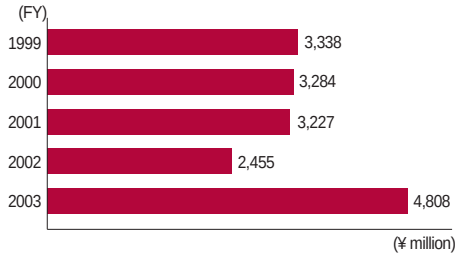
Approx. 20% of consolidated earnings paid as dividends

To attain our corporate target of “maximizing long-term corporate value”, Omron prioritizes an investment for growth such as research and development and equipment investment in the allocation of profits. On top of this, it is our policy to use capital surplus to maintain the cash at hand at an appropriate level and return the surplus whatever is possible to shareholders. While targeting 20% of consolidated earnings for dividends each term, we want to maintain a minimum annual dividend of ¥10 per share in an effort to stabilize dividend payout over the long-term.

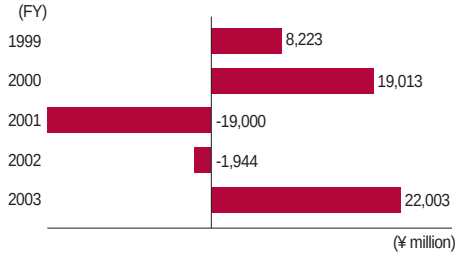
The annual dividend paid per share for the fiscal year ended March 31, 2004 was ¥20. Total payout was ¥4.88 billion for a dividend payout ratio of 17.93%.

As indicated above, the required amount of earnings for continued growth are retained internally, but it is Omron’s policy to return the capital surplus accumulated in a long-term to shareholders by stock buy-backs and other measures.

Dividends



Retained profits



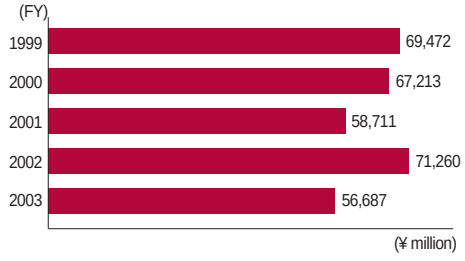
Reduction in interest-bearing liabilities

While watching the financial situation, Omron ensures efficient capital allocations and levels of the entire group by flexibly securing and paying back loans.

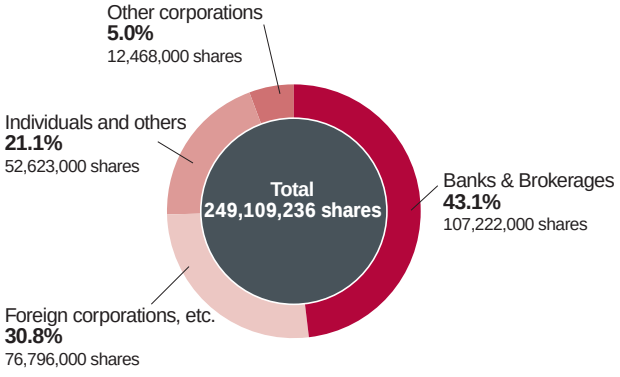
At present, because we have sufficient internal reserves, we have reduced the amount of interest-bearing liabilities to ¥56.687 billion as of March 31, 2004, greatly below our cash and cash equivalents balance of ¥95.059 billion.

Owner’s capital was improved by 2.1 points with respect to last term, at 46.4%. Debt redemption term was also greatly reduced to 0.7 years from the 1.7 years of last term.

Interest-bearing liabilities



Shares and ownership



Major shareholders	Ownership in Omron	
	Shares (x1,000)	Voting rights (%)
Japan Trustee Services Bank (trust account)	23,319	9.77
The Master Trust Bank of Japan (trust account)	22,278	9.34
State Street Bank & Trust	9,091	3.81
Bank of Tokyo-Mitsubishi	7,712	3.23
Nippon Life Insurance Company	7,419	3.11
Bank of Kyoto	5,717	2.40
Chase Manhattan Bank NA London	4,693	1.97
Investors Bank West Treaty	3,422	1.43
Mellon Bank Treaty Clients Omnibus	3,341	1.40
Chase Manhattan Bank NA London SL Omnibus Account	3,255	1.36

(NOTE) The above figures do not include the 9,884,000 shares owned by Omron.

For Our Customers

Universal design

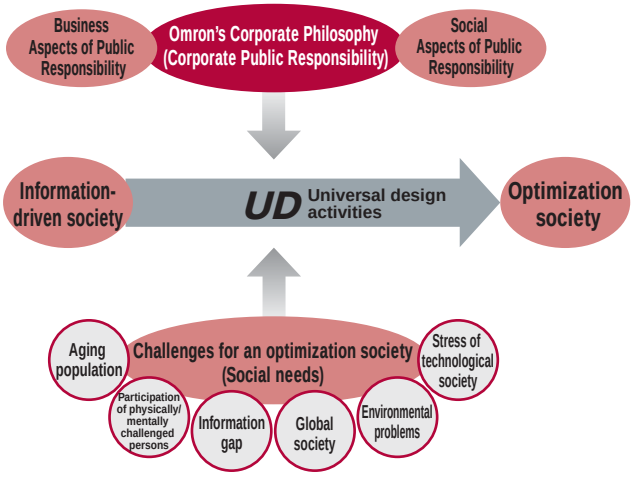
Creating business opportunities by pursuing an ease of use anyone can appreciate

Omron promotes universal design with products in the pursuit of our corporate public responsibility.

"Universal design" is an idea put forth by the late Ronald Mace of North Carolina State University in the '80s. Even the physically gifted appreciate a product that is simple enough and safe enough for physically challenged persons, children and the elderly to use. A good design for everyone is "universal". Omron agrees with this line of thinking.

At the same time, universal design has an added effect of creating business opportunities. Making a product easier to use for a greater number of people broadens the potential user base and leads to newer and bigger business chances.

Omron is involved with universal design with the goal of life for mankind, the market, society and the future.



• Automatic ticket machines

Easy to read, easy to use

Omron has done many things with the V7 automatic ticket machine so that anyone can use it. It employs a large monitor that displays buttons and fares in large format, and makes everything generally easier to see.

Also, the coin slot is conical in shape so that anyone can easily deposit coins. The lower front face is also indented to allow wheelchairs to get closer.

V7 automatic ticket machine

Large numbers and text

To prevent users from pressing the wrong buttons, fare buttons were enlarged. Moreover, the instructions and fares are displayed in a larger point and margins above and below numbers and text have been widened to make viewing easier.

New coin slot

The coin slot is shaped like a bowl to make it easier to deposit coins. Also, coin, bill and card slots are readily distinguished with highly visible pictograms and labels.

• Wrist-worn blood pressure monitor

Proper navigation of wrist position

Omron has condensed various efforts into the HEM-650 digital automatic blood pressure monitor so that users can easily and accurately measure their blood pressure by themselves, such as an easy-to-wear cuff that can be put on and taken off at the wrist with one hand.

To measure one's blood pressure, the monitor must be held at heart height. A difference of 10 cm produces an error of about 8 mmHg. In this regard, a wrist height guidance system navigates the cuff to the heart height by acoustic tone and digital indication. Once in the correct position, measurement starts automatically.

The HEM-650 also is designed with a large easy-to-see LCD panel and operating buttons so that even persons unaccustomed to the product can easily use it.

HEM-650 digital automatic blood pressure monitor

• Ear thermometer

No problem if eardrum orientation is unknown

An ear thermometer measures the temperature of the eardrum, which is the highest in the ear. Therefore, if the sensor does not properly face the eardrum, it will pick up the temperature of the ear canal. Omron's MC-510 ear thermometer uses "precise sensing" to record and display the highest temperature during measurement. Even if the user does not know the correct orientation of the eardrum, the MC-510 spots the highest temperature that is, the eardrum temperature, in as little as 1 sec.

Moreover, thanks to the easy-to-grip palm size, it is easy to measure the temperature of small children who can't stay still for long periods of time.

MC-510 ear thermometer

Product liability

To ensure product safety

A manufacturer must ensure the safety of products in the user's hands. Product liability (PL) is a very important issue at Omron and PL activities have been going on across the company since the '70s.

The basis of PL at Omron are the three Safe Design Rules: [1] eliminate or reduce potential risks in the product design stage, [2] take protective measures for risks that cannot be eliminated entirely, and [3] notify the user of inherent risks that remain in a product.

In addition to this, Omron enhances safety and reliability using Failure Mode and Effects Analysis (FMEA). In FMEA, we identify foreseeable troubles in advance, extract from them troubles that would have a high effect on the surroundings and then devise countermeasures for these troubles.

The products of our healthcare business such as thermometers are used by consumer households and are a good example for getting readers to understand the PL activities of the Omron Group. So, this page introduces the PL activities of Omron Healthcare Co., Ltd. which handles thermometers and similar products.

Quality assurance activities

As part of quality assurance activities, Omron ensures and improves product safety and reliability, and reflects user needs in products. We prioritize safety over functionality, performance and cost. At Omron Healthcare, members work hard to push safety beyond that of general electronic devices and ensure the higher safety level that are their products are naturally expected to have as healthcare and medical devices.

Moreover, it is absolutely essential to ensure that products can be safely operated by users and reflect user needs in them. Omron Healthcare hires individual users as monitors of new products. They use the product and provide feedback from a consumer's perspective. Monitors provide very valuable information for enhancing product reliability.

Monitor room

Privacy protection

Omron handles personal information in planning, development and sales activities. Protecting this information is another responsibility that we have with regard to products.

At present, four companies of the Omron Group — Omron Healthcare, Omron Matsuzaka Co., Ltd., Omron Software Co., Ltd. and Omron Personnel Service Co., Ltd. — have earned the Mark of Confidence for Privacy and Personal Data Protection of the Japan Information Processing Development Corporation*. To earn this mark, a company must submit to and pass the inspections of this corporation, which check to see whether internal management systems comply with Japanese Industrial Standards for personal information protection.

For example, Omron Healthcare members handle products in the healthcare and medical field where a vast amount of personal information is found. They are constantly thinking about what can be done to protect the privacy of users. Having taken steps to protect personal information early on, Omron Healthcare became the first comany in the Omron Group to acquire the Mark of Confidence for Privacy and Personal Data Protection, which happened in 2001.

* Japan Information Processing Development Corporation: A nonprofit organization that conducts operations to contribute to the development of information use in Japan, by working in close cooperation with information policies of the Ministry of Economics, Trade and Industry and other agencies.

Customer support

Omron Healthcare has a call center for answering product inquiries from customers across the country. Operators go through training to familiarize themselves with products, good manners and the medical sciences. They provide information on where to find dealers and how to use products, explain specifications, take orders for consumables and servicing, and handle complaints.

They are also providing support for making better products and ensuring higher quality, by feeding back the valuable opinions of users with whom they talk to the company. And, if problems cannot be dealt with over the phone, Omron provides tailored services such as sending staff directly to the user's place.

This same kind of call center has been set up in the USA, as well.

Call center

Policy on corporate citizenship activities

Corporate citizenship activities in Japan and abroad, and support for volunteer activities of employees

A company must serve society. This is the basis of Omron's Corporate Citizenship Declaration adopted in 1988 and Omron's Corporate Philosophy. These credos are the two underlying fabrics of the corporate citizenship activities that Omron conducts in Japan and, in line with local cultures and environments in countries around the world.

As evaluation indicators of our corporate citizenship activities, we have long turned to "innovation," "venture business," "humanitarianism" and "continuity." In particular, the activities of our Omron Taiyo factories are guided by "humanitarianism" and have helped to solve various social issues.

Omron continues to apply in-house know-how and technology from our fields of specialty to activities in partnerships with NPOs and governments such as development assistance for the Japan Alliance for Humanitarian De-mining Support. Moreover, the company is constructively involved in creating opportunities for employees to take part in volunteer activities on their own accord and during their own free time.

Corporate Citizenship Declaration

As a responsible member of society, we pledge to promote corporate citizenship activities toward the goal of creating a better society.

Activity Policy

- Corporate citizenship activities are important towards ensuring a sound and mutually fruitful coexistence with society.
- Corporate citizenship activities are spontaneous activities that cannot be forced upon us by others.
- Themes and methods that apply one's own strong points produce better results in corporate citizenship activities.
- Contributions to society elevate one's humanitarianism at the same time.
- Social contributions that require wisdom and sweat lead to respect and illumination.

Roles of the Better Corporate Citizen Center

Management of corporate citizenship activities of the Omron Group

Omron makes both "direct social contributions" through activities that we undertake as a company and "indirect social contributions" by supporting the volunteer activities of employees. Omron also pursues the effectiveness of activities by setting the scope as "group," "multiple sites" or "individual sites" according to activity theme.

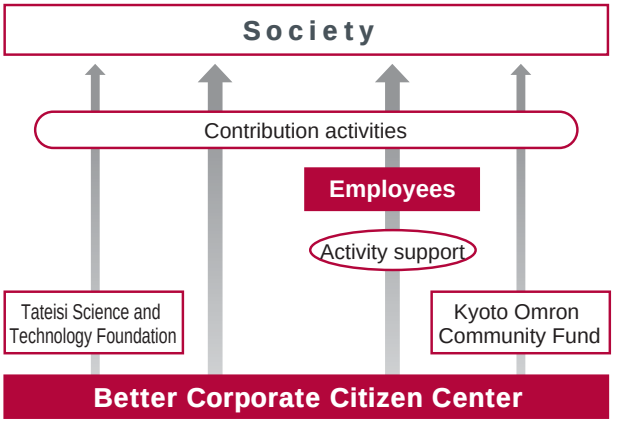
The Better Corporate Citizen Center manages corporate citizenship activities of the Omron Group.

Direct activities and support for employee activities

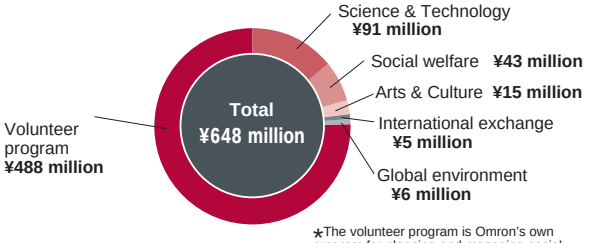
All group companies and the group as a whole promote "direct activities" that utilize our strong points in the form of "donations", "participation in and support for the activities of NPOs and other organizations," and "lending human resources to non-profit organizations."

At the same time, Omron promotes "indirect activities" by introducing and providing information on volunteer and donation activities and then supporting the employees who take part in them. These direct and indirect activities have a compounding effect, as can be seen in how assistants and helpers are aggressively sought amongst the workforce for events we support such as sporting events for the physically challenged and concerts.

Direct activities and support for employee activities



Break-out of expenditures for social contribution activities



*The volunteer program is Omron's own program for planning and managing social contribution activities.

Science & Technology

Tateisi Science and Technology Foundation: Aiding research and international exchange for the promotion of harmony between mankind and machines

The Tateisi Science and Technology Foundation was founded in 1990 for the purpose of building the best society possible from the dual perspectives of technological innovation and humanism. It provides financial support for research and international exchange for the promotion of harmony between mankind and machines in the fields of electronics and information engineering. In fiscal 2003, it selected 20 research themes and 5 international exchange themes, and provided a total of ¥44.52 million in financial aid for these projects. In May 2003, it held its 14th presentation ceremony of financial aid. Since its inception, the foundation has provided ¥716 million in financial aid for 411 projects. In the future, it will focus on grassroots activities and will continue to provide support more effectively to activities that bring cheers and happiness.

Presentation ceremony of financial aid

Support for de-mining using electric wave sensing technology

Since 2002, Omron has been taking part in the activities of the Japan Alliance for Humanitarian De-mining Support (JAHDS). Using in-house electric wave sensing technology, Omron helped develop the “Mine Eye” mine detector that clears landmines and other dangerous metal objects. In January 2004, Mine Eye was used to clear landmines in Sdok Kok Thom and surrounding areas of Thailand.

Removal of antipersonnel mines

Monument to the de-mining at Sdok Kok Thom

Social welfare

Omron Taiyo and Omron Kyoto Taiyo

Omron participates in and donates to the activities of the Japan Sun Industries social welfare foundation. In 1972, we formed Omron Taiyo (Beppu, Oita) as a special subsidiary for hiring physically challenged persons in a venture with Japan Sun Industries. We did the same again in 1986 with Omron Kyoto Taiyo. Both factories have a work environment that is easy for physically challenged persons to move about in and provides these persons with skills that help them to return to society. The two factories are a big lift to the Omron Group as productivity is high.

Work environment

First employee to receive the Labor Award of Excellence for physically challenged persons

Yasuhiro Tani receiving his award

At the Japan Awards for the Promotion of Employment of Disabled Persons in September 2003, Yasuhiro Tani of Omron Kyoto Taiyo was given the Labor Award of Excellence of the Ministry of Health, Labor and Welfare. Tani is the first employee of the Omron Group to receive this award.

He joined Omron Kyoto Taiyo in 1986 and has been in charge of orders and shipping operations. He is also an accomplished archer, having represented Kyoto at the 2000 National Sports Games for the Challenged. When receiving the award, Tani said, “I will make even greater efforts in my work and life so as not to embarrass the honor of this award.”

Support for sporting events of the disabled persons

Omron supports sporting events for the disabled persons such as the Oita International Wheelchair Marathon and the Wheelchair Ekiden (Kyoto).

The 23rd Oita International Wheelchair Marathon was staged in November 2003 with 384 participants from 20 countries. Some 64 persons from the Omron Group volunteered their time to help out at this event.

The 15th Wheelchair Ekiden was held in February 2004 with 295 persons from 33 teams. The Kyoto A Team of Omron Kyoto Taiyo finished in 3rd place. Also, 29 group employees participated as volunteers to help the events proceed smoothly.

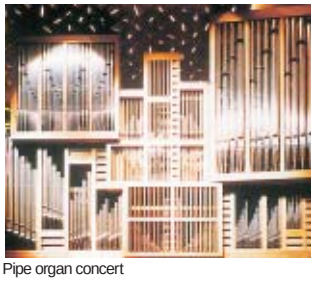
23rd Oita International Wheelchair Marathon

For Society

Arts & Culture

Pipe organ concert

Omron donated a pipe organ to the Kyoto Concert Hall that was completed in the fall of 1995. Since then, the company has sponsored the Omron pipe organ concert series to bring the enjoyment of pipe organ music to a greater number of people, and created many opportunities for young organists to perform in concert.


Pipe organ concert

In May 2003, a performance was given by Helmut Deutsch of Europe, while in September, Kimiko Nakayama performed and, in February 2004, Hatsumi Miura.

Omron Cultural Forum

In a tie-up with the NHK Kyoto Culture Center, Omron stages cultural forums for the general public. Omron invites writers, scholars and others active in various fields of learning to speak at the forums.


Omron Kyoto Cultural Forum

The forum itself is broadcast by NHK Radio. Since first being launched in 1989, 150 forums had been held as of March 2003 with an overall attendance of about 35,000 people.

International exchange

Employee volunteer activities for developing nations and war-displaced persons

In the field of international exchange, activities center around the work done by volunteers from Omron's workforce in the Foster Plan, sweater knitting charity and other initiatives.

The Foster Plan is a United Nations authorized and registered NGO that promotes various projects concerning health, hygiene, human resource development and technical support in developing nations. Since 1996, Omron has been supporting foster children with matching gifts of the same amount donated by managers via Omron volunteer cards. In 2003, the company matched the ¥300,000 donated by managers to provide a total of ¥600,000.

The sweater knitting charity employs volunteers to knit sweaters for Kosovo refugees and Mongolian street children. In 2003, 48 persons from Omron volunteered and knit 59 sweaters. Overall, 2,018 sweaters were knitted and donated to the children.


Children wearing donated sweaters


Foster children

Global environment

Forest volunteers and seminars

Omron has been involved in forest volunteering in a cooperative activity with the town of Keihoku, Kyoto, since 2001. By thinning, pruning and engaging in other forest maintenance activities, Omron aims to create more awareness in society for the role forests play in our environment.

May 10 is Omron Day and, for the occasion, a seminar is staged on forests. Volunteers start by learning about forest work and then actually take part in it.


Forest volunteers in Keihoku

Omron Day in Japan and community service activities

Volunteer activities on Omron Day


Clean-up activity by Omron Okayama

Since 1991, May 10 – the anniversary of our founding– has been "Omron Day." This day is for volunteer activities at group companies around the world. As a gesture of gratitude for the regular support and cooperation shown by the local community, employees take part in clean-up activities in the local area visit community institutions, donate blood and plant trees. All of these activities are done on company time, but Omron is more than happy to give our employees this opportunity to serve as a volunteer. Omron Day lets employees around the world play out the corporate public responsibility set forth in our corporate motto – "at work for a better life, a better world for all."

Kyoto Omron Community Fund


Human Awards presentation ceremony

In Kyoto, location of Omron's world headquarters, Omron takes part in community service activities by adding support to social welfare activities of local communities, youth upbringing, empowerment and equality initiatives for women, living environment improvement projects and more. At the 18th Human Awards staged in November 2003, three persons were recognized for their outstanding contributions to local social welfare improvement and youth development. They were Yukiko Kada who headed up the "Children, Rivers and Neighborhoods Forum", Takao Kuroda, Director of the Maizuru Welfare Foundation and Yoshie Yoshioka, Director of Wakaba En Foundation.

Omron Day overseas and community service activities

USA: Public welfare activities in local communities


Clean-up activity at the Clearbrook Center

On Omron Day in North America, employees in various areas took part in welfare activities of the local community and had an enjoyable and rewarding experience.

Omron Electronics took part in the clean-up activities of the Clearbrook Center, a support organization for persons with developmental disabilities, as well as clean-up activities in the Fischer Woods Forest Preserve on Lake Itasca. Omron Systems and Omron Transaction Systems made donations to the Little City Foundation for physically challenged persons in Palatine, Illinois. The employees of Omron Healthcare donated school supplies and blood, and spent a happy time with residents of a local home for the elderly celebrating a birthday. Omron Automotive Electronics did a food drive of canned goods and preserved foods, which they delivered to the Northern Illinois Food Bank. Omron Manufacturing of America helped out planting and setting up benches in St. Charles Park area and took part in clean-up work at local public facilities.

Brazil: Historical exhibit for youth


Children invited to the exhibit

Because Omron Day fell on the same weekend as Mother's Day in Brazil, a smaller turnout than usual was expected. Therefore, through the services of a charity organization called "Caminhando", Omron invited unfortunate children and teens to the "Emperor Qin's Terracotta Warriors" exhibit held at the largest park in the city, Ibirapuera Park.

The actual size terracotta warriors and horses were buried about 2,200 years ago and discovered only in the '70s. The newspapers called the exhibit "greater than that held in China". These children were able to view it all from up-close. A picnic followed with "Caminhando" providing sandwiches and pie, while Omron brought the snacks. It was a wonderful day for the children as they got to brush up against the magnificent history and lifestyle of China and learn about a different culture and time through the facial expressions, clothing, furniture and trappings of the terracotta warriors.

Corporate citizenship activities in North America — Omron Foundation, Inc. (OFI)

In North America, corporate citizenship activities center around the Omron Foundation, Inc. (OFI). OFI was founded in Illinois in 1989. Omron subsidiaries in the USA and Canada donate 0.1% of sales to this activities fund. Additional donations are made by Omron Management Center of America Inc. (Omron's regional headquarters for North America) OFI has an annual budget of about $440,000, which they use for education and support activities for physically challenged persons, such as donating to the scholarship funds of five universities in the state of Illinois.

Also, on Omron Day (May 10), it support the community service activities of Omron's North American subsidiaries. In 2003, about 2,000 Omron employees in North America served as volunteers.

For Society

Omron Day overseas and community service activities

China: Constructive health and welfare activities

Walking rally

In early 2003, China was hit hard by SARS and outdoor activities were temporarily interrupted. Omron Healthcare China felt there was a need for activities that would exercise the body and improve health and so they planned a walking rally for elderly persons with the cooperation of governmental offices.

On October 11, 2003, a walking rally was staged in Shanghai along a course that crossed the city from south to north. Some 3,000 people amongst those involved and the general public turned out for the event.

Also, as a contribution to the fight against SARS, Omron Healthcare China donated a total of 6,000 electronic thermometers to health authorities in China's 21 provinces. At the same time, a public announcement was made explaining the importance of managing body temperature in the early detection of SARS, which served to make people cautious and dispel uncertainties.

Not only will Omron continue to market healthcare products but it will also develop pioneer activities to maintain and improve the health of elderly people.

Malaysia: Park clean-up activities and donations

Clean-up members at Waterfall Park

Many of the employees at Omron Malaysia started early in the morning picking up garbage in the Sungai Tekala Waterfall Park and sorting it for waste recycling. It was a bone-breaking activity that not only made the park clean but also attained the objective of raising social awareness of the environment. The company also organized a week-long recycle campaign that encouraged all employees to donate useful items from their homes to various charitable organizations.

Omron Electronics started a fund-raising drive for a charity home. Last year, it donated 10,200 Ringgit Malaysia (US$2,680), which Director Tiong Khe Hock handed over to the charity organization in a presentation ceremony on May 8. At the ceremony, Director Tiong said, "As a responsible corporate citizen, Omron is always thinking about ways to soothe the pains of the unfortunate, abandoned and forgotten."

Thailand: Orphan support

Children at Srakaew Temple

On Omron Day in Thailand, Omron Automotive Electronics planned a large event to hold games and donate stationery to the 1,500 orphans at Srakaew Temple. Plans were called off because the task was too big for the 30-person staff. Nevertheless, the workforce grew to 60 this year, so management decided to stage the event.

All personnel participated. They were divided into five teams: Gift Team, Games & Activities Team, Stage Team, Coordination Team and Babysitting Team. Fun games were played to foster harmony and teamwork. The children were both thrilled and focused, and bursting with smiles when awards were handed out. Seeing that made us happy.

The event was planned on the thought that "children are our future." What we are doing today is for the future of these children and ourselves.

Australia: A Day of blood, sweat and tears

Blood donation to the Red Cross Blood Bank

The enthusiastic employees of Omron Electronics' Sydney Office took part in volunteer activities of the local community. Several of them donated some 3 liters of blood to the Australia Red Cross Blood Bank. Others, as assistance to the local government, cleared away wild brush around the office. It was a sweaty job that ended with some tears as they got pricked by the thorns of the lantana weed. In just this one day, they cleared about 625 m^2 of brush, which impressed local council representatives.

The following day, employees that participated in activities were sore all over, but they were proud to have shed blood, sweat and tears for the community.

Environment Awareness

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A System to Abolish Regulated Substances in Europe
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56 Eco-Logistics
57 Eco-Communication

Besides reducing the burden that its business activities place on the environment, Omron is working to develop products and technologies that protect the environment.

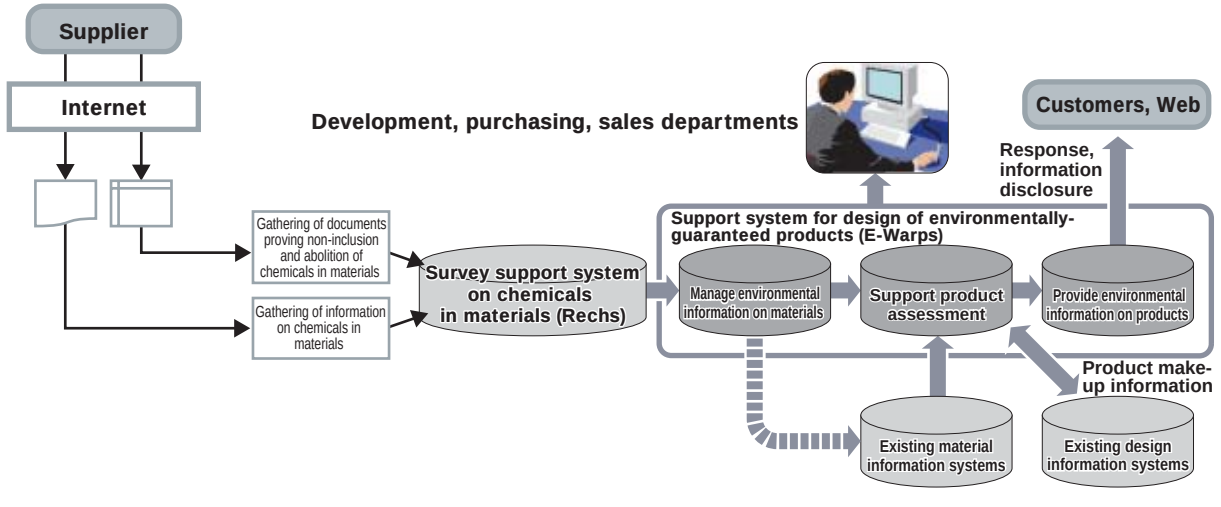
Both of these constitute our efforts to become an environmentally advanced company that balances environmental preservation with economic development.

Reducing Hazardous Substances

RoHS & ELV

A System to Abolish Regulated Substances in Europe

The RoHS directive to ban the use of six hazardous substances, such as lead used in electrical and electronic equipment, will go into effect in Europe in July 2006. As of July 2003, governments on the continent have also banned the use of four hazardous substances, including lead, in cars. The US and China are also looking into similar regulations as countries around the world increasingly put pressure on private enterprise to stop using things like hazardous chemicals and heavy metals in products.
Omron is in the forefront of this movement to abolish hazardous substances from our products. In fiscal 2003, we established "Rechs", a survey support system on chemicals in materials, and "E-Warps", a support system for design of environmentally-guaranteed products.



Guaranteeing safe management of regulated substances

With the increasing awareness of environmental preservation around the world come increasingly tougher laws and regulations regarding chemicals in Japan, Europe, North America, China, and elsewhere. This makes the management and abolition of such chemicals a critical issue for companies. In Europe, directives like RoHS*1, ELV*2, and WEEE*3 are requiring companies to develop products that use no hazardous chemicals. The RoHS directive prohibits the use of six specified hazardous substances (lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyl, and polybrominated diphenyl ether). The WEEE directive requires companies to establish systems for separating electrical and electronic equipment from normal garbage for collection and recycling. The ELV directive prohibits the use of four specified hazardous substances (lead, mercury, cadmium, and hexavalent chromium) in cars and requires the collection and recycling of used cars.

In May 2003 in Japan, the Law concerning the Examination and Regulation of Manufacture etc. of Chemical Substances was revised. China is currently considering its own version of the RoHS directive, called the Law for Prevention of Pollution in the Manufacture of Electronic Information Products.

In line with these trends, Omron is working to come out with products guaranteed to use no banned substances. In October 2003, we re-evaluated the regulated chemicals that we handle and designated 212 groups of these chemicals (approximately 800 substances) as controlled substances. From November 2003, we launched two company-wide projects. One of these is the Regulated Chemicals Survey Project, which helps us speed up surveys of regulated chemicals in parts and materials used in products. Another is the Regulated Chemicals System Creation Project, which allows us to use collected survey data in product design and information disclosure.

*1: RoHS directive: Restriction of Hazardous Substances (directive on restricting the use of specified hazardous substances in electrical and electronic equipment)
*2: ELV directive: End of Life Vehicles directive (directive on used cars)
*3: WEEE directive: Waste Electrical and Electronic Equipment (collection and recycling of electrical and electronic waste)

Support system for the design of environmentally-guaranteed products

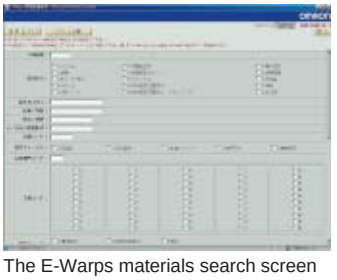
Under the Regulated Chemicals Survey Project, we built the Rechs (survey support system on chemicals in materials) system to receive information, such as documents of proof of non-inclusion of regulated chemicals in materials and information on regulated chemicals, from suppliers via the Internet. We have used this system to confirm and approve collected data.

Prior to this survey, in October 2003 we published the Manual on Survey of Chemicals in Materials for the entire Omron group and held a materials survey explanation meeting for approximately 800 of our suppliers in Japan. At the meeting, we urged suppliers' cooperate as we explained the reason for the surveys, our green procurement policy, and how to respond to survey questions on regulated chemicals according to manual guidelines.

We're also moving ahead with surveys of materials purchased outside Japan. We held explanation meetings for approximately 300 suppliers in China, Malaysia, and Indonesia.

With the Regulated Chemicals System Creation Project, we work to improve our environmental performance by using Rechs' data to design environmentally-guaranteed products, investigate IT tools to disclose information to customers, and guarantee that there are no banned substances in any of our products. This project resulted in the development of E-Warps (a support system for the design of environmentally-guaranteed products), which went partially into operation in April 2004 with the aim of totally abolishing substances covered by the RoHS directive.

We're looking into including new functions in E-Warps, such as providing information on the environmental friendliness of products, streamlining the development of environmentally-guaranteed products, and applying the system to our overseas bases. By the end of March 2006, we plan to be making only environmentally-guaranteed products at all Omron bases around the world.



The E-Warps materials search screen

Materials survey explanation meeting for Japanese suppliers

Developer's comment: Giving customers environmentally-guaranteed products

Naoya Hosomi
Quality & Environment Department, Corporate General Affairs HQ

We developed E-Warps, an IT tool that streamlines development and design processes and thus helps us abolish regulated chemicals from our products. The E-Warps system makes it easy for us to determine whether our products or parts purchased from suppliers contain any regulated chemicals. We're working to expand the functions of E-Warps so that we can use it to do things like select substitute parts and provide our customers with information.

Basic Environmental Ideals

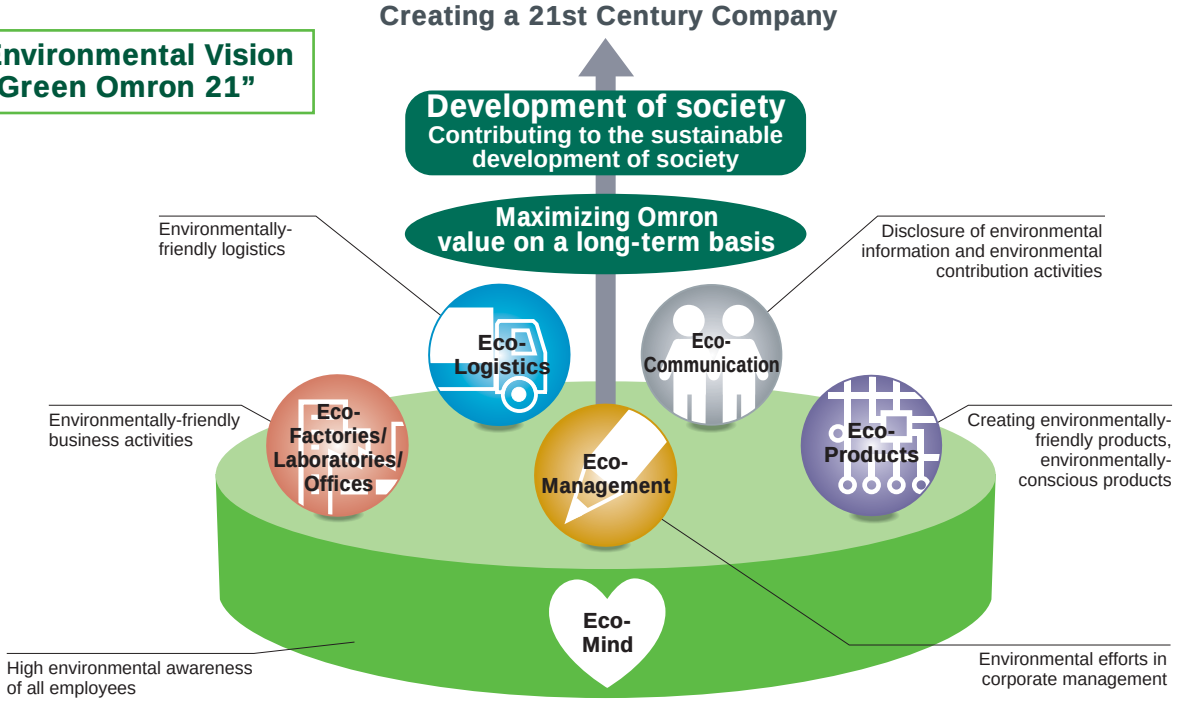
Responding in good faith to our stakeholders while at the same time contributing to the construction of a sustainable society

At Omron, living in harmony with the environment is an absolute necessity of our business. We understand that environmental preservation is the most important task at hand in the management of a company.

Based on this understanding, we established our "Green Omron 21" environmental vision in May 2002, aimed at increasing the value of our company in the long term and contributing to the creation of a sustainable society. We also established action plans and targets to be achieved by the end of fiscal 2005 in a number of areas based on Eco-Mind: Eco-Management, Eco-Products, Eco-Factories/Laboratories /Offices, Eco-Logistics, and Eco-Communication. As stated in our Environmental Policy, it is our duty to respond in good faith to environmental issues raised by our stakeholders.

In fiscal 2004, we also plan to establish a long-term environmental vision that will cover the period from the present until fiscal 2010.

Environmental Vision "Green Omron 21"



Environmental Declaration

We pledge to aspire to harmonize with nature and work for a better environment through activities showing a strong sense of public responsibility.

Environmental Policy

In accordance with our environmental declaration, we have made environmental issues one of our most important management concerns. All corporate activities, services, and products of the Omron Group, including our microelectronics and service operations, will be subject to our environmental policy, as outlined below.

Basic Law Observance

Observances of the Environmental Basic Law and all related laws as well as maximum response possible prior to the enactment of such legislation and provision of voluntary standards to encourage preservation of the environment.

Response to Environmental Issues

Any environmental issue raised by an interested party will be responded to in good faith.

Support Structure

Appointment of Senior Environment Officer and establishment of a specialized corporate organization at Omron headquarters. Establishment of overall corporate organization, factory organizations, and promotion of cooperative efforts among these organizations.

System

Establishment of an Environmental Management System (EMS) compatible with ISO 14001.

Specific Goals

Each environment-related organization to select relevant goals from listed priorities and promote continual improvement of EMS and reduction of the burden our activities place on the environment.

1) Development of technology and products that contribute to a reduction of the burden our activities place on the environment for our customers
2) Purchase of environmentally-friendly materials, fixtures, and fittings
3) Activities to improve resource productivity
4) Energy conservation to cut CO_2 emissions
5) Pollution reduction and prevention in regional environments

Determination and Review

Environmental improvement objectives and targets to be fixed, environmental audits to be conducted over fixed time frames, and environmental management to be reviewed, improved, and maintained.

Instruction and Training

All staff to receive instruction on environmental policy and participate in related training activities.

Social Contribution

Active participation.

Disclosure

Environmental policy and strategies to be made available for public use in the appropriate form.

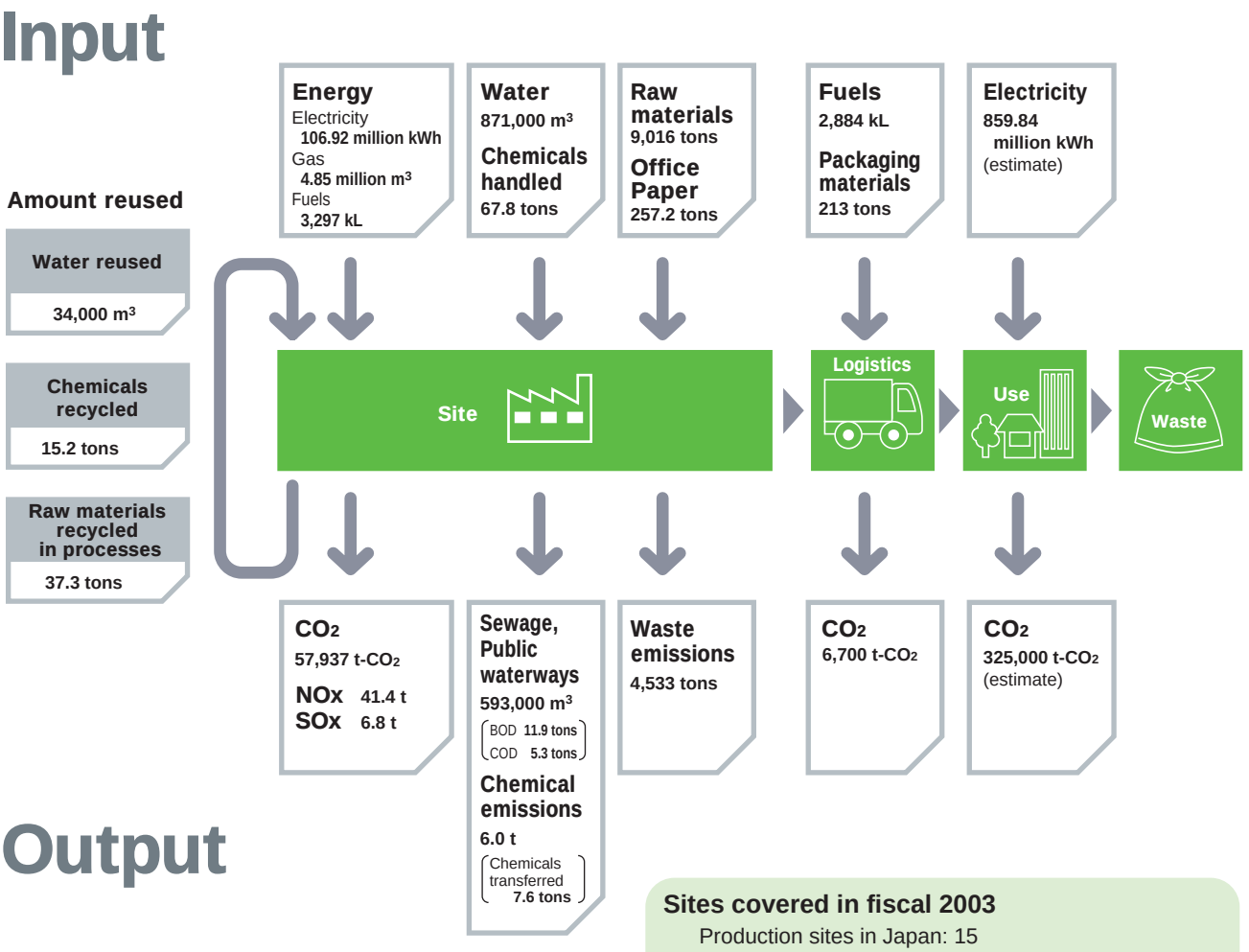
(Enacted: April 1, 1996; Reviewed: July 1, 2003)

Mass Balance (Input and Output)

Environmental burden increased with production increases, but efficiency of use improved

Since we increased our production volume in fiscal 2003, there was an increase in most of the environmental burden items. However, companywide environmental preservation activities allowed us to improve performance on a production unit basis.

We must now [1] enact measures to deal with the increasing environmental burden from increased production volume in Japan, and [2] enact measures to deal with the increasing environmental burden from increased production volume at our overseas bases.



Sites covered in fiscal 2003

Production sites in Japan: 15
Non-production sites in Japan (offices, laboratories): 7
Non-production affiliates in Japan: 2 (this category not covered in fiscal 2002)

Input

Electricity:	Electricity purchased from electric power companies for production facilities, offices, etc. Electricity consumed when using products (estimate)
Gas:	Utility gas and LPG as energy source
Fuels:	Kerosene, light oil, and heavy oil as energy source
Water:	Tap water, water for industrial use, groundwater
Chemicals:	Amount of regulated chemicals used in manufacturing processes (PRTR materials)
Paper:	Copy paper at production facilities, offices, etc.
Raw materials:	Molding materials and metals for product manufacture
Packaging materials:	Cardboard used for sending products

Output

CO_2:	CO_2 emissions from electricity, gas, and fuels
NOx:	NOx emissions from gas and fuels
SOx:	SOx emissions from gas and fuels
Sewage, public waterways:	Industrial wastewater from production facilities, domestic wastewater
Chemicals:	Output to the atmosphere, soil, and public waterways Waste and amount transferred to sewage systems
Waste emissions:	Industrial waste from business activities, general waste from business
BOD:	Biological oxygen demand (oxygen needed by microorganisms to clean water)
COD:	Chemical oxygen demand (oxygen needed by oxidizing agents to clean water)

Targets and Results

Theme		FY2003 Targets	FY2003 Results
Eco-Mind	Environmental education	Establish and start environmental education programs	• Started different levels of environmental education (for new employees, managers) • Completed launch of environmental e-learning site
	Environmental awareness	Implement environmental month activities	Accepted ideas for environmental proposals and environmental logos for environmental month activities (June)
Eco-Management	Environmental accounting	• Review and expand environmental accounting • Establish global standards	Looked into internal indicators for environmental accounting
	Pollution control, environmental risk management	Eliminate all cases of non-compliance with environmental laws and regulations pollution, claims and complaints	Eliminated all cases of non-compliance with environmental laws and regulations, pollution, claims and complaints
	ISO 14001 certification	Acquire and maintain ISO 14001 certification	• Maintained and upgraded certified sites • Certification acquired by two non-production sites in Japan and one production site overseas
Eco-Products	Development, supply of Eco-Products	Make Eco-Products account for 50% of new products	Eco-Products accounted for 69% of new products
	Creation of products with fewer, or no, regulated chemicals	Abolish lead, cadmium, and hexavalent chromium from all new products	All lead, cadmium, and hexavalent chromium eliminated from new products
	Green procurement	• Revise green procurement standards • Introduce green procurement standards to major overseas suppliers	• Revised green procurement standards • Carried out surveys on regulated chemicals in parts
	Product recycling and reuse	Maintain at least a 98% recycling rate for ATMs	Maintained at least a 98% recycling rate
Eco-Factories/ Laboratories/ Offices	CO_2 emissions reduction	Keep total CO_2 emissions from domestic production sites equal to or less than 44,902 t-CO_2 (5.7% less than fiscal 1995 levels)	Emitted 44,642 t-CO_2 (6.2% less than fiscal 1995 levels)
	Waste reduction, recycling	Achieve a total waste recycling rate of at least 96% and a final disposal rate of 0.5% or less at domestic production sites	Recycling rate of 97.2% and final disposal rate of 0.13%
	Green procurement of stationery and office supplies	Achieve a 100% registration rate of green products for SLIM (Strategic Linkage for Intelligent procurement Management)	Achieved a 100% registration rate of green products for SLIM
Eco-Logistics	Reduction of environmental burden from logistics	Promote CO_2 emission reduction	Expanded routes to reduce emissions and defined data gathering rules
	Resource conservation for logistics	Continue to eliminate use of cardboard	Continued a returnable container system at 140 major distribution bases
Eco-Communication	Environmental communication (environmental report, site reports)	Publish environmental report annually	Published the environmental report (June)
		Promote more disclosure of site information	Included more overseas production sites and domestic non-production sites in information disclosure
	Environmental communication (public relations, exhibitions, etc.)	Regularly update environmental website (improve functions for supplementing reports)	New content added (list of Eco-Products, data tables)
		Continue to participate in environmental exhibitions	Took part in Shiga Environmental Business Exhibition (November) Took part in Eco-Products Fair (December)
	Environmental and social contribution activities	Continue to contribute to society and improve contributions	• Carried out social contribution activities on Omron Day (anniversary of company foundation) • Continued sending employees as forest preservation volunteers

Assessment ○ : Target achieved △ : Target partially achieved × : Target not achieved

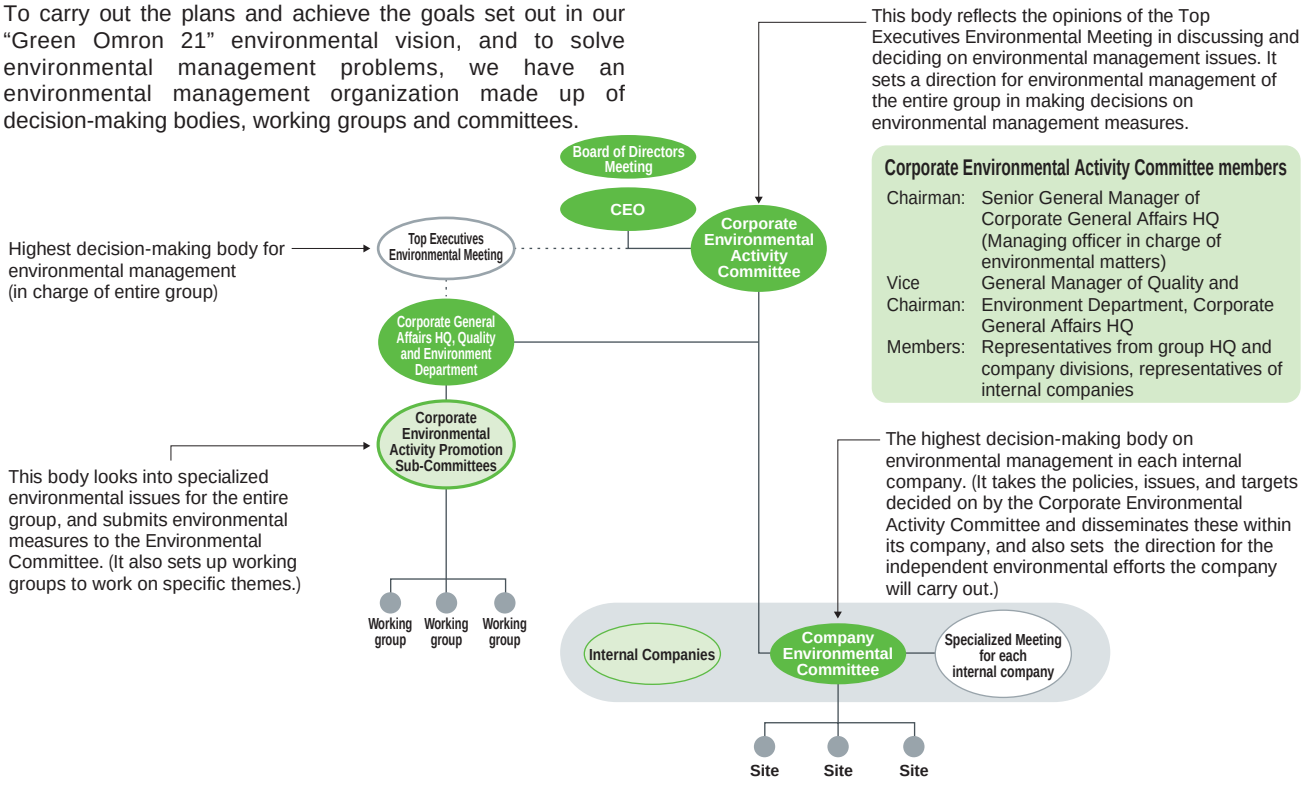
Assessment	FY2004 Targets	FY2005 Targets	Reference
△	• Start environmental education programs • Operate e-learning, expand content	Expand environmental education programs to entire company	Page 47
○	Implement environmental month activities	Implement environmental month activities	Page 47
△	• Expand environmental accounting indicators • Establish global standards	Carry out environmental accounting globally	Page 41
○	No cases	No cases	Page 40
○	• Acquire and maintain certification • Expand certification to overseas non-production sites	Acquire and maintain certification	Page 38
○	Make Eco-Products account for 75% of new products	Make Eco-Products account for 100% of new products	Page 42
○	Work to abolish use of banned substances	Abolish use of banned substances in all products	Page 43
○	Assess suppliers in Japan and overseas based on new standards	Complete assessment of suppliers in Japan and overseas based on new standards	Page 46
○	Maintain at least a 98% recycling rate	Maintain at least a 98% recycling rate	Page 44
○	CO_2 emissions of 44,564 t-CO_2 (6.4% less than fiscal 1995 levels)	CO_2 emissions of 44,227 t-CO_2 (7.1% less than fiscal 1995 levels)	Page 49
○	Achieve total waste recycling rate of at least 98% and final disposal rate of 0.1% or less	Total waste recycling rate of 100% and final disposal rate of 0%	Page 50
○	Maintain a 100% registration rate of green products	Maintain a 100% registration rate of green products	Page 46
○	Continue to reduce emissions	Continue to reduce emissions	Page 56
○	• Take action for reducing use of cardboard • Consider using bands for securing cargo	• Take action to reduce cardboard • Use bands for securing cargo	Page 56
○	Continue publishing report annually (add more social and economic reporting)	Continue publishing report annually (add more content for CSR report)	Page 57
○	Expand to include domestic non-production affiliates	Include domestic and overseas group site reports (all ISO 14001-certified sites)	Page 57
○	Continue to update regularly	Continue to update regularly	Page 57
○	Continue to participate in exhibitions	Hold environmental forums open to the public	Page 57
○	Continue to have major sites carry out social contribution activities	Continue to have major sites carry out social contribution activities	Page 57

Eco-Management

Environmental management system

Environmental management promotion

To carry out the plans and achieve the goals set out in our "Green Omron 21" environmental vision, and to solve environmental management problems, we have an environmental management organization made up of decision-making bodies, working groups and committees.



85% of all group employees work at ISO 14001-certified sites

In fiscal 2003, OMRON Electronic Components (Shenzhen) Ltd., a new production base in Shenzhen, China, received ISO 14001 certification. In Japan, the Kyoto Shijo site of Omron Healthcare Co., Ltd., a new Omron base, and eight sites of Omron Software Co., Ltd., a domestic non-production company, were certified for ISO 14001.

This brings the total of ISO 14001-certified sites (as of April 2004) to 17 production sites and 24 non-production sites in Japan, and 16 production sites overseas, for a total of 56 certified sites for the Omron Group as a whole. This puts 20,707 of the 24,331 employees in the Omron Group in ISO 14001-certified sites. (See our website for details of data such as certified sites and company names.)

Trial system for assessing degrees of environmental management at internal companies

In fiscal 2003, Omron began implementing its System for Assessing Degrees of Environmental Management at Internal Companies on a trial basis.

With this system, internal companies are assessed and ranked based on three items: how they reduce environmental burden through products; how they reduce environmental burden through their sites; and whether they abide by environmental laws and regulations. This puts Omron group companies in friendly competition to pay attention to environmental preservation. For internal companies that fail to achieve environmental targets, we require that they invest more in environmental preservation and carry out specific appropriate action. The goal is to speed up environmental preservation efforts and create an atmosphere in which the environment is a top priority.

In fiscal 2003, we mainly carried out assessments of results at domestic production sites. We now plan to expand the system to domestic non-production sites and overseas production sites, and to revise assessment items to make them more accurate indicators, all in efforts to create an atmosphere where the environment comes first.

Details of trial assessment system

	FY2003	FY2004
Sites covered	Internal companies (Domestic production sites)	Internal companies (Domestic production sites, domestic non-production sites including the headquarters, overseas production sites)
Assessment items	• Environmental burden reduction through products (Eco-label approved products, reduction of regulated chemicals) • Environmental burden reduction through sites (energy conservation, resource conservation, reduction of regulated chemicals) • Compliance with environmental laws and regulations (soil and groundwater pollution on site, banned substances in products, complaints by local residents of environmental violations)	

Environmental auditing

Internal auditing by each site and by the headquarters

Omron carries out two kinds of auditing: site internal environmental auditing, based on the environmental management system at each site; and group environmental auditing, which is carried out by corporate headquarters. These audits assess things such as the operation of environmental management systems, compliance with environmental laws and regulations, and environmental risk measures.

In addition, third party organizations conduct regular audits of Omron to determine compliance with ISO 14001 standards.

Internal auditing system and audit items

Audit type	Audit items
Group environmental audit (audits once every two years at all sites)	• Compliance with environmental laws and regulations • Environmental risk measures • Progress with group environmental action plans (targets)
Site internal environmental audit (audits once or twice a year)	• Compliance with ISO 14001 • Operation of environmental management system at each site (adherence to manuals, rules, procedures, etc.) • Achievement of environmental goals and targets, progress with environmental management programs

• Results of group environmental audits

In fiscal 2003, we carried out group environmental audits of two sites based on a new group environmental auditing system.

Group environmental audits stress compliance and improvement of environmental performance, placing priority on observance of environmental laws and regulations, environmental risk measures, and progress in implementing group environmental action plans.

When problems are discovered during an audit, the site is ordered to take measures to resolve the situation and review its work processes to prevent recurrence of the problem.

Points for improvement (2 sites)

Classification	No. of cases
Major points	1
Minor points	6

* Points are based on assessment standards of group environmental audits

Audit situation

There were no violations of environmental laws and regulations, such as non-compliance with legal standards or failure to make the proper reports under law, and no cases of environmental pollution.

There were, however, some points for improvement that would ensure fuller legal compliance.

Overview of points for improvement

- Delays in taking correctional measures against wastewater in excess of voluntary standards (voluntary standards are significantly stricter than legal standards)
- Some examples of late gathering of copies of permits for waste disposal outsourcing companies
- Delays in reflecting legal revisions in paperwork (response to revisions being implemented)
- Insufficient confirmation record at final waste disposal site
- Need to improve method of distinguishing between relevant laws and regulations when listing site chemicals
- Delays in registering new facilities on lists of environmentally-related facilities (prior assessment completed)

Auditing

Auditing

• Results of site internal environmental audits

In fiscal 2003, we carried out internal environmental audits at all ISO 14001-certified sites.

Points for improvement

Classification	No. of cases
Major points	13
Minor points	305

* Points are based on assessment standards of individual site environmental audits.
* Number of all cases for 15 production and 24 non-production sites in Japan and 16 production sites overseas.
* Average points for improvement per site: 5-6

Audit situation

There were no violations of environmental laws and regulations, such as non-compliance with legal standards or failure to make the proper reports under law, and no cases of environmental pollution.

There were, however, points for improvement regarding the operation of site environmental management systems and environmental performance issues.

Overview of points for improvement

- Failure to sample certain aspects of environmental burden assessment, insufficient assessment
- Delay in revising environmental management programs (timing)
- Delay in reflecting applicable new and revised laws and regulations in various documents (being implemented)
- Insufficient response in correcting non-compliance with respect to targets not achieved (handling using a different method)
- Insufficient recording of details of education, delay in implementing plan
- Insufficient recording of checks for waste and chemicals
- Insufficient correctional measures for non-compliance in response to values exceeding voluntary control standards (measurement values for water quality in sewage treatment tank)
- Need to add contact persons to contact network for emergency situations
- Failure to create standards for handling and storage of chemicals
- Need to improve information displayed on environmentally-related facilities such as dangerous substance chambers (display information unreadable, failure to update display information)

Others: Insufficient record of operations and environmental documentation, failure to record items, failure to make distinctions

• 175 more internal auditors for a total of 436

The headquarters held two-day internal environmental auditor training, while each site held internal auditor training, resulting in the certification of 175 new internal environmental auditors in fiscal 2003.

This brings to 436 the number of Omron group internal environmental auditors in Japan.

Eco-Management

Environmental risk management

A new environmental notice system

Based on its Environmental Policy (see page 33), Omron makes effective use of ISO 14001 in complying with environmental laws and regulations and preventing environmental pollution at the source. In addition to preventing environmental problems, we also have a crisis management committee that allows the entire company to handle cases of social risk if and when they occur.

In July 2003, we established and put into effect the Environmental Notice System, which acts to disseminate and ensure thorough understanding within the company of newly established environmental laws and regulations, revisions to existing laws, and requests from customers to take environmental measures.

In fiscal 2003, there were no cases in the Omron Group in Japan or other countries of accidents, complaints, fines, litigation, or violations of laws and regulations.

Cleaning up groundwater

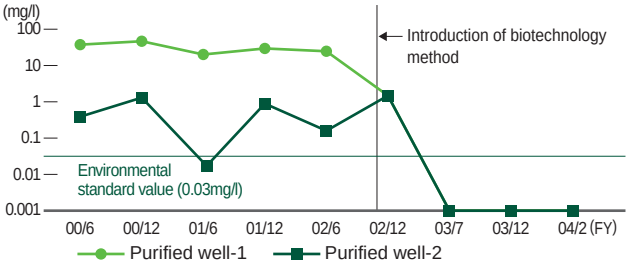
Voluntary surveys discovered groundwater pollution from volatile organic compounds on the former grounds of our Shijo Factory and on the premises of Omron Sanyo Co., Ltd. This was reported to national and local governments in December 2000 and we have been implementing cleanup measures since.

Cleanup efforts were sped up from the summer of 2002 with the introduction of new purification technologies (using biotechnology) and in June 2003 cleanup activities were completed at the former Shijo Factory.

This same technology has allowed us to make outstanding progress in cleaning up at Omron Sanyo Co., Ltd. We are currently expanding the scope of efforts (see graph below) with the aim of completing cleanup in the near future.

Bio-purification equipment

Trichloroethylene concentrations at Omron Sanyo Co., Ltd.



PCB measures

All Omron sites store and manage equipment containing PCBs, such as condensers, transformers, and ballasts for fluorescent lights, based on the PCB Waste Special Measures Law. When the Nagaoka site was transferred to the Keihanna Technology Innovation Center in May 2003, we re-examined all stored ballasts for fluorescent lights and discovered that there were some ballasts that did not contain PCBs. We immediately informed the proper authorities of the change in number of items stored.

For all of our stored PCBs, we carry out strict measures to prevent leakage, keep a careful ledger of the number of items, and carry out periodic observation. We will look into ways to ensure safe disposal of PCBs by introducing technologies for safe disposal and by surveying the progress of wide area disposal carried out by the Japan Environmental Safety Corporation*. The table shows the amount of PCB stored by the Omron group.

Device	FY2003	FY2002
Electrical condensers	**64**	64
Transformers	**9**	9
Ballasts for fluorescent lights	**368**	728

*The Japan Environmental Safety Corporation has PCB disposal facilities around Japan, at which it carries out safe disposal of PCBs on consignment for private companies.

Electrical transformers containing PCBs are stored in airtight, anti-corrosion containers and are examined regularly

Regular emergency drills at all sites

In May 2003, Omron's Keihanna Technology Innovation Center opened. The center uses a range of chemicals, such as acids, alkalis, and organic solvents in its research activities.

For this reason, the center holds emergency drills simulating chemical leakage, as in the case of faulty replacement of chemical liquids or the dropping of chemicals during transport or arrival. These drills train staff to notify persons in charge, properly put on aprons and gloves, use and gather emergency tool kits, all within a set time limit. There are also evacuation drills simulating leaks of toxic gas such as monosilane and chlorine trifluoride from clean rooms, with staff checking evacuation routes, taking rapid roll calls, and implementing emergency notification.

All other Omron sites also carry out regular emergency drills to ensure that environmental risk is kept to the absolute minimum.

Chemical leakage drill

Evacuation drill simulating toxic gas leakage in a clean room

Environmental accounting

Expanding internal environmental accounting

Omron carries out environmental accounting to quantitatively determine how effectively investment and expenses for environmental preservation are being put to use. Environmental accounting was introduced to production sites in Japan in fiscal 2001 and to non-production sites in Japan in fiscal 2002. It will be further expanded to include affiliates in Japan and overseas production sites.

We are currently examining what we call internal environmental accounting to determine how to distribute environmental costs to best achieve environmental benefits.

Environmental costs (FY2003)

(Units: ¥millions)

Category		Main areas addressed	Investment	Expenses	Total	Against previous year
(1) Costs within business areas			301.8	482.4	784.2	-376.8
Breakdown	(1) -1 Pollution prevention cost	Prevention of air pollution, water pollution and soil contamination	97.6	162.6	260.2	-391.8
Breakdown	(1) -2 Global environmental conservation costs	Energy conservation measures and prevention of global warming	203.9	102.0	305.9	76.9
Breakdown	(1) -3 Resource circulation costs	Recycling and appropriate treatment of waste	0.3	217.8	218.1	-61.9
(2) Upstream/downstream costs		Collection, recycling and proper treatment of end-of-life products and packaging materials	0	50.8	50.8	19.8
(3) Environmental management costs		Promotion of environmental activities, acquisition and maintenance of ISO 14001 certification, survey of environmental burden data	0	355.3	355.3	-61.7
(4) Environmental R&D costs		R&D activities for environmentally-friendly products	0	465.0	465.0	109
(5) Social activity costs		Environment enhancement efforts such as tree-planting campaigns and local cleanup projects	0	17.6	17.6	-1.4
(6) Environmental harm costs		Remedy for past soil and groundwater contamination	0	170.3	170.3	-38.7
Total			301.8	1541.4	1843.2	-349.8

(Units: ¥millions)

Item	Description	Amount
Total investment for the term under review	¥3.55 billion increase over the previous year from investment in plant and equipment to ensure foundation for growth	38,000
Total R&D costs for the term under review	¥6.27 billion increase over the previous year from R&D to ensure business growth	46,500

Environmental performance benefits (FY2003)

Item		Environmental preservation benefit indicator	
		Indicator	Against previous year
(1) Benefits in relation to costs within business areas	1) Benefits concerning use of resources for business activities	Energy consumption	40.6 TJ
		Water used	65,000 m^3
		Raw materials input	-1,922 t
		PRTR substances used	18.7 t
	2) Benefits concerning the environmental impact of business activities and discharged waste	CO_2 emissions	3,747 t-CO_2
		Emissions	-39,000 m^3
		Industrial waste discharged	184.3 t
		PRTR substances	0 t
(2) Benefits in relation to upstream/downstream costs	3) Benefits concerning properties and services generated from business activities	ATM recycling	468 t
(3) Other environmental conservation benefits	4) Benefits concerning transportation, etc.	Amount transported	28,766 t

Economic benefits resulting from environmental conservation measures (direct benefits; against previous year)

(Units: ¥millions)

Item		Amount
Cost savings	Savings in energy expenses from energy conservation	27.5
	Savings in waste disposal expenses from resource conservation and recycling of waste	46.9

Sites included: 15 production sites and 7 non-production sites in Japan
Period: April 1, 2003 to March 31, 2004
Units: ¥millions

●Results of fiscal 2003 environmental accounting

Environmental costs

Environmental costs increased in fiscal 2003 due to efforts like the introduction of a hybrid solar power cogeneration system and an “Eco-Ice” air conditioning system, and research and development costs related to increasing the speed at which we come out with products containing no regulated chemicals.

However, total environmental cost decreased over fiscal 2002. We completed construction at the Kusatsu Factory on a rainwater flow outlet to rivers and overflow prevention ditches and valves. We also completed groundwater cleanup on the former grounds of our Shijo Factory. The result was a large drop in pollution prevention and environmental remediation costs.

Economic benefits

Increases in production volume in fiscal 2003 were accompanied by an increase of 184.3 tons in waste generated. We were, however, able to reduce waste treatment expenses by changing waste treatment outsourcing companies and selling valuable materials collected from waste.

Environmental performance benefits

Although energy consumption at sites increased by 40.6 TJ along with increases in production, we managed to reduce energy consumed per unit of production through more efficient operation of facilities and through higher productivity.

As for upstream/downstream cost effect, we recycled 468 more tons of ATMs in fiscal 2003.

Eco-Products

Development of Eco-Products

Developing products based on the 4R concept

At Omron, we believe that we have a critical role to play in reducing the environmental burden of products and in helping society make the change from one of mass production, mass consumption, and mass waste, to one of sustainable development. That's why we're doing all we can to develop environmentally-friendly Eco-Products.

We consider the 4Rs —reject, reduce, reuse, and recycle— in creating Eco-Products, which we believe make effective use of resources and help prevent global warming and pollution.

4R Concept

REJECT: Avoid regulated chemicals and those harmful to health
REDUCE: Reduce environmental burden
REUSE: Reuse products, parts, and packaging materials
RECYCLE: Recover and recycle resources

How Eco-Products are made

In creating Eco-Products, we carry out assessment that will help us ensure that products exert minimal burden on the environment at all stages: manufacture, distribution, use, maintenance, collection, waste, and recycling.

We select assessment items based on environmental burden reduction factors: resource efficiency, energy efficiency, recycling, reuse, and non-inclusion of regulated chemicals. These assessment items are used to set targets for environmental burden reduction at the product planning stage. We then look for specific ways to achieve these targets in the product design and development stages, in the process creating what we call Eco-Products.

Products that satisfy the highest standards of environmental burden reduction are certified as Eco-label products and display a special Omron Eco-mark.

Product planning	Design, development	Certification
Product assessment targets set	**Product assessment implementation**	**Certification as Eco-Products and Eco-label products**
• Subjects of assessment • Environmental burden reduction factors • Assessment items • Environmental burden reduction targets	• Product assessment conditions, results report	**Eco-Products:** Products that meet targets for product assessment **Eco-label products:** Those Eco-Products that meet Eco-label certification standards

Omron Eco-label

ISO has three types of Eco-labels. Type I labels are awarded to certified products or environmental performance approved by a third party (conformity assessment body) such as the Japanese Eco-Mark and the German Blue Angel. Type II labels are self-selected, self-certified labels. Type III labels depend on things like data sheets to provide environmental performance information. Since no Omron products correspond to publicly established evaluation criteria, Omron uses Type II labels in accordance with its own environmental standards (based on ISO14021).

Eco-label certification criteria

Environmental burden reduction factor	Requirements
Power consumption during use or standby	At least 30% reduction in energy consumption when compared to previous models
Use of main materials	At least 30% reduction of main materials in a way that provides customers with added value
Recycling	The industry's leading recycling rate
Reuse	The industry's leading reuse rate
Direct contribution	Products originally developed for their contribution to environmental preservation (such as solar inverters), provided that the degree of contribution can be clearly demonstrated and quantified
Avoidance of hazardous chemicals	Total elimination achieved ahead of other companies

Assessment Items

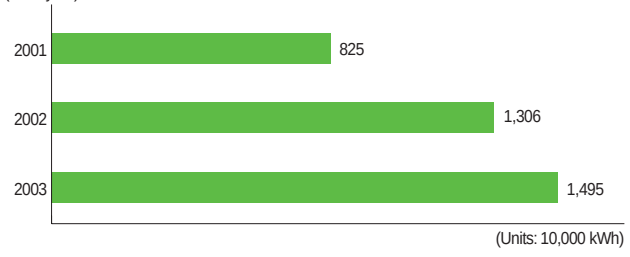
Environmental burden reduction factors	Subjects of assessment: Main unit	Packaging materials	Production process	Manuals, brochures
Resource-saving	● Reduced dimensions ● Lighter weight ● Reduced parts usage ● Use of recycled materials ● Use of recycled consumables ● Upgradeability	● Reduced dimensions ● Lighter weight ● Reduced Styrofoam use	● Waste reduction ● Cleaning-free process ● Reuse of molds ● Reuse of equipment	
Energy-saving	● Power consumption during use ● Power consumption on standby		● Less power consumption during manufacturing	● Usage
Recycling	● Use of easily recyclable materials ● Indication of materials used ● Common use of materials ● Dismantling ease ● Crushing ease	● Use of easily recyclable materials		● Materials list ● Dismantling method
Reuse	● Reuse of parts	● Reuse of package		
Avoidance of hazardous chemicals	● Avoidance of hazardous chemicals	● Avoidance of hazardous chemicals	● Avoidance of hazardous chemicals	● Safe use of products ● Disposal method

Estimated effects of Eco-label certified products

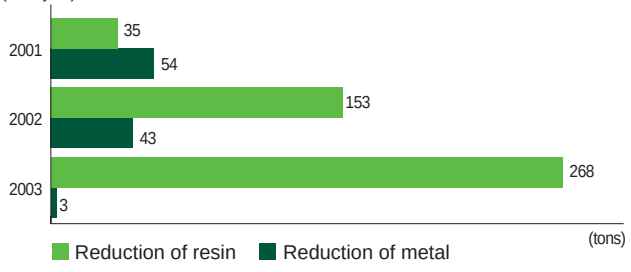
Between 2001 and 2003, the use of Eco-label certified products saved an estimated total of approximately 36.26 million kWh (13,417 tons of CO_2). This is equivalent to the electricity used by 9,750 average households in one year*.

The use of these products also resulted in resource savings: approximately 100 tons less metal used and approximately 451 tons less resin used.

Energy saving effects (estimate)



Resource saving effects (estimate)



*An estimate with the average family of four using 3,720 kWh a year (based on model case described by Kansai Electric Power Co., Ltd.)

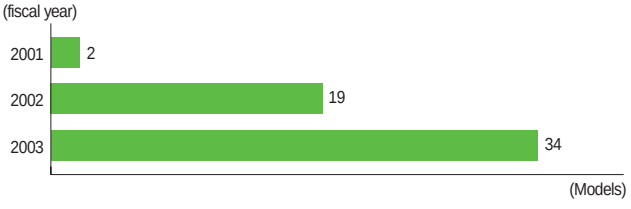
Converting to lead-free solder

Acid rain is said to melt the lead contained in waste and wash it into groundwater and soil. Omron is striving to rid all of its products of lead by switching from conventional solder containing lead to lead-free solder.

Because lead-free solder has a higher fusion point than conventional solder, its use puts extra heat stress on products and manufacturing equipment. It is therefore essential to put extra effort into assessing the reliability of products made with lead-free solder.

Omron plans to abolish all lead from solder and other materials in all products by the end of March 2006.

Total of lead-free products



Eco-Products

Eco-Product development in fiscal 2003

Eco-Products account for 69% of all new products

Omron set a target of having environmentally-friendly Eco-Products and Eco-label products account for 50% of all new products in fiscal 2003 and 100% of all new products in fiscal 2005.

In fiscal 2003, we had 23 Eco-label products and 42 Eco-Products. This was 69% of all newly developed products released in fiscal 2003. Eco-label products also accounted for 25% of new product net sales within three years of release.

Below are some of the major Eco-label products that we introduced in fiscal 2003.

MC-612 Electronic Thermometer

90% less power consumption

60% less use of main material (ABS resin)

This product uses the world's most advanced technology to measure the flow of heat from the blood vessels to the skin and instantly convert this to a body temperature measurement. Its predictive method measures body temperature from the armpits in just 10 seconds. In addition to a user-friendly universal design and an auto power-off function, this product uses 90% less power than our previous model, and also uses 60% less of the main material, ABS resin.

D4NS Compact Safety Door Switch

Uses no regulated chemicals

This product detects the opening and closing of security doors installed on manufacturing equipment and on automobile production lines, ensuring the safety of the workers. The D4NS compact safety door switch uses no lead, cadmium, or hexavalent chromium.

KM100 Electricity Volume Monitor

Energy-saving product

This product measures the amount of electricity used by machinery and devices in factories, and employs an electricity unit control system that achieves time-controlled energy savings. It allows easy monitoring of electricity consumption and contributes to reductions in energy use.

K3HB Digital Panel Meter

Lead-free product

This is a measuring and monitoring device that converts measured data into electrical quantity and physical quantity. The K3HB is the first digital panel meter to be lead-free. It also uses minimal electricity.

Examples of recycling and reuse

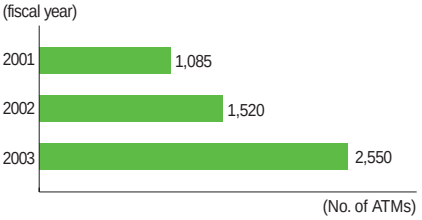
More than 98% of ATMs recycled

Since 2001, Omron has been collecting and dismantling ATMs, separating materials for recycling, and salvaging parts to be used as replacement during maintenance. In fiscal 2003, we collected 2,550 ATMs and achieved a 98%-plus recycling rate.

We are now designing and building new ATMs that will be easier to dismantle and separate into useful materials, and choosing materials that are conducive to recycling and reuse, all in efforts to contribute to the most efficient use of resources in products.

A used ATM

Number of ATMs collected for recycling (in Japan)



Technologies for reducing environmental burden

Using nanotechnology to make energy efficient LCDs sharper

LCDs for mobile phones and PDAs must be bright and yet energy efficient to make batteries last longer. Omron solved this trade-off by using nanotechnology to create revolutionary front light technology that is the first of its kind in the world.

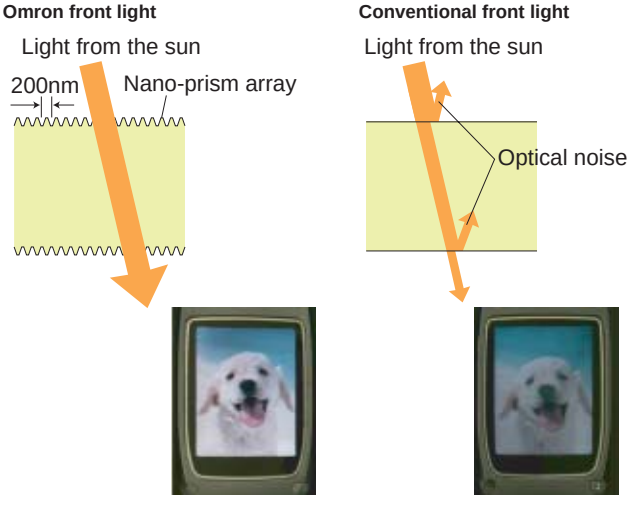
Conventional front light technology saves energy but does not give sharp images. But at the same time, the popular backlight method gives bright images but consumes a lot of power.

Omron's new technology cuts down on optical noise that results from the reflection of ambient light, allowing front lighting to give images as sharp as backlight images.

This new technology is based on our proprietary vector radiation coupling theory. Light passes through the surface of the front light while maintaining the uniformity of the liquid crystals. To achieve this, the micro-prism array, which acts as a light guiding path, is cut to a width of 3 micrometers*1 and a depth of 3 micrometers. However, this still leaves the problem of the reflection of ambient light. In theory, we knew that if grooves less than half the wavelength of light were cut in the surface material, reflection could be reduced. This, however, would be very difficult to do.

At this point Omron's proprietary nanotechnology came to the rescue. We successfully cut a nano-prism array of grooves 200 nanometers*2 wide and 200 nanometers deep in the surface of the front light. This hybrid integrated technology, in which the completely different sized grooves of the micro-prism and the nano-prism form one array on the surface of the front light, allowed light from the front light to pass through while at the same time reducing ambient light reflection to almost nothing. The result was a front light LCD that achieved a contrast approximately three times that of conventional front light LCDs.

*1: Micrometer: one-millionth of a meter (equal to 1,000 nanometers)
*2: Nanometer: one-billionth of a meter (equal to one-thousandth of a micrometer)



Revolutionary traffic light control system alleviates traffic jams

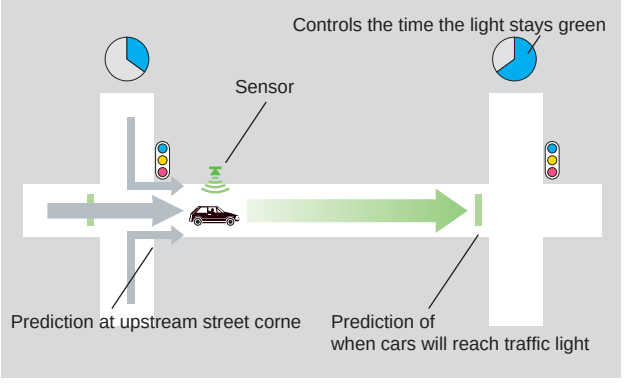
Omron developed SPROUT, a revolutionary system that predicts what the traffic situation will be like several minutes ahead of time and controls the traffic lights accordingly, resulting in minimal traffic jam and waiting for lights. In May 2003, SPROUT was tested in Osaka Prefecture and was found to reduce traffic jam time by 40% during commuting periods.

Alleviating traffic jams leads to reductions in hazardous substances emitted with car exhaust gas. SPROUT is currently attracting attention as a system for helping reduce the emission of hazardous substances: carbon dioxide (CO_2), which accelerates global warming; nitrogen oxides (NOx), which cause photochemical smog and acid rain; hydrocarbons (HC), which cause photochemical smog; and diesel smoke (DS), which has the same negative effects as environmental hormones.

In conventional traffic lights, the green and other lights are set based on past records and experience, giving only a limited effect. However, this doesn't allow the traffic lights to keep up with constantly changing traffic situations, something that requires instinct as well as experience.

The SPROUT system uses ultrasonic detectors and optical beacons on the road to detect cars, thus determining the movement of cars on the road. SPROUT predicts in real time when cars will arrive at street corners, and estimates the number of times a car stops and the time of each stoppage, then uses a proprietary algorithm* to quickly calculate and implement the optimal traffic signal pattern. The time between light changes adapts to the traffic situation, thus alleviating traffic jams. There is no need to make changes on roads where traffic volume changes from season to season, and no need to calculate for major changes in traffic volume resulting from the construction of commercial facilities. SPROUT automatically does all this quickly, reducing maintenance costs in the process.

*Algorithm: A step-by-step problem-solving procedure used by computers.



[Traffic light control]

Traffic light control involves three factors: cycle length, split, and offset. The cycle length is the time it takes for the light to go through one cycle of green, yellow, and red. Split is the percentage of time the green light takes up in a cycle. Offset is the variation in timing of the start of a cycle between street corners.

Eco-Products

Green procurement, green purchasing

Green procurement: Revision of certification standards for suppliers

Until fiscal 2002, Omron's green procurement system emphasized the establishment of environmental management systems at suppliers and the investigation of hazardous substances contained in purchased materials, with the aim of offering our customers environmentally-friendly products. However, with the establishment of directives like the RoHS and the ELV in Europe, more and more customers both in Japan and around the world are asking that we eliminate regulated substances from our products.

To provide customers with products guaranteed to contain no regulated substances, from fiscal 2003 we adopted a policy of neither purchasing nor using any raw materials, parts, or products containing regulated substances.

With this policy change came revisions in our supplier certification standards. These revised green procurement standards included the following conditions: suppliers must provide information on contents of materials and proof that these materials contain no regulated substances; and suppliers must acquire certification for ISO 14001 or other third party environmental management systems.

We are busy certifying suppliers that meet these revised supplier certification standards, and from April 2006 we will procure materials only from green suppliers who satisfy our supplier certification standards.

Green supplier certification standards

- Certification for ISO 14001, or other third party certification equivalent to EMAS*
- Compliance with environmental management control certification system supported by the national or local governments (E.g. KES Step 2, Eco-Action 21)

+

- Proof that materials contain no banned substances, or that banned substances have been eliminated from materials
- Provision of information on regulated substances contained in materials

↓

Green supplier certification

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Procure materials from green suppliers

*EMAS: Eco-Management and Audit Scheme; A voluntary European initiative designed to improve companies' environmental performance through environmental management and auditing.

Green purchasing: Stationery and office supplies

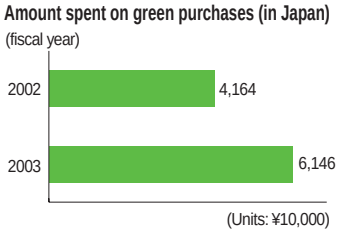
Omron carries out green purchasing with regard to stationery and office supplies, purchasing products with low environmental burden at the lowest cost possible. To further efforts in this area, we established and began implementing in fiscal 2002 the SLIM purchasing management system for purchases of stationery, office supplies, office furniture, and office equipment like PCs.

Under the SLIM system, we use a green purchasing certification standard to select and register products bearing certification such as the Eco-Mark, Green-Mark, and compliance with the Green Purchasing Law.

Of the products registered under SLIM, 100% are green products. In fiscal 2003, we spent ¥61.46 million on green stationery and office supplies, ¥19.8 million more than in fiscal 2002.

We will continue to increase the number of green items we purchase in efforts to promote green purchasing.

Screen showing list of SLIM office supplies



Green purchasing certification standard

Eco-Mark
Green-Mark
Tree Free Paper Mark
R100 Recycled Paper Use Mark
Recycled Milk Cartons Use Mark
TREE FREE
グリーン購入法適合
Compliance with the Green Purchasing Law
Tree Free Mark

Eco-Mind

Environmental education and awareness

Raising the environmental consciousness of all employees

The driving force behind environmental management and increased corporate value is environmental action that raises the environmental consciousness of each and every employee. With this in mind, we have made Eco-Mind a pillar of our company by holding a variety of environmental education and awareness-raising activities under our “Green Omron 21” environmental vision.

As part of these efforts, we restructured our environmental education into different levels of courses in fiscal 2003, incorporating environmental content into our in-house e-learning program.

Environmental education for new employees

Environmental education system

Category		Type of education	Participants
Sponsored by group headquarters	Environmental education by rank	Pre-job posting environmental education for new employees	64
		Environmental education for newly appointed managers	Starts from FY2004
		Environmental education for newly appointed upper level managers	68
		Environmental education for newly appointed company executives	Starts from FY2004
	2-day internal environmental auditor training	2-day internal environmental auditor training	53
	Environmental e-learning	Environmentally-compliant design general course (for engineers and developers)	Starts from FY2004
BC/SBU	Education for engineers and developers	Product assessment, LCA, regulated chemicals education	256
Sponsored by sites *	General education (by rank)	Environmental education for new employees, general employees and managers	10,756
	Specified education	Education for employees handling chemicals, working at environmental facilities, or using environmentally-related equipment	1,286
	Specialized education	Internal environmental auditor training	122
		Training for environmental burden assessment staff	168
	Other environmental education, training (environmental awareness activities other than the above)		483

Figures are for Japan sites (figures for site-sponsored education are from 37 sites in Japan)

* Environmental education sponsored by the sites is based on ISO 14001 (environmental management system)

- **Environmentally-compliant design general course: Part of in-house e-learning**

In the second half of fiscal 2003, we introduced the environmentally-compliant design general course into the company intranet e-learning program. This course is mainly for product developers and designers.

We will continue to introduce new content and expand our e-learning programs to raise the environmental consciousness of all employees.

Environmental e-learning screen

- **Environmental citation system: Eco-product division, environmental contribution division**

We have been holding a company-wide citation ceremony on company foundation day since fiscal 2001. This ceremony honors employees showing outstanding innovation and creativity in products and activities in the two categories of Eco-Products and environmental contribution.

- **Contest for environmental proposals and slogans**

During environmental month in June, we invite employees to send in their ideas for environmental proposals, and choose the most outstanding ones for citation. For the benefit of all employees we also include these proposals on all environmental activity bulletin boards. There were 891 proposals submitted in fiscal 2003, 50% more than the previous year, with four of these being presented Awards for Effort.

We also accepted entries for environmental slogans, with 2,094 submissions resulting in five Awards of Excellence and 11 Outstanding Achievement Awards.

- **Omron Eco-Life Sheet**

The Omron Eco-Life Sheet helps employees’ families keep environmentally aware at home.

The sheet has been chosen as one of the fiscal year goals for the site environmental management system (ISO 14001), and keeps employees conscious of the environment at all times.

Omron Eco-Life Sheet

- **Omron News**

Published as regular in-house news, this paper includes special features during environmental month, as well as news on major environmental measures.

During fiscal 2003, Omron News reported on company efforts to reduce regulated chemicals and introduce environmental e-learning programs to all employees.

Omron News

- **Environmental activity bulletin board in-house network**

Started in fiscal 1996, this bulletin board is a way for Omron companies and sites to share information on things like laws and regulations, environmental efforts by other companies, and environmental measures.

Environmental activity bulletin board

Eco-Factories/Laboratories/Offices

Energy saving

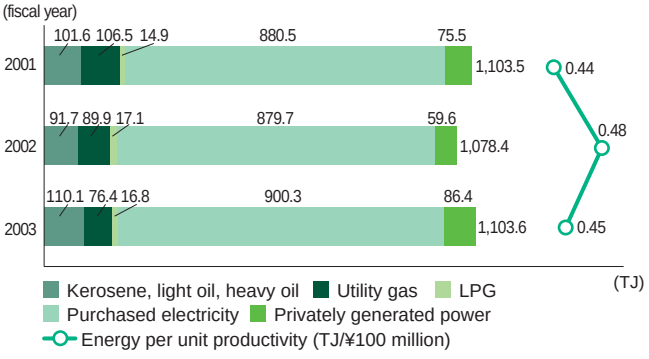
Energy saving up by 2.3%, but efficiency up even higher – 7%

Here at Omron we are working actively to conserve energy in all our business activities with the goal of cutting the amount of CO_2 and other "greenhouse gases" that are emitted into the atmosphere, causing global warming. Our energy saving starts on the most basic level with things we can do every day like turning off lights which are not being used, turning off computer monitors when the operator is away from his or her desk, and maintaining air conditioner temperatures at reasonable levels, while at the same time using new energy sources like solar power and deploying cogeneration systems and other power-efficient equipment and machinery.

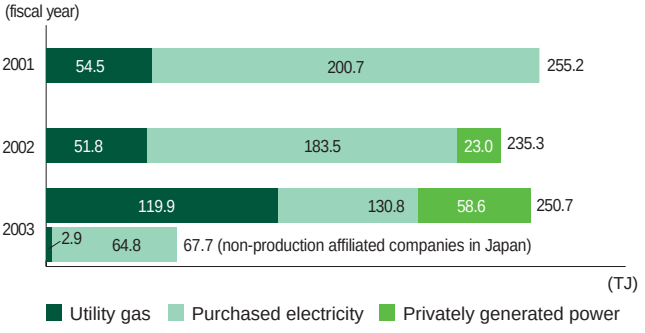
In 2003 our production volume went up. Because of this increase, energy consumption at our production sites in Japan rose 2.3%. However, thanks to our diligent efforts to conserve energy, including raising equipment operating efficiency and productivity, as well as improving our production yield, we actually saw a 7% improvement in our energy per unit productivity level (the amount of energy used per unit of production) from fiscal 2002.

Even our non-production sites are working to reduce the amount of energy they consume on the basis of our EMS (Environmental Management System).

Energy consumption by type (production sites in Japan)



Energy consumption by type (non-production sites in Japan)



• Initiative 1: Deployment of a hybrid solar power cogeneration system

Our Minakuchi Factory, which mass produces semiconductors, has production machinery and clean rooms which consume a great deal of energy. To maximize productivity the machinery is run 24 hours a day; however, to maintain the clean atmosphere required in the clean rooms, their air conditioning consumes more than normal office or factory air conditioning systems. As a result, the amount of electric power consumed by the plant per year is around 17.5 million KWh, and it has been designated as a Type 1 energy control plant as regulated under the Law Concerning the Rational Use of Energy.

This being the case, we introduced an ESCO*-type hybrid solar power cogeneration system as part of our energy saving strategy in February 2004. This system uses waste heat to create cold and hot water, whose thermal energy is then used to air condition the clean rooms, while solar power is used as the power source for controlling the system, thereby raising the overall energy efficiency of the entire plant.

*ESCO: An abbreviation for Energy Service Company, a group of companies which provide energy saving services. Omron leases the equipment mentioned above from ESCO, taking the savings in electricity that use of the equipment allows and applying them to the lease payments.

The cogeneration system

Energy conservation display panel

• Initiative 2: Deployment of low-emission, fuel-efficient vehicles

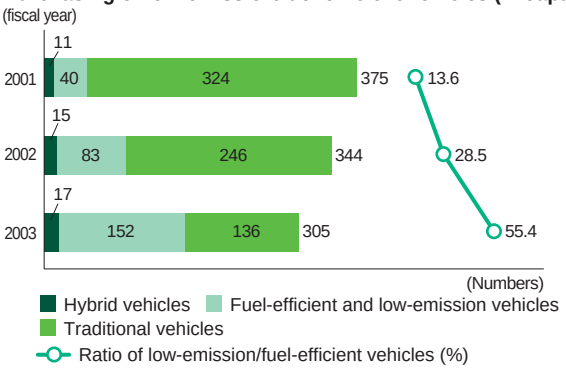
Company car

We have made known throughout the company our policy of selecting low-emission*1 and fuel-efficient*2 vehicles when buying new company vehicles or replacing existing ones, as part of our efforts to conserve energy and prevent pollution of the atmosphere. We are working to make sure this policy is implemented whenever possible.

*1: Low-emission vehicles include vehicles which run on electricity, fuel cells, methanol, and natural gas.

*2: Fuel-efficient vehicles are vehicles which satisfy the new fuel efficiency standard for fiscal 2010 based on the Revised Law Concerning the Rational Use of Energy.

Purchasing of low-emission/fuel-efficient vehicles (in Japan)



Reducing emission of greenhouse gases

CO_2: Absolute emissions up, but energy per unit productivity also up

At Omron, we have set as our goal cutting the amount of CO_2 emissions produced by our production sites in Japan in fiscal 2010 by 11% from the 1995 level to 42,540 tons, taking our cue from the CO_2 emissions reduction target established by Japan at the 1997 UN Conference on the Climate Change held in Kyoto.

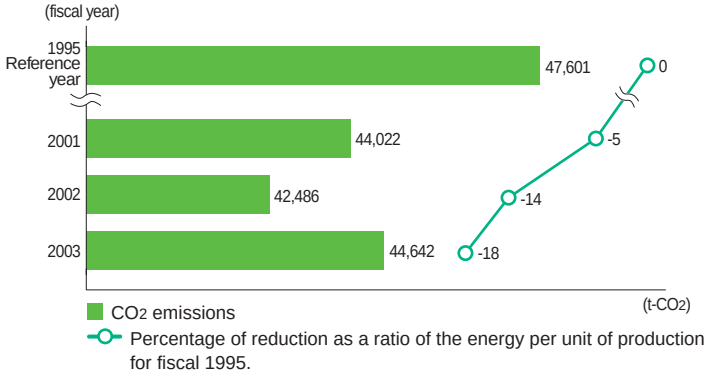
We achieved our emissions target for fiscal 2003. At 44,642 tons CO_2 emissions in fiscal 2003 were 6% lower than in fiscal 1995. However, a significant increase in production volume that year was accompanied by a concomitant rise in the amount of energy consumed, so the fiscal 2003 figure is actually 2,156 tons higher than that of fiscal 2002.

Fluctuations in production volume easily affect "overall CO_2 emissions," and it is sometimes difficult to judge the success of each particular site in this regard. To resolve this problem, each site set an "energy per unit productivity" target (in addition to the "overall CO_2 emissions" target) to work towards. In terms of this new target, there was a 4% improvement in fiscal 2003 over the previous year.

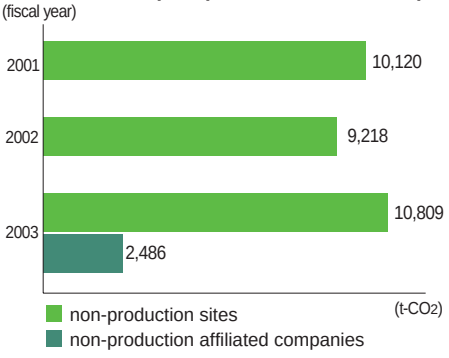
Our non-production sites in Japan experienced a 1,591-ton increase due to the fact that many energy-consuming facilities such as clean rooms were added when our Keihanna Technology Innovation Center opened its doors in May 2003.

As with our production sites in Japan, our non-production sites in Japan plan on setting in fiscal 2004 a CO_2 emissions reduction target to be met by fiscal 2010.

CO_2 emissions (production sites in Japan)



CO_2 emissions (non-production sites in Japan)



Greenhouse gases other than CO_2: Replacing SF_6 and eliminating HFCs

At Omron we have worked right from the start to reduce the amount of greenhouse gases other than CO_2 that we use, achieving a total emissions volume in fiscal 2003 of only 2,724 tons in Japan when calculated in terms of CO_2, or less than 1/20th of CO_2 emissions. However, since they have a much stronger effect as greenhouse gases than CO_2, our ultimate goal is to eliminate their use completely.

Our semiconductor production process uses around 100 kg of SF_6 (a fluorine combined gas) per year , and we are currently considering something that can replace it. The air spray canisters we use for maintenance of ATMs and ticketing machines contain HFCs (hydrofluorocarbons), and our goal is to completely eliminate them sometime during fiscal 2005. Work began in fiscal 2001 on cutting back on the air spray canisters by replacing them with handy cleaners and manual blowers, among other initiatives.

From canister

To blower

Encouraging renewable energy sources

To prevent global warming, it is necessary not only to reduce the amount of CO_2 that is emitted into the atmosphere by conserving energy, but also to pursue actively renewable energy sources as solar and wind power that do not emit CO_2.

At Omron, we began deployment of a solar power generation system in 1996 and today it can be found in seven locations: Keihanna Technology Innovation Center, Ayabe Factory, Minakuchi Factory, Omron Iida Co., Ltd., Omron Aso Co., Ltd., Omron Okayama Co., Ltd., and Omron Nohgata Co., Ltd.

These systems generated a total of about 100,000 kWh of electricity in fiscal 2003, which translates into a 37.8-ton reduction in CO_2 emissions when calculated in terms of CO_2. This figure, however, represents not even 1% of all our CO_2 emissions for that year, and we are considering further deployment and implementation of renewable energies.

Solar panels at Omron Nohgata Co., Ltd.

Eco-Factories/Laboratories/Offices

Reducing industrial waste

14 of 15 production sites in Japan to become “zero-emissions” sites

At Omron, we define “zero emissions” as 100% recycling and reusing of all waste materials produced through our business activities without incinerating or burying any of it.

In 2003, two more of our production facilities achieved this goal in Japan, bringing to 14 out of 15 the number of production sites in Japan which have attained “zero emissions.” The remaining site is scheduled to reach this goal in the first half of fiscal 2004.

For our non-production sites in Japan and our overseas production sites, we have set a goal of 100% recycling in all facilities in fiscal 2006, and efforts are currently underway to reach the individual targets.

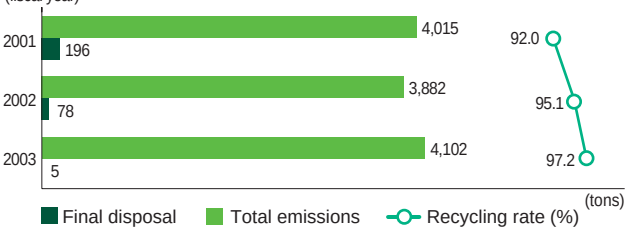
In fiscal 2003, the recycling rate for our non-production sites in Japan was 97.2%, above the target of 96%. However, a rise in production volume brought about an increase in total emissions of 220 tons over the previous year. Looking at the breakdown in emissions, we can see that iron, plastic, and paper waste made up over 70% of the total figure, while waste plastics were more likely to wind up in a landfill than any other type of waste.

In fiscal 2004, we will work to recycle waste plastics as well as limit the amount emitted to start with, and to this end we are encouraging a company-wide effort to reuse and recycle materials in the production process, and to raise our yield rate, and we are pursuing other initiatives as well.

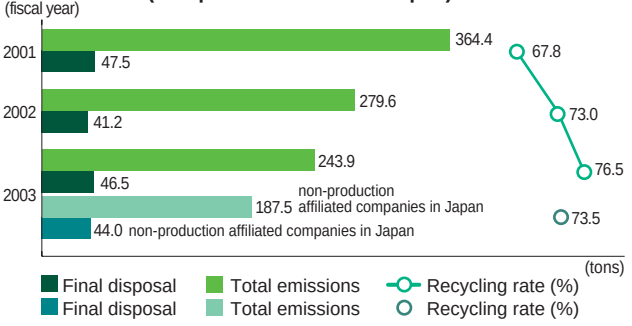
Recycling and disposing amounts of waste materials by type (tons)

Type	Amount recycled	Amount disposed	Type	Amount recycled	Amount disposed
Inorganic sludge	192.4	1.9	Waste fibers	5.2	0.1
Organic sludge	80.3	2.6	Animal and plant-based residue	54.0	1.3
Waste oil	98.7	2.6	Waste rubber	11.4	0.3
Waste acid	107.1	9.8	Waste iron	988.4	9.3
Waste plastic	940.7	27.3	Non-iron waste metal	491.8	5.1
Waste paper	1222.0	19.8	Waste glass	7.2	0.3
Waste timber	105.5	0.5	Other	33.5	14.6

Waste volume (production sites in Japan)



Waste volume (non-production sites in Japan)

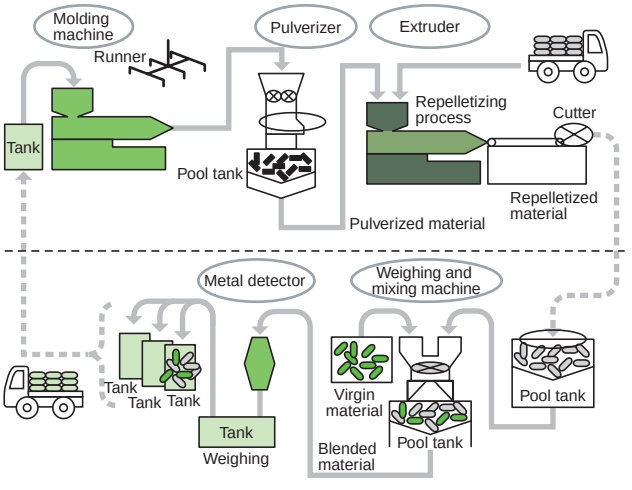


• Initiative 1: Repelletizing waste plastic

Molded plastic parts are used for the insulation on magnet relays, and the production process for these parts creates a great deal of waste in the form of spools, runners, and other items. In the past, these parts were not used but disposed of, despite their being fact a valuable resource.

At Omron Relay and Device Co., Ltd. we established a repelletizing technology in fiscal 2001 which recycles these waste plastic materials by processing them into pellets and mixing them with new materials. Using this system, we have successfully reduced the amount of waste materials we produce by turning a cumulative total of 40 tons of this waste plastic into a new resource.

In the future, we plan on turning our efforts to thermal recycling of purged materials and defective molded products that are a part of the molding process, as part of our ongoing efforts to improve and attain “zero emissions.”



• Initiative 2: Recycling mixed paper

In the past, it has generally been impossible to recycle shredded paper because the fibers get tangled.

At our Mishima Factory, we have focused on recycling shredded and other types of “mixed paper,” which are difficult to recycle, and turning it into toilet paper.


Reborn as toilet paper

Other types of recycling

- Plastic trash → Material recycling as a fuel additive
- Iron scrap → Sold as a valuable resource
- Paper sludge → Turned into deodorants, soil conditioners, and snow-melting material
- Waste water → Coagulated and poured into ocean after sludge is removed
- Plastic drink bottles → Processed into clothing material

Resource conservation and recycling

Using fewer resources and doing more recycling

At Omron, we want to create a society that recirculates what it employs, so we are pursuing our goal of minimizing the amount of resources we do and increasing the amount of recycling we use, in order to maximize the usefulness of the earth's limited resources.

We encourage the efficient use of resources through measures such as recycling water to get by with less; reducing the amount of paper used in office activities by using two-sided copying; reducing the size of the copy to fit more pages on a single sheet, or even doing away with paper copies; taking advantage of e-mail and other electronic methods; and reducing the amount of metal and plastic used in our products by implementing resource-conserving designs and production processes.

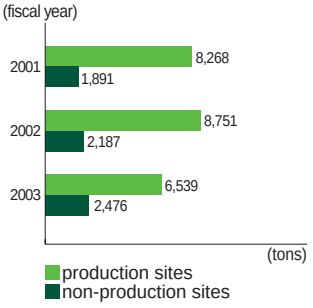
● Initiative: Water recycling

The amount of water used within Omron in fiscal 2003 (excluding non-production affiliated companies) totaled 858,000 m³, up 65,000 m³ from fiscal 2002 due to an increase in production volume.

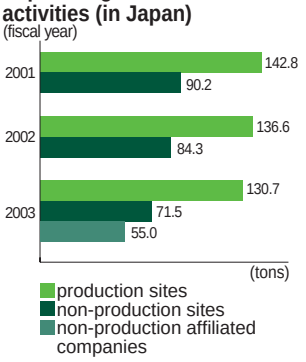
At the Minakuchi Factory, around 400 m³ of purified water are used every day in the wafer-cleaning step of the semiconductor manufacturing process.

The waste water is difficult to reuse because a very high degree of purity is required, but in 1997 the Minakuchi Factory introduced a high-purity water recycling system which allowed us to reuse around 100 m³ of purified water in the cleaning process.

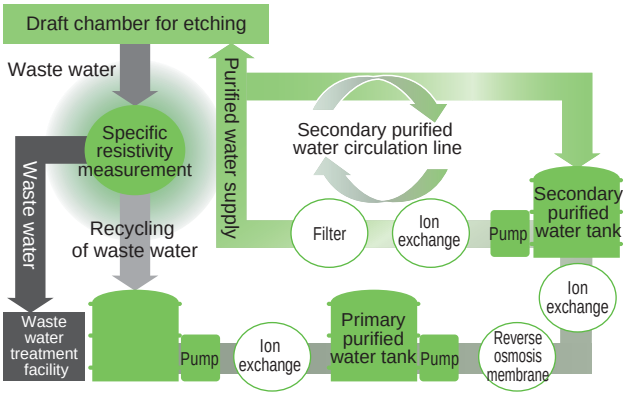
Resource usage (in Japan)



Paper usage in office activities (in Japan)



High-purity water recycling system



Air and water pollution

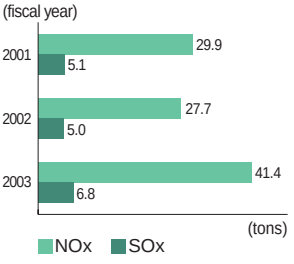
Monitoring and measuring substances which affect the environment and reducing emissions

At Omron we monitor and measure emissions levels of substances that affect the environment. With this information we can prevent air and water pollution by implementing policies to reduce emissions and the burden we place on the environment.

● Air pollution

Due to a large increase in production volume in fiscal 2003, emissions of NOx and SOx increased, too. However, we plan to eliminate boilers, switch to low-sulfur crude oil, implement regular inspections and maintenance of equipment and facilities, enhance management of operating time, and conduct other activities to control production and emission of NOx and SOx.

NOx/SOx emissions (in Japan)

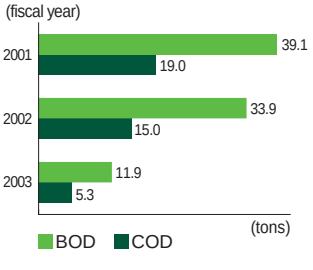


Controlling the amount of smoke produced by changing from oil to electric-powered compressors

● Water pollution

Our efforts to prevent water pollution by steps such as installing equipment to break down and remove organic material, and implementing of regular inspections of water-purifier tanks, have paid off in the form of significant reductions in emissions levels of BOD*1 and COD*2 starting last fiscal year. We will continue to closely monitor and control emissions levels in order to prevent water pollution.

BOD/COD emissions (in Japan)



Equipment for breaking down and removing organic substances

*1 BOD stands for Biochemical Oxygen Demand, or the amount of oxygen that is consumed when microorganisms break down organic substances underwater. The higher the number, the more contaminated the water.

*2 COD stands for Chemical Oxygen Demand, or the amount of oxygen that is consumed when oxidizing agents break down organic substances underwater.

Eco-Factories/Laboratories/Offices

Management and reduction of hazardous chemicals

Working to eliminate lead, cadmium, hexavalent chromium, and more

Omron has established four categories for regulated substances based on domestic and international laws and trends. The categories are “prohibited,” “eliminated,” “replacement encouraged,” and “voluntary controlled,” and are applied to all substances right from the development stage to control their use.

Ozone-depleting specific and substitute CFCs and organo-chlorine solvents were eliminated completely from the manufacturing process by 1998.

As part of our efforts to reduce the amount of regulated chemical substances in our products, we are committed to the elimination of lead, cadmium, hexavalent chromium, and other substances.

In fiscal 2003, we revised our company regulations regarding these regulated chemical substances and established criteria for use as shown below.

Designation of regulated chemical substances

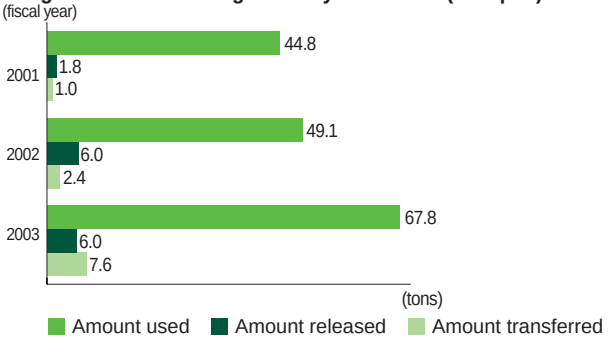
Category	Definition	Action	Main substances
Prohibited substance (A rank)	69 groups of substances whose use is prohibited domestically and internationally.	Use of prohibited substances is not allowed	• Ozone-depleting substances • Dioxins • Specific brominated flame retardants • Type 1 and Type 2 substances as defined by the Law concerning the Examination and Regulation of Manufacture etc. of Chemical Substances • Substances prohibited by the Industrial Health and Safety Law • Substances designated by the Poisonous and Deleterious Substances Control Law • Halogenated hydrocarbon
Eliminated substances (A1 rank)	4 groups of substances whose prohibition deadline has been legally established.	Use of these substances must be eliminated by the deadline through replacement or other measures	• Lead • Cadmium • Hexavalent chromium • Mercury
Substances for replacement (B rank)	5 groups of substances whose use is expected to be reduced or eliminated through strengthening of domestic and international laws and regulations.	Replacements are being considered and their use encouraged.	• Polycyclic aromatic hydrocarbons • ‘Greenhouse gases’ (HFCs, PFCs, SF_6) • Brominated flame retardants
Voluntary control substances (C rank)	134 groups of substances whose use is not prohibited by domestic or international laws, but is to be monitored, reduced, recycled and properly treated.	Amounts used and included in products are monitored and carefully controlled.	• Metals and metal alloys • Aromatic hydrocarbons • Oxygenated organic compounds • Nitrogenated organic compounds • Organic phosphorous compounds • Endocrine disruptors • Substances regulated by the Pollutant Release and Transfer Register Law, Etc.

PRTR management

At Omron, we monitor any of the 354 chemical substances designated as Type 1 under the PRTR* Law that are used in quantities of over 0.1 tons annually at any single site for emissions and amount transferred. In fiscal 2003, ten (groups) of these substances were used throughout Omron. Amounts released and transferred are shown in the table below.

Our use of substances regulated by the PRTR Law has increased over the past several years as shown in the graph at right, due to increases in production volume. We will continue to maintain a stringent control system, setting reduction targets for each site to encourage further reduction of the amount of regulated chemical substances used in our activities. (See pages 32 and 33 for related discussion.)

Usage of substances regulated by PRTR Law (in Japan)



* PRTR is an abbreviation for Pollutant Release and Transfer Registers, a system for registering the amounts released and transferred of environmental pollutants. The amount released is established by studying the various ways the pollutants may be released (air, water, soil), while the amount transferred is established by looking at how much is moved as waste disposal by waste disposal companies.

(Units: tons)

PRTR Law Substance No.	Substance name	CAS No.	Amount used	Amount released					Amount Transferred			Amount consumed	Amount removed and treated	Amount recycled
				Air	Public waterways	Soil	Site landfill	Total	Waste	Sewage	Total			
25	Antimony and antimony compounds	Group	3.56	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.48	0.00	0.41
30	Bisphenol A epoxy resin	25068-38-6	13.66	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13.60	0.00	0.06
40	Ethylbenzene	100-41-4	0.75	0.75	0.00	0.00	0.00	0.75	0.00	0.00	0.00	0.00	0.00	0.00
63	Xylene	1330-20-7	2.99	0.99	0.00	0.00	0.00	0.99	0.00	0.00	0.00	0.00	0.00	1.99
64	Silver and water-soluble compounds	Group	0.15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.13	0.00	0.02
69	Hexavalent chromium compounds	Group	0.51	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.51	0.00	0.00
224	1-, 3-, and 5-trimethylbenzene	108-67-8	0.44	0.01	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.44
227	Toluene	108-88-3	4.20	4.17	0.00	0.00	0.00	4.17	0.00	0.00	0.00	0.00	0.00	0.03
230	Lead and lead compounds	Group	37.18	0.02	0.00	0.00	0.00	0.02	7.56	0.00	7.56	21.30	0.00	8.30
231	Nickel	7440-02-0	0.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.40	0.00	0.40
283	Hydrogen fluoride and water-soluble salts	Group	3.55	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	3.54
	Total		**67.79**	**5.94**	**0.01**	**0.00**	**0.00**	**5.95**	**7.56**	**0.00**	**7.56**	**39.09**	**0.00**	**15.19**

*Compounds are calculated using metal conversion

Environmental performance overseas

A drop in waste disposal despite a rise in overseas production volume

The march of globalization does not slow down, and, in step with the times, the Omron Group has experienced annual growth in its overseas production ratio. In addition to the increase in production volume for the entire group in fiscal 2003, we are also experiencing the effects of our new factory in Shenzhen, China, which means that our environmental burden overseas is also growing.

However, besides our activities to lower the burden placed on the environment through our individual sites, we have taken the step of bolstering our efforts to develop an environmental action plan for each site based on "Green Omron 21," our corporate environmental vision. As a result, we have succeeded in limiting the amount of waste we produce.

We will continue to focus our efforts on studying chemical substances included in the materials we use in the production process and in the parts we purchase, and encourage a global reduction in the use of regulated chemical substances.

China (6 sites)

No. of employees: 5,376

Energy consumption by type	Electricity	23,520,000 kWh
	Gas	210,000 m^3
	Oil	2,000 KL
produced	Waste produced	1,225 t
	Amount recycled	904 t
	Amount dumped	161 t
	Recycling ratio	74 %
Water used		342,000 m^3
Solder used		44 t

Asia Pacific (4 sites)

No. of employees: 3,970

Energy consumption by type	Electricity	14,080,000 kWh
	Gas	9,000 m^3
	Oil	2,000 KL
produced	Waste produced	565 t
	Amount recycled	441 t
	Amount dumped	123 t
	Recycling ratio	78 %
Water used		122,000 m^3
Solder used		56 t

North America (3 sites)

No. of employees: 920

Energy consumption by type	Electricity	14,380,000 kWh
	Gas	12,180,000 m^3
	Oil	0
produced	Waste produced	574 t
	Amount recycled	374 t
	Amount dumped	200 t
	Recycling ratio	65 %
Water used		34,000 m^3
Solder used		39 t

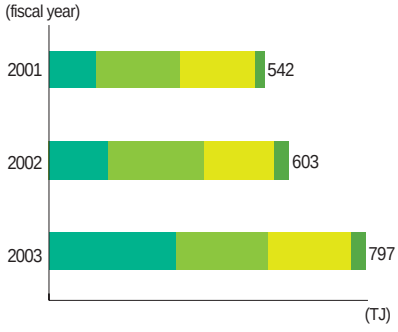
Europe (3 sites)

No. of employees: 403

Energy consumption by type	Electricity	3,250,000 kWh
	Gas	890,000 m^3
	Oil	0
produced	Waste produced	261 t
	Amount recycled	192 t
	Amount dumped	68 t
	Recycling ratio	74 %
Water used		5,000 m^3
Solder used		11 t

Energy consumption

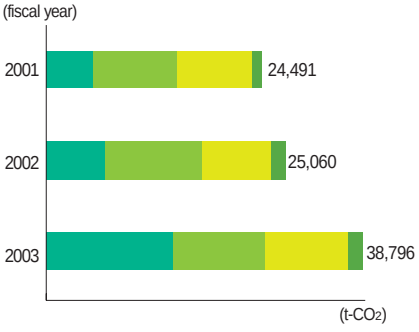
(fiscal year)



* Energy consumption (electricity / gas / oil) calculated in joules.

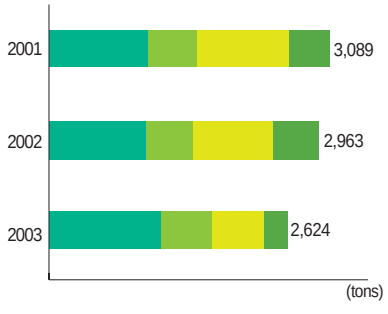
CO_2 emissions

(fiscal year)



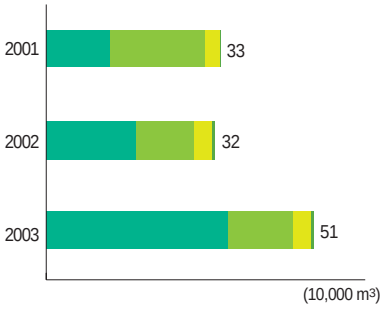
Total waste produced

(fiscal year)



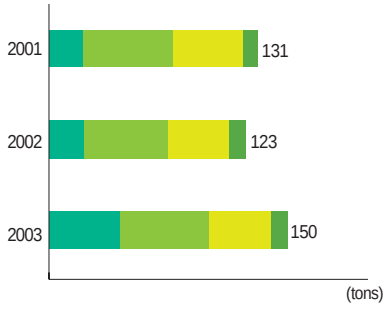
Water used

(fiscal year)



Solder used

(fiscal year)



Eco-Factories/Laboratories/Offices

Overseas initiatives

Omron Automotive Electronics, Inc.

Focusing on energy conservation, zero emissions, and lead-free products

At Omron Automotive Electronics we are hard at work implementing our energy-conservation, zero-emissions, and lead-free policies. Energy conservation includes cutting down on electricity and natural gas usage and developing a balanced energy-cutting program that monitors and controls all heating and cooling facilities. Our ultimate goal is to cut energy usage by 5% and expenses by 7%.

In an effort to achieve our goal of zero emissions, we reused 19 tons of waste solder, 43.9 tons of mixed waste (including copper, copper alloys, and printed circuit boards), and 61.6 tons of cardboards. We also began a new program in fiscal 2003 to recycle the plastic packing material used when transporting parts.

In fiscal 2004 we are aiming to completely eliminate lead from the 52 completed relay products and to develop three new products which use lead-free soldering for electronic control devices, raising this number to 76 products in fiscal 2005. Additionally, we completely eliminated cadmium from our relay contacts in fiscal 2003.

Environmental policy

Ever since our inception in 1993, our company policy has been to contribute to society by facilitating safer, more comfortable, and more convenient car making. To this we added the goal of helping make sure the automobile manufacturing industry is eco-friendly, and ever since receiving ISO 14000 certification in 1999, all our employees have had a renewed awareness of the importance of environmental issues.

Society wants an eco-friendly car. At Omron Automotive Electronics, we have long since eliminated the use of hazardous substances such as cadmium and hexavalent chromium, and are currently working on cutting out lead. In the future, too, we intend to stay one step ahead of trends, proactively pursuing change, and not simply reacting to new laws.

Mark Thompson
Quality Systems Manager
Environmental Management Department

Date of establishment: 1993
No. of employees: 375
Main products: Relays, ECU design and manufacturing
Certification: QS9000 and ISO 14001
Location: St. Charles, Illinois, USA

Omron Manufacturing of the Netherlands

Satisfied stringent national environmental law and are working on further compliance with RoHS

Our environmental activities in fiscal 2003 saw a strong focus on reinforcing our environmental management system and reducing hazardous chemical substances in response to the Restriction of Hazardous Substances in Electrical and Electronic Equipment (RoHS) directive in Europe. Of particular note is that we received a Main Issue License. Under the Netherlands' stringent environmental law, this license gives us the authority to make independent determinations about environmental issues related to our company's activities without requiring the individual approval of local governments. Receiving this license is a sign of how highly our environmental policy has been evaluated and also represents a great responsibility for us.

In response to the RoHS directive, we have implemented a lead-free soldering process using the latest technology. This was done in cooperation with one of the leading Dutch companies in this field.

We have also drawn up an outline plan for energy reduction and set a much higher target for cutting down on our energy consumption. We are committed to creating a stronger foundation for environmental management through this and other plans in the future.

Environmental policy

Our company received ISO 14001 certification way back in 1996 and is implementing an environmental policy in harmony with "Green Omron 21," the Omron Group's environmental vision. Maintenance of a high recycling ratio in order to achieve our target of zero emissions has become an everyday part of our activities. While there are still many areas of the RoHS directive which we need to respond to, we spare no effort in achieving timely compliance.

In the future, we will continue expanding and improving our activities to lessen our burden on the environment while bringing them into greater harmony with Omron's business targets so that we will eventually be able to develop Eco-Products and Eco-label products here in the Netherlands.

Hugo Sintnicolaas
Factory Manager

Date of establishment: 1989
No. of employees: 138
Main products: Programmable logic controllers and related software
Certification: ISO 9001, 2000, 14001
Location: Den Bosch, the Netherlands

Omron Dalian Co., Ltd.

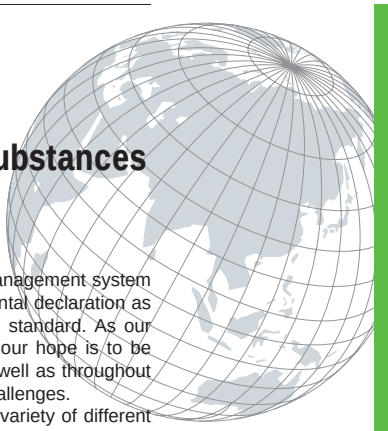
Aiming for lead-free products and elimination of regulated chemical substances

In December 1998, we were the second company in the Dalian Development Zone to receive ISO 14001 certification, and since then our environmental activities have proceeded in three stages: 1) promotion of energy conservation, 2) improving our natural surroundings by planting trees and reducing factory runoff and noise, and 3) eliminating lead and regulated chemical substances.

By creating a stronger awareness of wastefulness and the importance of conservation, and reusing and recycling materials on a larger scale, we succeeded in making significant reductions in our use of water resources and copy paper as well as the amount of waste that we produced compared to 1997. In 2001 we built our second factory, so our electricity consumption rose a bit, but we have continued to reduce it ever since then.

Improvements to our immediate surroundings in the form of more trees, less factory runoff, and less noise began in fiscal 2002 and have been very successful.

Elimination of lead and regulated chemical substances is proceeding apace. We have carried out assessments and testing in order to provide our customers with "environmentally guaranteed products" by March 2006, and to this end we are working on formulating a plan to replace these substances and implement these replacements.



Environmental policy

Our company has established an environmental management system which incorporates the spirit of Omron's environmental declaration as well as the ISO 14001 international environmental standard. As our production activities are located in Dalian, China, our hope is to be able to contribute to a better environment here as well as throughout the world by proactively taking on environmental challenges.

In the future, we will continue implementing a variety of different initiatives in recognition of the importance that our activities to improve the environment must not be limited to managers but rather must include all employees working in our company.

Xiaobo Shi
Quality Control Section

Date of establishment: 1991
No. of employees: 1,696
Main products: Electronic blood pressure monitors, electronic thermometers, body mass scales
Certification: ISO 9001, 14001, 13485, CE, MDD
Location: Dalian, China

Omron Malaysia Sdn Bhd.

First steps towards zero emissions

We began our resource-conservation efforts in 1998 as part of our environmental management program. In fiscal 2004 we will install an inverter control system on our cooling tower pump to allow round-the-clock control and management of the tower, and expect to save 60,360 kWh of energy per year. We are further planning on saving 25,248 kWh of energy per year by deploying a humidity control system in our non-thermal dryers.

In order to tackle waste management, we have made use of our compact repelletizing machines to repelletize the waste plastic used molding. The pellets are then mixed in with virgin materials. This process has allowed us to reuse 86 tons of plastic in fiscal 2003.

We have also been successful in our efforts to recycle paper thanks to efforts to cut down on paper usage, and water thanks to our efforts to reuse water used for cooling to wash parts in the manufacturing process.

Environmental policy

Our company received ISO 14001 certification in December 1998. Today we have incorporated pollution prevention, reduction of waste, minimal use of resources, promotion of energy conservation, and green procurement in our environmental policy, in tandem with "Green Omron 21," the Omron Group's environmental vision.

Mohammed Zamri
Facility Manager
General Affairs Department

Date of establishment: April, 1974
No. of employees: 874
Main products: Relays
Certification: ISO 14001
Location: Selangor, Malaysia

Eco-Logistics

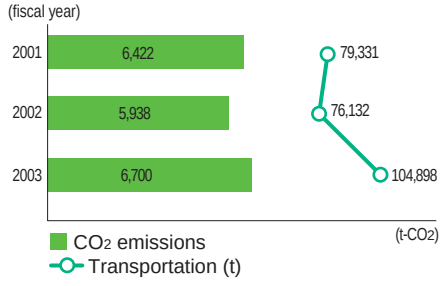
Improved transportation efficiency and reduced CO_2 emissions

At Omron Logistics Creates (OLC), the Omron Group's distribution and logistics company, efforts are underway to reduce CO_2 emissions by improving transportation efficiency and reducing the amount of packing material used when transporting products.

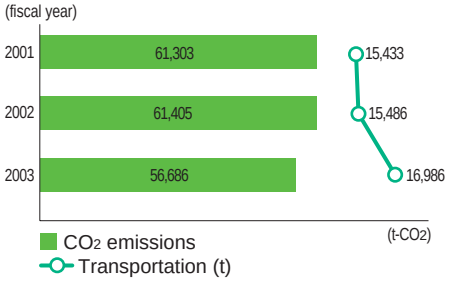
In fiscal 2003, we saw an overall rise in transportation in Japan for the company, and this led to a rise in CO_2 emissions. However, we have revised our routes and improved transportation efficiency in other ways, thereby succeeding in keeping the rise in CO_2 at only around 13% in spite of a rise in transportation of around 37%.

While overseas transportation has also grown, we have implemented shared transportation and other initiatives to raise transportation efficiency there, too, leading to a roughly 8% reduction in CO_2 emissions compared to fiscal 2002.

CO_2 emissions and transportation (in Japan)

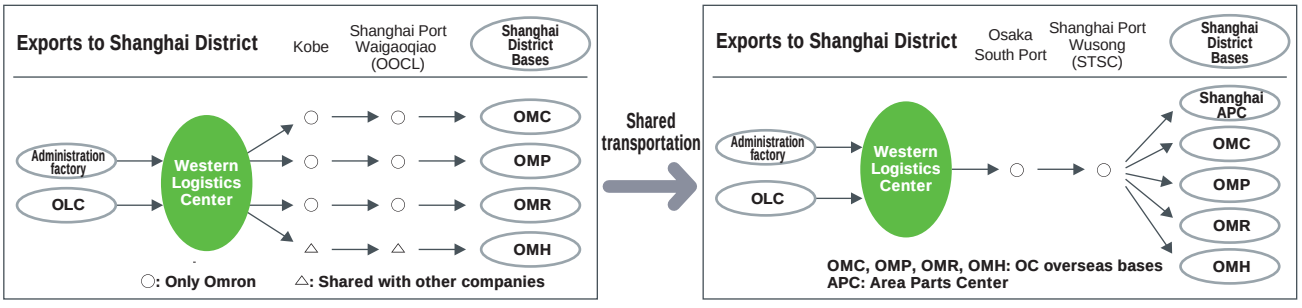


CO_2 emissions and transportation (overseas)



Greater transportation efficiency to Shanghai, China

In the past, materials transported to the Omron Group's bases in Shanghai, China had had to be repacked into containers at every base along the way and sent individually, but since fiscal 2003, thanks to a shared transportation system we have introduced, we have succeeded in raising the fill ratio of the containers and cutting the number of trips required, thereby reducing the burden on the environment.

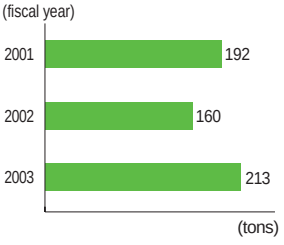


The production transportation container returnable system

In fiscal 2002, the Omron logistics centers installed a production transportation container returnable system for use between special dealers, and it is still in use today, with around 30% of all products transported inside Japan using this system.

In fiscal 2003, due to a rise in the amount of products that were transported, we were forced to buy an increased amount of cardboards for transportation, but thanks to this system we were able to reduce the amount of cardboards used by around 90.5 tons per year. Use of the containers themselves has also become more efficient, thanks to initiatives such as regular cleaning of the containers to extend their useful life and building 3,000 new containers.

Cardboard purchasing at logistics centers



Returnable containers

Initiatives to use bands to prevent packages from collapsing

In fiscal 2003 we introduced reusable bands to prevent packages from collapsing in a bid to trim the amount of stretch film we were using on regular transportation service for the same purpose.

While the prototypes were not free of problems – such as an increase in the number of process steps required to pack materials and the collapse of packages during test runs between logistics centers, among other issues – we were nevertheless able to bring them up to a pre-deployment level, thanks to improvements in the bands themselves and the way they were used.

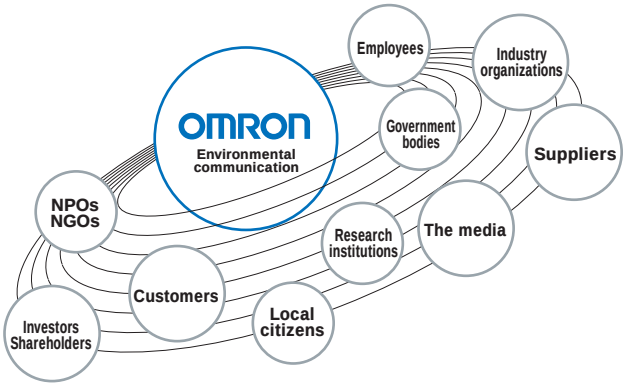
In fiscal 2004 we will continue working on these issues and put together rules regulating the use of the bands, including standards of usage.

Eco-Communication

Emphasizing communication with stakeholders

Here at Omron, we believe that the best way to create a sustainable society is to proactively undertake environmental preservation activities and open up the results and plans to our stakeholders through a whole array of media, thereby creating a more meaningful dialogue with them. This is why we are so active in producing environmental reports, filling our website with information and data, exhibiting at trade fairs, and much more.

In the future we will continue to inform our stakeholders about our activities in order to create a meaningful dialogue with them, and apply the comments and wishes we hear from them to our future endeavors.



• Environmental reports and our website

Ever since 1998 Omron has published an environmental report every year. In it, we disclose the principles behind our environment policies and details of our environmental activities, along with other valuable information. Starting in fiscal 2004, we have expanded the scope of these reports to include corporate social responsibility (CSR), covering not only aspects of our activities specifically dealing with the environment, but also the social and economic aspects. In the future, we plan to further strengthen the interactive aspect of communication with our stakeholders through these environmental reports.

We have a page on our website entitled “Environmental Activities” which lists site reports for each of our offices, performance data that could not fit in the environmental reports, lists of eco-friendly products, latest news, and more. We plan on creating even more content and making the system easier for anyone to request materials or send us questions and comments via email.

No. of copies

FY1998	32,000		
FY1999	35,000		
FY2000	10,000	English	700
FY2001	10,000	English	1,000
FY2002	10,000	English	1,000
FY2003	10,000	English	2,000

No. of hits

FY1998	18,000
FY1999	20,700
FY2000	42,600
FY2001	108,500
FY2002	124,000
FY2003	156,000

• Environmental trade fairs

At Omron, we often exhibit at environmental trade fairs as a great way of letting people know about our products and activities geared towards environmental preservation.

“Ecoproducts 2003.”

In fiscal 2003, we were able to display our environmental technologies, such as Sensing and Control technology, at many shows, including Enviro-Shiga in November and Ecoproducts in December.

• Environmental advertisements

We place corporate advertisements in newspapers, magazines, and other media which showcase Omron’s environmental activities, eco-friendly products, and technologies to as wide an audience as possible.

Advertisements placed in Nikkei Ecology

• Community communication

On February 23, 2003, Omron helped organize a “classroom on wheels” to the 6th graders at Kawaoka Higashi Elementary School in Kyoto on the topic of the environment, in cooperation with the Environmental Education Project for Elementary School Students run by the Kyoto Chamber of Commerce and Industry.

Now in its second year, the program is designed to give children a chance to get a better understanding of what science is all about, learn about environmental issues, and develop an interest in environmental technologies, by teaching them about the environmental technologies of companies in Kyoto that are actively taking on environmental issues. Omron’s contribution was on the topic of offering eco-friendly products, using electronic blood pressure monitors as an example of an environmental project, since they do not use mercury, which is a hazardous substance.

“Classroom on Wheels” at an elementary school

• Awards received in fiscal 2003

Office	Awarding body	Award	Reason	Date
Omron Iida Co., Ltd.	Ministry of the Environment	Minister’s Award for Preventing Global Warming	A member of a local 27-plant research group	November 2003
Omron Takeo Co., Ltd.	Conference on the Promotion of the 3 R’s	Conference on the Promotion of the 3 R’s, Chairman’s Award	Achieved 100% recycling of waste materials (zero emissions)	October 2003
Omron Co., Ltd. Ayabe Factory	Conference on the Promotion of the 3 R’s	Conference on the Promotion of the 3 R’s, Chairman’s Award	Achieved 100% recycling of waste materials (zero emissions)	October 2003
Omron Co., Ltd. Kyoto Office	Kyoto Prefecture	Eco Kyoto 21	Recognized as an Eco Kyoto 21 facility (preserving and taking care of Kyoto’s natural environment)	December 2003

Third Party Comment

To Mr. Yoshio Tateisi, Chairman and Representative Director
Mr. Hisao Sakuta, President and Chief Executive Officer
OMRON Corporation

May 24, 2004

Independent Review Comments on OMRON Group's Sustainability Report 2004

Chuo Aoyama Sustainability Certification Co., Ltd.

Objective of Review

The objective of this review is to express our independent view on the features, achievements, developments and direction of the Group's approach towards social and environmental issues as well as reporting of significant corporate activities in such areas contained in the "Sustainability Report 2004"(hereafter, the "Report"). Our comments are based on the following procedures:

1. Interview with Senior Managing Officer in charge of CSR (Mr. Yoshifumi Kajiya)
2. Inspection of the Kyoto Head Office and Ayabe Factory
3. Review of the final Japanese draft of the Report

Our Comments

1. Progressive Corporate Motto stating "Corporate Public Responsibility"

The founder of Omron established the corporate motto "At work for a better life, a better world for all" back in 1959, which clearly refers to the corporate public responsibility. Omron's corporate public responsibility consists of two aspects, namely business and social aspects. This corporate principle has been maintained to date. Omron fulfills public responsibilities in social aspects through social contribution activities, and business aspects through business operations. For example, in 1972, Omron established "Omron Taiyo Co., Ltd." to employ the physically challenged. To always be faithful to the motto, Omron secured employment of persons working for "Omron Taiyo Co., Ltd." even when the Group promoted an early retirement system.

In addition, Omron continuously makes efforts to contribute to society by developing products and providing technical cooperation, such as traffic control systems to reduce traffic congestion and technical support in antipersonnel land mine removal for a humanitarian purpose.

Omron has clearly recognized the importance of corporate public responsibility from the beginning of the foundation, and has continued efforts toward social responsibility. We believe Omron's approach is well placed to address social responsibility, but we hope to see further implementation of activities reflecting the corporate motto, and active disclosure of the results.

2. Accurate Understanding of the Situation, and Utilization of Information

There is now a growing awareness of corporate social responsibility. To continually fulfill social responsibility and enhance corporate values, it is necessary for Omron to gain an accurate understanding of the situation within and surrounding the Group, and take appropriate actions.

Based on the interview, we believe two issues need to be addressed for improvement in this area. Omron Group is managed based on an in-house company system. Social and environmental information is controlled at the company level, not the Group. Therefore, the head office has no clear understanding of the group-wide status. We believe that a system that enables the head office to collect, analyze and respond to the group-wide information and have a better picture of the entire Group needs to be established.

The details of issues we address are as follows:

(1) Establishment of a System for Social Information Management

Omron does not have a system to manage social information at the Group level except those related to industrial accidents and employment situation of the physically challenged. However, social information is expected to increase importance on corporate management. A comprehensive system for social information management should be established at the Group level in the future.

(2) Establishment of a Global Management System for Environmental Information

The Omron Group consists of 148 companies, including subsidiaries and affiliates. 94 companies of those, which are more than half, are overseas companies.(as of March 31, 2004) We address the following issues on overseas environmental information management for improvement:

- There is a system to communicate corporate environmental policies and information from the head office to global sites through in-house companies, but no feedback system existed. A system that enables the head office to check the degree and extent of penetration of such policies and information within the global sites and take appropriate actions needs to be established.
- The same criteria for information collection needs to be implemented globally to ensure comparability of global environmental performance.
- An environmental risk management system needs to be strengthened to better manage risks such as those associated with soil contamination at overseas affiliates.

Increasing production may shift offshore and overseas activities are expected to expand accordingly. From a risk management perspective, the group-wide information management at the head office may become essential. It is hoped that the management system will be strengthened.

From a business management perspective, stakeholder dialogue is likely to become more important than ever in the future. We hope that Omron will further create opportunities for stakeholder dialogue, and utilize and reflect the results and feedback obtained from such dialogues into the management.

These comments DO NOT express any of our views and/or opinions on the effectiveness and/or reliability of the processes to collect and report the data and information included in the Report.

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GRI Sustainability Reporting Guidelines 2002 Content Index

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4. GRI Content Index				This page
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Economic Performance Indicators				
Customers	Core	EC1	Net sales, geographic breakdown of markets.	P4-5
Suppliers	Core	EC3	Cost of all goods, materials, and services purchased. Percentage of contracts that were paid in accordance with agreed terms, excluding agreed penalty arrangements.	—
Employees	Core	EC5	Total payroll and benefits (including wages, pension, other benefits, and redundancy payments) broken down by country or region.	—
Investors	Core	EC6	Distributions to providers of capital broken down by interest on debt and borrowings, and dividends on all classes of shares, with any arrears of preferred dividends to be disclosed.	—
		EC7	Increase/decrease in retained earnings at end of period.	P23
Public Sector	Core	EC8	Total sum of taxes of all types paid broken down by country.	—
		EC9	Subsidies received broken down by country or region.	—
		EC10	Donations to community, civil society, and other groups broken down in terms of cash and in-kind donations per type of group.	P26
Environmental Performance Indicators				
Materials	Core	EN1	Total materials use other than water, by type.	P35
		EN2	Percentage of materials used that are wastes (processed or unprocessed) from sources external to the reporting organization.	—
Energy		EN3	Direct energy use segmented by primary source.	P35/P48
	Core	EN4	Indirect energy use.	P49
		EN19	Other indirect (upstream/downstream) energy use and implications, such as organizational travel, product lifecycle management, and use of energy-intensive materials.	P41-43
Water	Core	EN5	Total water use.	P35
		EN22	Total recycling and reuse of water.	P35
Biodiversity	Core	EN6	Location and size of land owned, leased, or managed in biodiversity-rich habitats.	—
Emissions, Effluents, and Waste	Core	EN8	Greenhouse gas emissions (CO_2, CH_4, N_2O, HFCs, PFCs, SF_6)	P35/P49
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Products and Services	Core	EN14	Significant environmental burden of principal products and services.	P35
		EN15	Percentage of the weight of products sold that is reclaimable at the end of the products' useful life and percentage that is actually reclaimed.	P44
Compliance	Core	EN16	Incidents of and fines for non-compliance with all applicable international declarations/conventions/treaties, and national, sub-national, regional, and local regulations associated with environmental issues.	P40
Transport	Additional	EN34	Significant environmental burden of transportation used for logistical purposes.	P56
Overall	Additional	EN35	Total environmental expenditures by type.	P41

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Social Performance Indicators				
Employment	Core	LA1	Breakdown of workforce, where possible, by region/country, status (employee/non-employee), employment type (full time/part time), and by employment contract (indefinite or permanent/fixed term or temporary). Also identify workforce retained in conjunction with other employers (temporary agency workers or workers in co-employment relationships), segmented by region/country.	P19
		LA2	Net employment creation and average turnover segmented by region/country.	—
Labor/ Management Relations	Core	LA3	Percentage of employees represented by independent trade union organizations or other bona fide employee representatives broken down geographically OR percentage of employees covered by collective bargaining agreements broken down by region/country.	P19
		LA4	Policy and procedures involving information, consultation, and negotiation with employees over changes in the reporting organization's operations (e.g., restructuring).	—
Health and Safety	Core	LA5	Practices on recording and notification of occupational accidents and diseases, and how they relate to the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases.	P18
		LA6	Description of formal joint health and safety committees comprising management and worker representatives and proportion of workforce covered by any such committees.	P18
		LA7	Standard injury, lost days, and absentee rates and number of work-related fatalities (including subcontracted workers).	P18
Training and Education	Core	LA9	Average hours of training per year per employee by category of employee.	P20
	Additional	LA16	Description of programs to support the continued employability of employees and to manage career endings.	P20
		LA17	Specific policies and programs for skills management or for life long learning.	P20
Diversity and Opportunity	Core	LA10	Description of equal opportunity policies or programs, as well as monitoring systems to ensure compliance and results of monitoring.	P19
		LA11	Composition of senior management and corporate governance bodies (including the board of directors), including female/male ratio and other indicators of diversity as culturally appropriate.	—
Human Rights				
Strategy and Management	Core	HR1	Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results.	P10
		HR2	Evidence of consideration of human rights impact as part of investment and procurement decisions, including selection of suppliers/contractors.	P21
		HR3	Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors, including monitoring systems and results of monitoring.	—
		HR8	Employee training on policies and practices concerning all aspects of human rights relevant to operations.	P20
Non-discrimination	Core	HR8	Description of global policy and procedures/programs preventing all forms of discrimination in operations, including monitoring systems and results of monitoring.	P20
Freedom of Association and Collective Bargaining	Core	HR5	Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures/programs to address this issue.	—
Child Labor	Core	HR6	Description of policy excluding child labor as defined by the ILO Convention 138 and extent to which this policy is visibly stated and applied, as well as description of procedures/programs to address this issue, including monitoring systems and results of monitoring.	—
Forced and Compulsory Labor	Core	HR7	Description of policy to prevent forced and compulsory labor and extent to which this policy is visibly stated and applied as well as description of procedures/programs to address this issue, including monitoring systems and results of monitoring.	—
Society				
Community	Core	SO1	Description of policies to manage impact on communities in areas affected by activities, as well as description of procedures/programs to address this issue, including monitoring systems and results of monitoring.	—
Bribery and Corruption	Core	SO2	Description of the policy, procedures/management systems, and compliance mechanisms for organizations and employees addressing bribery and corruption.	P10
Political Contributions	Core	SO3	Description of policy, procedures/management systems, and compliance mechanisms for managing political lobbying and contributions.	P10
Competition and Pricing Additional	Additional	SO6	Court decisions regarding cases pertaining to anti-trust and monopoly regulations.	P10
		SO7	Description of policy, procedures/management systems, and compliance mechanisms for preventing anti-competitive behavior.	P10
Product Responsibility				
Customer Health and Safety	Core	PR1	Description of policy for preserving customer health and safety during use of products and services, and extent to which this policy is visibly stated and applied, as well as description of procedures/programs to address this issue, including monitoring systems and results of monitoring.	P10/P25
Products and Services	Core	PR2	Description of policy, procedures/management systems, and compliance mechanisms related to product information and labeling.	P25/P32-33/ P42
Respect for Privacy	Core	PR3	Description of policy, procedures/management systems, and compliance mechanisms for consumer privacy.	P25

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OMRON

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