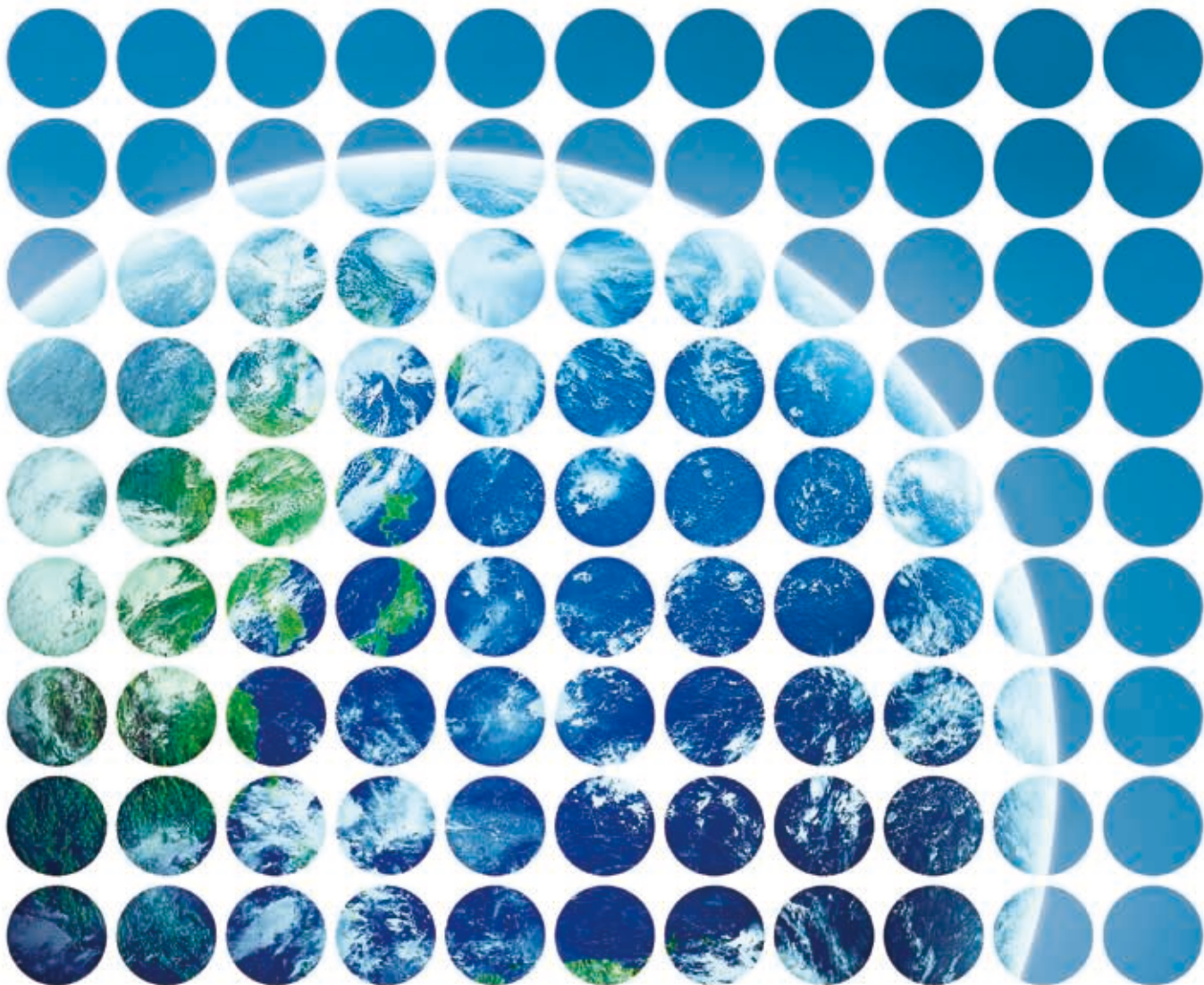


Sustainability Report 2007



Editorial Policy

Since fiscal 1998, Omron has published an environmental report every year. In fiscal 2004, the report was upgraded to include more comprehensive and in-depth reporting of Omron's social and financial performance as well as environmental performance. Since that time, the report has been published under the title 'Sustainability Report', reflecting Omron's consistent commitment to the sustainable development of society.

Our editorial policy for the 2007 edition was to give preference to reporting key aspects of Omron's impact on the environment, society and economy, as well as such matters and data that are recognized to have significant effects on stakeholders' evaluation and decisions they make regarding Omron.

With the goal of helping people strengthen their understanding of Omron, this year's report includes a 'Feature Articles' section that highlights Omron's commitment to product liability issues as a manufacturer through comprehensive management of quality. Feature articles also include various case studies to show how Omron contributes to a better society through business operations, one of the three pillars that comprise our CSR policy. The 'CSR Dialogue' section provides comments and views on Omron from stakeholders that we acquired through dialogue opportunities with our stakeholders.

As a whole, 'Sustainability Report 2007' is designed to give a general overview of Omron's CSR activities. Details and data not covered by this report are posted on the Omron website.

Period covered by this report

Fiscal 2006 (April 1, 2006 through March 31, 2007)

Organizations covered by this report

- **Social performance reporting:** The entire Omron Group (described as 'Omron' within the report). When matters are reported that only concern Omron Corporation, or a specific region and/or specific Group company, this is indicated within the report.
- **Environmental performance reporting:** Sites where an environmental management system is in place are covered, as shown below:
 - 17 Omron Corporation sites
 - 18 major Group companies in Japan
 - 14 major Group companies overseas (3 in North America, 3 in Europe, 4 in China and 4 in Asia-Pacific)

Guideline references

Global Reporting Initiative (GRI) 'Sustainability Reporting Guidelines (G3 version)'

Ministry of the Environment 'Environmental Reporting Guidelines (2003 edition)' and 'Environmental Reporting Guidelines (final draft 2007)'

Next scheduled publication

June 2008 (Japanese edition)

September 2008 (English edition)

Financial performance reporting

Detailed financial performance reporting is available in our Annual Report 2007 to be published in August 2007.

Information available on Omron website

Topics not covered by this report, detailed performance data and other related information are available on the Omron website:

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



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Contributing to safety, security, environmental conservation and healthcare in the areas of industry, social relations and personal lifestyle

IAB Industrial Automation Business

Targeting a wide range of leading manufacturers worldwide, and based on the correct anticipation of customer needs, Omron provides solutions that spur innovation in production, development and other business processes by drawing on its core technologies of Sensing and Control.



AEC Automotive Electronics Business

Omron develops, designs and produces a wide array of sensors, controllers and other automotive electronic components. These products are supplied to automakers and auto parts manufacturers throughout the world.



ECB Electronic Components Business

Omron's main product lines in this area include electronic control components to be embedded in various electronic and electrical equipment as well as components and modules incorporated into cell phones and other mobile devices.



OMRON

SSB Social Systems Business

Omron offers solutions, modules and systems that address the needs and issues of the tertiary industry and public service sector. These products and services contribute to building a safer and more comfortable social environment.



HCB Healthcare Business

In addition to supplying a wide range of home-use healthcare products globally, Omron is committed to the 'Healthcare at Home' concept that connects patients' homes with hospitals via these products.



Others

Omron is working hard to develop and promote new businesses toward realizing its Group-wide growth strategy.



Major Group companies

IAB (Industrial Automation Business)

OMRON Izumo Co., Ltd.
OMRON Takeo Co., Ltd.
OMRON Aso Co., Ltd.
FA Techno Corporation
OMRON Kansai-Seigyo Corporation
Gyoden Corporation
OMRON Kyoto Taiyo Co., Ltd.
OMRON Manufacturing of America, Inc. (U.S.A.)
OMRON Electronics Manufacturing of Germany G.m.b.H. (Germany)
OMRON Scientific Technologies, Inc. (U.S.A.)
OMRON Manufacturing of The Netherlands B.V. (The Netherlands)
OMRON (Shanghai) Co., Ltd. (China)

ECB (Electronic Components Business)

OMRON Kurayoshi Co., Ltd.
OMRON Sanyo Co., Ltd.
OMRON Amusement Co., Ltd.
OMRON Taiyo Co., Ltd.
OMRON Relay and Devices Corporation
TAMA Fine Opto Co., Ltd.
OMRON Precision Technology Co., Ltd.
OMRON Electronic Components Ltd. (U.K.)
Shanghai OMRON Control Components Co., Ltd. (China)
OMRON Electronic Components (Shenzhen) Ltd. (China)
OMRON Malaysia Sdn. Bhd. (Malaysia)
P.T. OMRON Manufacturing of Indonesia (Indonesia)

AEC (Automotive Electronics Business)

OMRON Iida Co., Ltd.
OMRON Automotive Electronics, Inc. (U.S.A.)
OMRON Dualtec Automotive Electronics, Inc. (Canada)
OMRON Automotive Electronics Korea Co., Ltd. (Korea)
OMRON Automotive Electronics Co., Ltd. (Thailand)

SSB (Social Systems Business)

OMRON Software Co., Ltd.
OMRON Field Engineering Co., Ltd.

HCB (Healthcare Business)

OMRON Healthcare Co., Ltd.
OMRON Matsusaka Corporation
OMRON Colin Co., Ltd.
OMRON (Dalian) Co., Ltd. (China)

Others

OMRON Nohgata Co., Ltd.
OMRON Personnel Service Co., Ltd.
OMRON & SUMISO Logistic Co., Ltd.
OMRON Marketing Co., Ltd.





Net Sales: ¥ **116.4** billion

Subsidiaries: **39**

Employees: **2,172**

Europe

Net Sales: ¥ **69.5** billion

Subsidiaries: **27**

Affiliates: **3**

Employees: **13,225**

Greater China

Net Sales: ¥ **98** billion

Subsidiaries: **26**

Employees: **2,291**

North America

Asia-Pacific

Net Sales: ¥ **40.7** billion

Subsidiaries: **21**

Affiliates: **5**

Employees: **4,012**

Japan

Net Sales: ¥ **412.1** billion

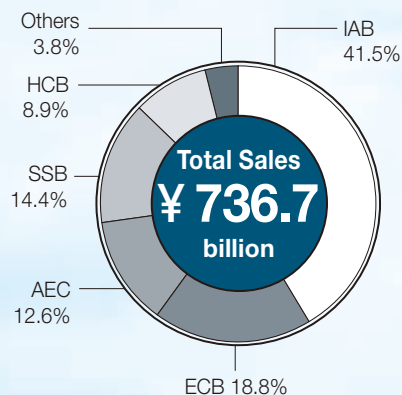
Subsidiaries: **47**

Affiliates: **13**

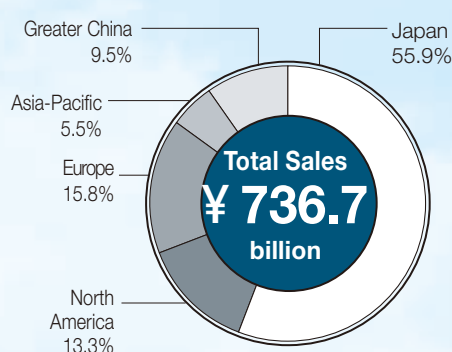
Employees: **10,756**

32,456 Omron Group employees work at 181 sites in 34 countries around the world

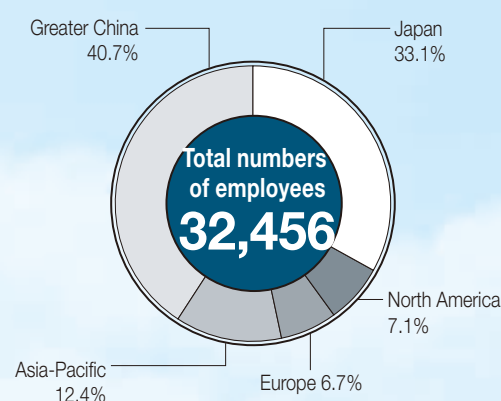
Sales by Segment



Sales by Region

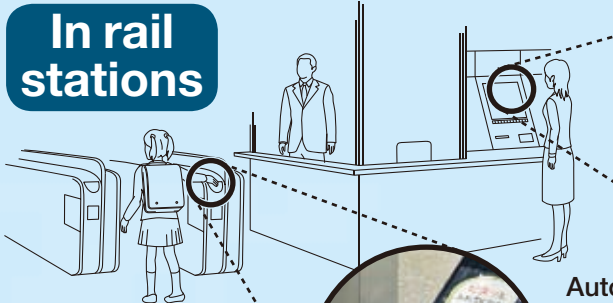


Employees by Region



‘The best matching of machines to people’ in every corner of society

In rail stations



Automated Passenger Gates and Ticket Vendors

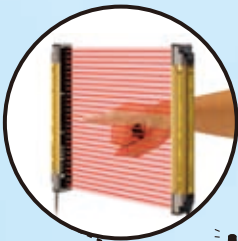
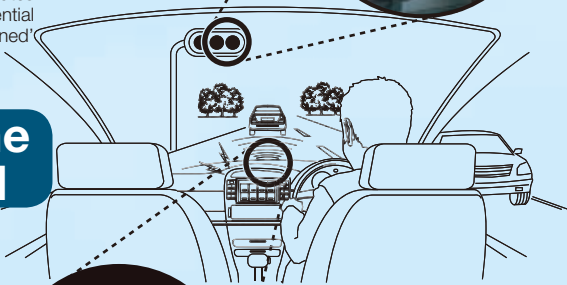
Omron's pioneering developments in automated passenger gates and ticket vendors are essential components for the 'unmanned' train station system.

Traffic Management Systems

Traffic management systems help prevent car accidents and alleviate traffic congestion for a safer community environment.



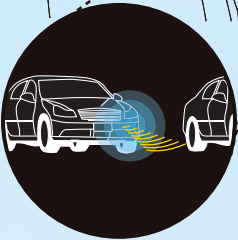
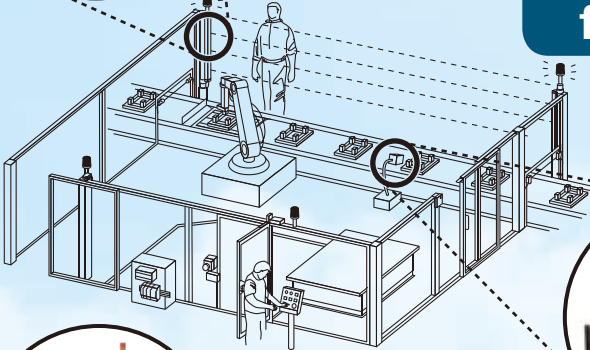
On the road



Safety Components

These components protect factory workers from potential hazards while maintaining high productivity.

On factory floors



Laser Radar Devices

By measuring car-to-car distance and detecting potential hazards, laser radar devices enhance automobile safety.



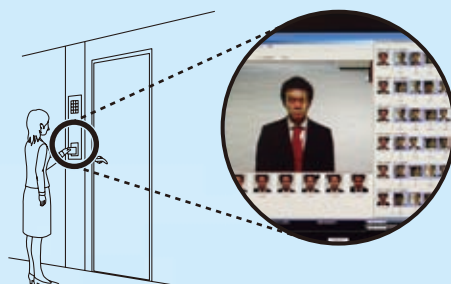
Printed Circuit Board Inspection Systems

Omron's inspection systems spur advances in manufacturing lines that reduce or eliminate the creation of defective products.



Sensors

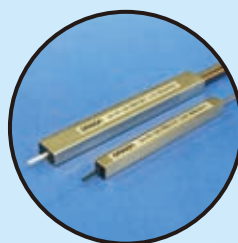
Sensors capable of detecting and measuring changes taking place on the factory floor, such as shape, position and height, help to analyze and predict problems.



Face Recognition Systems

The security systems that use Omron's proprietary face recognition technology protect important corporate assets including people, property and information.

At the office



Optical Communications Devices

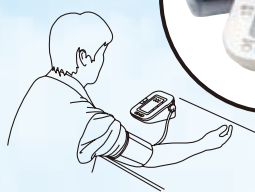
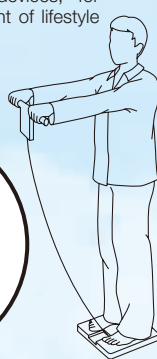
These devices expand the use of optical communications networks by enabling further miniaturization and cost reductions in communications equipment.



At home

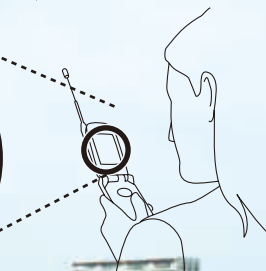
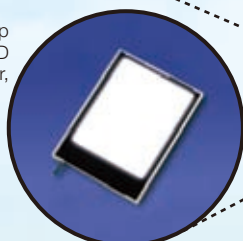
Blood Pressure Monitors and Body Composition Monitors with Scale

Omron's 'Healthcare at Home' concept facilitates the use of self-measured bio-information using these devices, for prevention and management of lifestyle health problems.



LCD Backlight Units

Omron backlight units help make mobile phone and TV LCD screens brighter and sharper, while requiring less power.



Net Sales (consolidated)



Income Before Income Taxes (consolidated)



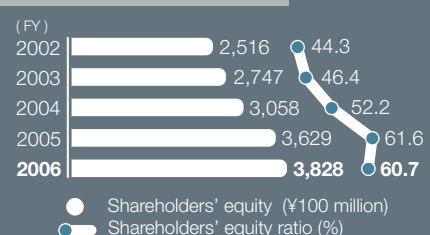
Net Income (consolidated)



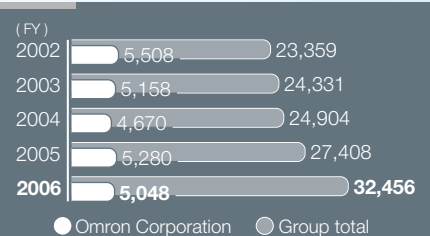
Total Assets (consolidated)



Shareholders' Equity, Shareholders' Equity Ratio (consolidated)



Employees



Aiming to become a corporate group that is valued highly by future generations

Instilling the Omron Principles at worldwide sites

In recent years, the values that society demands of companies have changed significantly. Unlike the past when economic values such as profitability and growth were over-emphasized, social values are increasing in importance as indicators that determine to what extent a company fulfills its social responsibilities, and in what manner it contributes to sustainable development of society.

In response to these changes, Omron established its new corporate principles in May 2006 by reviewing and reorganizing the platform of its corporate philosophy. The new Omron Principles are more relevant and globally acceptable. Along with announcing our new Principles, we also declared both internally and externally our Corporate Core Value, which is 'working for the benefit of society'. As the Omron Group grows, our operations have become increasingly decentralized. Against this backdrop, the Omron Principles serve as the cohesive power that unites all of us at the Omron Group, as we face an increasingly diversified basis for judgment and value perceptions. The Principles also serve as the backbone for Omron's corporate governance.

But no matter how respectable the corporate principles are, they are only words on a page unless each and every employee can describe them in their own words and put them into action. Our people are the driving force for all of our corporate activities. Only when each and every employee of the Omron Group puts the Omron Principles into practice on his or her own initiative, can all Group companies assume their corporate social responsibilities (CSR).

Based on this awareness, in fiscal 2006 we concentrated on sharing and instilling the Omron Principles among all Omron Group employees. As a first step, we had the Omron Principles translated into all the native languages of the countries/regions in which Omron Group operations are based, and distributed them to all employees of each site. As the top executives of Omron, we also visited each region in the world and spoke with many local staff members about the Principles. As a result of these discussions, we asked employees from around the world to write essays on their thoughts about the Omron Principles. The response was much more than we initially expected, and we have introduced these essay contributions on our intranet. In Japan, workplace meetings were held at each site to better understand and implement the Omron Principles. The participants of each workplace meeting added up to over 10,000 people, which represents nearly the entire workforce in Japan.


Practicing CSR as part of Omron's corporate strategy

Omron has aligned 'CSR system establishment and implementation' with its corporate strategies for the second stage of the long-term management vision 'Grand Design 2010 (GD2010)', which covers fiscal 2004 through 2007. This strategy is based on the three pillars of CSR activities, and promotes the establishment and refinement of our CSR management system. The three pillars are:

- 1) Contribute to a better society through business operations
- 2) Always demonstrate fairness and integrity in the promotion of corporate activities
- 3) Show a commitment to addressing societal issues as a concerned party.

We have also defined focus areas of CSR built on these three pillars, and are working on them. The details of our activities in each area, along with the targets and results for fiscal 2006, are discussed on pages 17 and 18 of this report.

To further establish and refine the CSR management system, in March 2007, we integrated the strategy-formulating functions of CSR, investor relations, and corporate communications into the Corporate Strategic Planning Headquarters, which is responsible for planning Group-wide management strategies. Through this reorganization, we intend to embed CSR practices more deeply into Omron Group management strategies.



Yoshio Tateisi
Chairman of the
Board of Directors

Contributing to society through business operations

The main mission of the Omron Group is to pioneer the development and supply of products and services that are essential for building a better society. At Omron, this mission is described with the phrase 'Innovation driven by social needs'. The spirit of challenging ourselves to produce such breakthroughs has been preserved and passed on since Omron's inception, and is a key element of our corporate DNA.

With GD2010, Omron envisions what we call the 'Optimization Society' in which a harmonious relationship is achieved between individuals and society, between humans and the environment, and between people and machines. This new society is expected to see a growing call for safety, security, environmental conservation and healthcare. Our task is to continue addressing these emerging societal needs by creating the 'best matching of machines to people'.

Maintaining higher integrity and business ethics beyond simple legal compliance

More than ever, the Omron Group will work hard to preserve and implement an effective governance system while maintaining accountability through increased transparency in its corporate management.

At Omron we also believe that, along with strictly complying with all applicable laws, regulations and social rules, it is equally important that we respect the philosophy and values that underlie these rules.

We will never urge our employees to meet goals if it means violating laws, regulations or social rules. While ensuring this compliance among all its employees, Omron will continue to maintain fairness and integrity in its corporate activities to meet even higher standards of business ethics.

Addressing societal challenges as a valued corporate citizen

The Omron Group prioritizes corporate citizenship activities. At Omron, we consider that being a corporate citizen means going far beyond simply allocating a portion of profits for philanthropic contributions. Rather, a corporate citizen is a member of society, and must responsibly play its part in the sustainable development of that society.

The global community now faces various issues related to the environment, resources, human rights, labor, diversity, population, poverty, and many others. We believe that if Omron is to become a valued corporate citizen, it must fulfill its social responsibilities by addressing these societal challenges through business processes or by drawing on the distinctive strengths of its businesses.

Outstanding individuals and organizations have three things in common—dreams, pride and self-confidence. For the Omron Group, it is our dream to continue realizing innovation driven by social needs. Our pride is based on contributing to the sustainable development of society by fulfilling our social responsibilities. We believe that by pursuing our dream and maintaining our pride, we will be able to earn respect from society and produce high earnings, which is a source of our self-confidence. To make the Omron Group an

organization that is filled with dreams, pride and confidence, we are determined to put the Omron Principles firmly in place within the Omron Group and make them deeply rooted in the mind and behavior of each and every employee, while living up to these Principles. In this way, we will be able to refine and uplift the underlying philosophy behind the Omron Principles into the level of our corporate culture. Our goals are to achieve a status in which the Omron Group's existence itself represents the fulfillment of CSR, and to eventually become a corporate group that is highly valued by future generations and society at large.

For this Sustainability Report, we prioritized information that we believe is important for our stakeholders, and made sure to offer such information as much as possible. We sincerely welcome any and all comments you may have about the Sustainability Report 2007 and Omron's commitment to CSR.

June 2007

Yoshio Tateisi
Chairman of the Board of
Directors
OMRON Corporation



Hisao Sakuta
President and Chief
Executive Officer
OMRON Corporation



Hisao Sakuta
President and Chief
Executive Officer



Living up to the corporate core value of ‘working for the benefit of society’

Corporate Motto

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

The Omron Principles



Corporate Core Value

Working for the benefit of society

On May 10, 2006, the anniversary of Omron's foundation, Omron established and announced its new corporate principles—the Omron Principles. In the Omron Principles, ‘working for the benefit of society’ is positioned as the Corporate Core Value that describes the real purpose of the Omron Group's existence.

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

Sharing and Instilling the Omron Principles

Encouraging employee understanding and implementation

The Omron Principles have meaning only when each and every employee fully understands them so that they can digest and describe them in their own words, and also put them into action. This is because each employee's day-to-day activities add up to comprise the business operations of the entire company. In fiscal 2006, Omron took various measures to share and instill the Omron Principles at the global level.

Publication of two guidelines

Along with the announcement of the Omron Principles, the ‘Introduction to The Omron Principles’ booklet was distributed to all employees worldwide. To support this, two guidelines (Japanese edition) were published and distributed to all employees in Japan. The CSR Practice Guidelines specify Omron's basic policies for management and business practices. They also describe what all people working at the Omron Group should do within the context of CSR, by breaking down the Management Commitments in the Omron Principles into specific actions. ‘Implementing the Guiding Principles for Action’ in turn discusses the specific actions required and expected for Omron Group employees to practice each Guiding Principle for Action in day-to-day tasks (see pg. 11 ‘CSR Management and Activities’ for details).

Deepening employees' understanding

The introductory booklet and guidelines were distributed and used as topics for discussion at workplace meetings held at various sites in Japan. The meetings were held three times in May, July and

December-January.

The third meeting on the theme of the CSR Practice Guidelines evoked particularly meaningful discussion because a total of 42 briefings were given for all managerial class people in Japan before the meeting. More than 10,000 employees (corresponding to nearly 100%) participated in the workplace meetings, and reports were submitted from each site.

Top management giving presentations throughout the world

Omron gives high priority to direct communication between top executives and staff members. After the May announcement of the Omron Principles, top executives including the Chairman and the President themselves visited sites in Japan and also attended area conferences in China, Southeast Asia, North America and Europe in succession, giving presentations on the Principles to local executives and employees. The executives explained the reasons behind the review of the former corporate philosophy and shared their thoughts on the meaning of the Omron Principles. Participants were encouraged to ask questions and exchange their views with executives.

Employee awareness survey

Aware of the importance of assessing the mindset of employees who are the main driver of Omron's corporate activities, Omron conducted a total employee awareness survey on the Internet in fiscal 2006.

This survey integrated various questionnaire surveys formerly provided for employees and targeted all Omron Group employees throughout the world. Elements surveyed included the level of implementation of the Omron Principles, organization, workplace and personnel activation level, awareness of compliance/corporate ethics and brand awareness. Omron expects that measurement and analysis of employee awareness and behavior in regard to these elements will allow the company to identify issues and facilitate future planning of strategies. Omron plans to continue conducting this survey once a year.

Essay Contributions from Around the World

'The Omron Principles and I'

As it adopts a platform of global management, Omron aims to instill and deeply embed the Omron Principles in day-to-day activities of individual employees throughout the Omron Group worldwide. To realize this goal by making the Principles easy to understand for everyone, Omron set forth a policy to issue the Omron Principles in all native languages used in countries/regions in which Omron operations are based. 'The Omron Principles' booklet covering both the Corporate Motto and the Omron Principles has already been published in 25 different languages. Top executives also took the initiative in promoting and instilling the Omron Principles among employees. In response, 132 Omron Group employees contributed essays to share their thoughts on what the Omron Principles mean to them. The essay contributions are posted on the Omron intranet. The following are excerpts from some contributed essays:



China

Chen Jia Lin

Management Planning Dept.
Strategy Planning Div.
Omron (Shanghai) Co., Ltd.

Through studying the Omron Principles, I realized that no matter how small the value of my own work, if many people contribute their own small value and combine them, our society can achieve sustainable development.

If all of us keep in mind how our work ultimately contributes to society, work harder and go that little bit further, then we can achieve amazing things.



Europe

Christel Leewens

Executive Personal Assistant
Omron Europe B.V.

I like to compare the composition of European IAB Group of 18 companies to a crystal with many facets; all different when the light shines on it from different angles.

But the whole is made of the same material. This material that all European sales companies share is our corporate philosophy. Of course, not all aspects of the Omron Principles reflect the same light in these companies. But the Omron Principles can provide a common thread, which binds all these Omron subsidiaries together.



Asia-Pacific

Cherry Lee

Finance Section Manager
Omron Electronics Sdn. Bhd.

Employees within Omron come from different backgrounds, cultural exposure and experience, but nevertheless, we have to work together to deal with constraints and operational challenges every day. These Principles will serve as a guiding tool and basis for all of us to know how to act appropriately. Simply stated, communicating the Omron Principles will ensure common understanding of what is expected and required if one is to do the right thing.



North America

Becky Novales

Controller & Treasurer
Omron Electronic Components LLC

Being in an internal support department, I associated society with co-workers. The family atmosphere, respect for individuality and diversity, and mutual support among co-workers are what I cherish the most.

Through learning the Omron Principles, I came to realize society was no longer limited to my co-workers, it now included the Omron communities worldwide. I learned quickly that these values that I cherished the most were not unique to Omron. That was when I first understood the motto 'At work for a better life, a better world for all'.

Meeting the expectations of stakeholders

Omron believes that contribution to society, rather than simply pursuing financial growth, is the very reason for a company's existence. Based on this belief, Omron is determined to fulfill its responsibility to promote sustainable development through its CSR management system, while meeting the expectations of its stakeholders.

CSR Management System

Embedding CSR into Omron business strategy

To remain a socially responsible company, Omron considers it essential to embed CSR into its business strategies and practice CSR in all its business operations. Omron is also working to strengthen its CSR management system so as to align its activities with the PDCA cycle as much as possible.

In fiscal 2004, Omron set up a CSR Management Headquarters to assume the functions of planning, overall supervision and representation of Omron in CSR matters. A CSR Promotion Committee was also established to coordinate the efforts of head office administrative divisions in respect to the promotion of CSR management. Under the committee are working groups tasked with implementing individual programs.

In fiscal 2005-06, a CSR manager was assigned at each business company. Each company formulated its own CSR policy and planned specific programs. As a first step toward building a global CSR management system, a specialized CSR organization was founded at Omron's Chinese Group Head Office in this important strategic region for the second stage of its long-term management plan GD2010 (fiscal 2001-2010).

In March 2007, four strategy-formulation functions related to management, CSR, investor relations and corporate communications

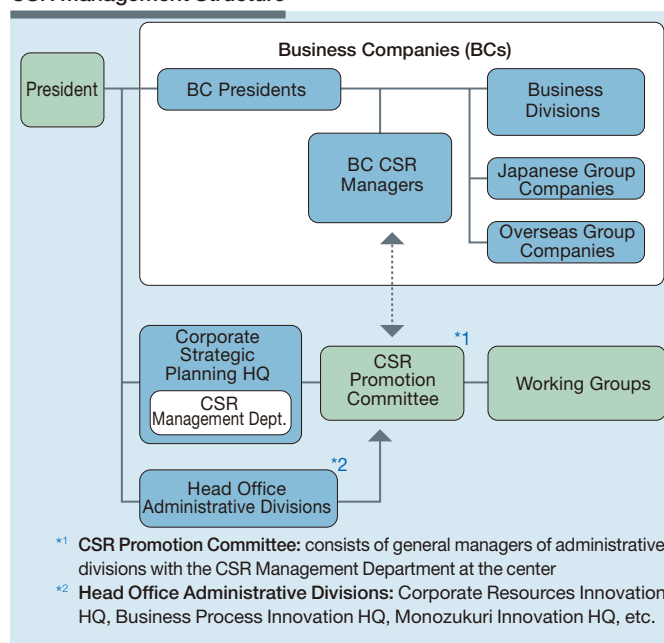
were integrated into the Corporate Strategic Planning Headquarters, tasked with formulating management strategies under the direct control of the President. This reorganization aimed to integrate CSR practices more deeply into management strategy to raise the effectiveness and thoroughness of Omron's CSR-oriented management during the GD2010 third stage (fiscal 2008-10). Along with this reorganization, the CSR Management Headquarters was renamed the CSR Management Department. Although it remains the same in the sense that it is not involved with actual implementation of planned programs, it will strengthen its role as promoter of Group-wide CSR practices.

Toward the start of the GD2010 third stage, Omron aims to augment CSR management implemented through each business company's command channel. In addition, each regional group head office will develop a stronger system of support for overseas Group companies. Construction of a complete global CSR management system is also planned by clarifying the roles and responsibilities to be assumed by the respective regional head offices and companies.

CSR policy—3 pillars and 4 focus areas

During the current second stage of GD2010 (fiscal 2004-07), Omron is promoting CSR activities built on three pillars, with particular focus on four key issues.

CSR Management Structure



Basic CSR policy—Three pillars

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

CSR activities—Four focus areas

- Promoting innovation driven by social needs through business operations**
- Strengthening legal compliance and corporate ethics**
- Addressing diversity issues**
- Commitment to environmental conservation**

To enable CSR-oriented management that can better meet stakeholder expectations, Omron in fiscal 2007 will specify challenges to be tackled and targets to be achieved during the GD third stage. This will be done by taking into account the degree of Omron's economical, environmental and social impact, as well as the degree of its impact on stakeholders' evaluation and decision-making.

Publication of Guidelines

CSR Practice Guidelines

The Omron Group CSR Practice Guidelines set forth actions and behavior necessary for implementing stakeholder-centered management as discussed in the Management Commitments of the Omron Principles. They are based on the Omron Corporate Ethics Guidelines established in 1998, and have been reorganized to comprehensively cover CSR matters.

The guidelines specify the Group's basic policy for addressing important CSR issues, which is a reflection of current worldwide trends, as well as defining what all Omron Group directors and employees should or should not adopt in conformance with this policy. The guidelines consist of the following:



CSR Practice Guidelines

Fundamental Principles: The ground rules and the basic stance for implementing CSR-oriented management practices and day-to-day activities. (see right column)

Basic Policy: Basic management policy for addressing each CSR issue.

Practice Guidelines: Specific behavior/actions that each Omron Group employee should take for each issue.

Implementing the Guiding Principles for Action

'Implementing the Guiding Principles for Action' stipulates the key points of practices for Omron Group directors and employees to put Guiding Principles for Action, as incorporated in the Omron Principles, into practice in day-to-day operations.

This booklet also presents exemplary cases of practices that help members of the Omron Group set their own action targets and make recommended actions daily habitual practices.

For the future, there is a plan to include the degree of implementation of the Omron Principles as one of the personnel appraisal criteria so as to more deeply instill the Guiding Principles for Action into each employee's day-to-day activities.



'Implementing the Guiding Principles for Action' booklet

Fundamental Principles stipulated by the CSR Practice Guidelines (excerpts)

(Underlying principles behind CSR-oriented management practices, day-to-day operations and conduct)

1. Compliance with Laws and Ethical Conduct

The Omron Group is aware that a company must operate in harmony with a law-abiding and ethical society. Based on this awareness, the Omron Group puts the utmost priority on compliance with laws and regulations and respect for fair social rules, while also conducting business activities in a highly ethical manner. The Omron Group respects laws, regulations and rules specific to each country or region, and promotes management practices in such a way as to harmonize with Omron's own values and common awareness of the global society.

Directors and employees of the Omron Group will comply with all applicable laws and conduct operations and act in a highly ethical manner, while also making it a habit to acquire all necessary knowledge to appropriately check their own behavior.

2. Global Perspectives in Management and Day-to-Day Operations

When conducting management practices or day-to-day operations, the Omron Group gives due consideration to differences among countries or regions to ensure we will not impose country-specific customs or ways of thinking on others.

Without solely focusing on the situation of our own country or region or the issues that are prominent there, we will make sure to take into account internationally shared perceptions when carrying out management practices and day-to-day operations.

3. Building Trust and Confidence with Stakeholders

The Omron Group will strive to promote sincere dialogue when interacting with our stakeholders, which include employees; customers; business associates and suppliers; shareholders and investors; and local communities. Sincere dialogue requires offering clear and concise corporate information and ensuring accountability to stakeholders. To ensure appropriate and timely disclosure of corporate information, directors and employees of the Omron Group will endeavor to gather, report and provide accurate information.

We will seek the understanding and support of our supply chain partners in conforming to and practicing the Omron Group's CSR policy. We will also proactively promote collaborative activities with industry groups, governmental agencies and international organizations.

4. Setup of CSR Management Systems

The Omron Group will strive to build a PDCA system, which is designed to repeat the sequence of deciding the appropriate action to take (PLAN), implementing the action (DO), monitoring the process of implementation and consequences (CHECK), and counteracting and improving the situation if there is a problem (ACTION).

Directors and employees of the Omron Group will not only implement CSR practices themselves but will also report to appropriate personnel any problem in their own actions or those of others, and cooperate in improving the situation and preventing the recurrence of the problem. They will also strive to identify possible risks and take preventive measures, as required depending on their job category and authority, and implement appropriate measures against crisis according to the internal policies or strategies.

Note: The Fundamental Principles in their complete form can be found in the Omron website.

CSR Activities in FY2004-05

FY2004

- Established CSR Management Headquarters tasked with CSR planning and overall supervision
- Participated in the Global Leadership Network (GLN), an international network focusing on CSR issues
- Specified three pillars and four focus areas for CSR activities

FY2005

- Assigned CSR manager at each business company
- Formulated business company-specific CSR policies and programs
- Assigned CSR management personnel in China
- Planned CSR activities for China
- Prepared and distributed CSR Handbook
- Organized in-house CSR education, seminars and other activities intended to raise employee awareness
- Participated in a dialogue with the Kyoto CSR Workshop members

Key CSR Activities in FY2006

Efforts advanced steadily in addressing four key CSR issues

In fiscal 2006, Omron continued to promote CSR activities centered on three pillars and focused its efforts in four key areas.

As for innovation driven by social needs, Omron addressed various challenges related to safety, security, environmental conservation and healthcare through the 'best matching of machines to people'. Examples include the Quality Solutions System designed to meet quality assurance requirements, and the reinforced Security Management System capable of answering security needs. Details of these systems are introduced in the Feature Article section on page 23-34.

For diversity, continuing efforts were able to raise the percentage of employees with disabilities to 2.04% for the entire Omron Group in Japan (as of June 2006), a substantial increase from the 1.78% as of June 2005. The figure is also very close to its target of 2.3%, which is among the highest for manufacturers in Japan.

Omron also provided training courses for cultivation of female leaders and follow-up seminars for the participants of the training courses, to promote more women into positions of responsibility. The company's continued efforts over the past several years in this area have resulted in a steady increase in the percentage of women in management positions, even though these increases have been in small increments over time.

Programs related to compliance and environmental conservation also advanced steadily.

An overview of fiscal 2006 policies and results in the four focus areas is included on page 17-18 of this report, with details discussed in the Feature Article, Social Performance and Environmental Performance sections.

CSR Activities in China

Specifying focus areas for promotion of CSR practices in China

Since 1979 when the company initiated technological exchange with China, Omron has built strong associations with the country. Beginning in 2001 Omron, based on the GD2010 plan, specified China as an important strategic region and aggressively expanded business in the region. At present, more than 13,000 Chinese employees are working in Greater China, with the scale of production and sales expanding annually. The results have been annual expansion in the economical, environmental and social impact of Omron's businesses in China.

Against this backdrop, Omron set forth five key areas of CSR activities in China in February 2005. While integrating CSR activities with business operations, Omron is actively promoting community involvement with the aim of harmonious coexistence with Chinese society. Activities in each key area conducted in China during fiscal 2006 are as follows:

FY2006 CSR Activities in China

1. Promotion of compliance and maintenance of ethical standards

- Assigned corporate ethics officers
- Monitored compliance status regarding the three most important laws related to customs, bribery and activities falling outside each company's scope of business

2. Environmental conservation

- Promoted environmental conservation activities at production sites
- Conducted environmental audits for production sites

3. Expansion of CSR procurement

- Announced global purchase and procurement policy
- Promoted new contracts including CSR provisions with suppliers

4. Recruitment/support for persons with disabilities

- Worked proactively to achieve legally mandated levels for employing disabled persons specified for various parts of China
- Contributed RMB 1 million to an association for the disabled in Shanghai

5. Contribution to local communities by taking advantage of Omron's distinctive strengths

- Formulated basic framework for community involvement
- Community contributions
Establishment of Omron Education Fund, donation of experimental equipment to universities, co-sponsorship of Dalian International Marathon, employee volunteer activities at various sites on 'Founder's Day' (May 10th)

Strengthening corporate governance based on the corporate core value of 'working for the benefit of society'

The key objective of corporate governance in the Omron Group is to achieve efficient and competitive management by building an optimal management structure and conducting fair and appropriate business operations. To this end, focus is placed on fulfilling management accountability, achieving management transparency and pursuing high business ethics.

Corporate Governance System

Separation of business oversight and business execution

In addition to strengthening management monitoring functions, Omron separates management oversight and business execution to quickly respond to changes in the business environment.

To facilitate business operations, Omron has adopted an executive officer system. Aiming to strengthen operations of each business area, an internal company system was introduced, with the president of each internal business company empowered by more authority to realize quicker decision-making and more streamlined operations. Omron also promotes commitment-based management intended to clarify roles and responsibilities. This system involves identification and sharing of goals between the President and other executive officers and each business company, and objective evaluation of achievement.

Enhancing efficiency and transparency of management practices

To increase efficiency in the Board of Directors (BOD) and promote more substantive discussions, the number of board members was reduced to seven. The President is the only director who is also tasked with business execution, as part of the company's drive to reinforce monitoring over business functions.

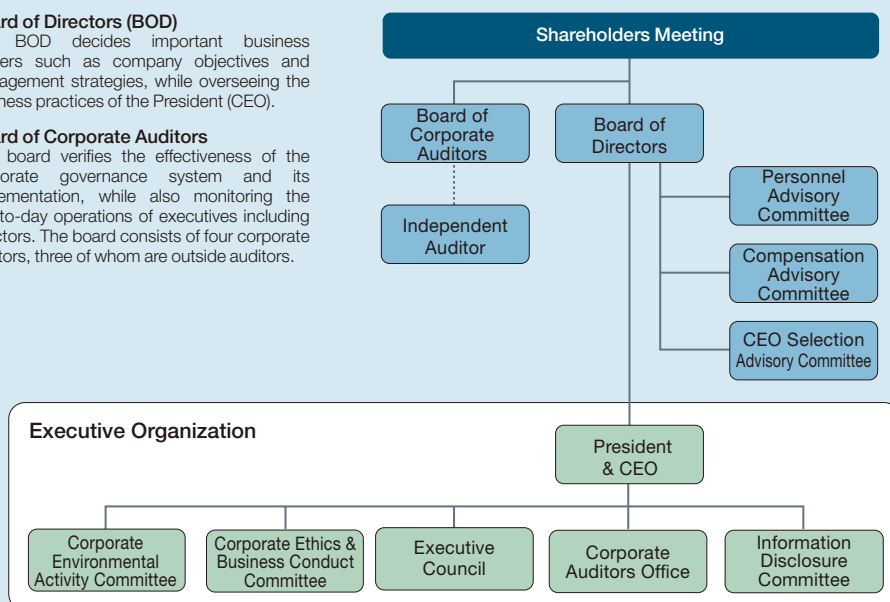
Corporate Governance Structure

Board of Directors (BOD)

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

Board of Corporate Auditors

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



For more objective management practices and strengthened management oversight, positions of the Chairman of the Board and the President were separated.

Appropriate nomination and evaluation of directors

For nomination, promotion and compensation of all directors, corporate auditors and executive officers, a Personnel Advisory Committee and a Compensation Advisory Committee have been set up within the BOD. Both are chaired by an outside director and discuss personnel and compensation matters for all executives while the Chairman and the President are not present, so as to enhance the objectivity and transparency of decisions.

In December 2006, a new CEO Selection Advisory Committee was established to ensure more objective and transparent change/appointment of a new President.

Beginning in fiscal 2007, the term of directors will be shortened from two years to one, aiming to further clarify the responsibilities of the Omron management team to shareholders and more swiftly respond to changes in the business environment.

Establishment of Information Disclosure Committee

In June 2006, to meet the increasing demand from stakeholders for more information disclosure, Omron set forth its own information disclosure policy and standards that are stricter than the Tokyo Stock Exchange's (TSE) Timely Disclosure Rules. According to these standards, an Information Disclosure Committee chaired by the President was set up to monitor related activities for the entire Omron Group.

Personnel Advisory Committee

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

Compensation Advisory Committee

Also chaired by an outside director, this committee determines the compensation structure for directors, corporate auditors and executive officers, sets evaluation standards, and evaluates current executives.

CEO Selection Advisory Committee

Dedicated to nomination of the President, this committee deliberates on selection of the new President for the next term and a succession plan in preparation for a contingency.

Executive Council

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

Information Disclosure Committee

In June 2006, Omron set forth information disclosure policy and standards that are more exacting than TSE's rules. Established in June 2006, and chaired by the President, the committee monitors information disclosure activities of the entire Group.

Compliance

Demonstrating fairness and integrity in corporate activities worldwide

Omron identified one of the four key CSR issues as strengthening legal compliance and corporate ethics. Guided by the Corporate Ethics & Business Conduct Committee set up in 2003, Omron is striving to maintain ethical standards and compliance in Japan as well as four regions around the world.

Global Promotion of Compliance

Corporate Ethics & Business Conduct Committee

Omron's Corporate Ethics & Business Conduct Committee has a responsibility to promote ethical and legally compliant practices for the entire Omron Group. The committee formulated four key strategies—(1) monitoring, (2) PDCA cycle implementation, (3) strengthening of compliance education, and (4) restructuring of the compliance system, encouraging autonomous activities in line with these strategies for the Group organizations including business companies.

Monitoring

In fiscal 2006, Omron conducted monitoring to check the compliance status at 11 Group companies in Japan and abroad, including those which had only recently joined the Omron Group.

PDCA cycle implementation

To encourage all Omron Group directors and employees to promote corporate ethics and compliance on their own initiative, efforts are concentrated on initiating PDCA cycle implementation at each organization. In fiscal 2006, compliance-related activities were reviewed and improved at all Group companies in Japan using the PDCA cycle.

Compliance education

Besides corporate-level education opportunities, each business company offers compliance training in a way that suits its structure

and the nature of its business. In fiscal 2006, compliance training was organized for directors, managers, specialists, full-time employees and temporary staff of the Omron Group in Japan, as well as for new employees. An e-learning system was also introduced as a new training method. In fiscal 2007, Omron will work on instilling the awareness of compliance issues throughout the Omron Group, such as through expanded usage of e-learning.

Compliance system restructuring

Omron's corporate ethics and compliance system is composed of the Corporate Ethics & Business Conduct Committee, corporate-level specialized committees and committees established individually by business companies. Starting from fiscal 2005, corporate ethics managers in charge of compliance education are assigned for all Group companies in Japan.

Promoting Compliance in Japan

Whistle Blower Hotline

Omron's in-house whistle blower hotline gives telephone, email and post access to Omron Group directors, full-time employees and temporary staff as well as their families in Japan. Once a hotline contact is made, the staff in charge conducts a confidential in-house investigation. To raise awareness of the hotline and facilitate its use, the in-house electronic bulletin board posts data regarding hotline contacts. In fiscal 2005, hotline access also became available at outside law firms.

In fiscal 2006, several measures were taken to speed in-house investigation and facilitate response to hotline contacts, including increased hotline advisors, a reviewed system for handling hotline contacts and regular training for advisors. A total of 14 hotline contacts were made during the year. Omron will continue promoting awareness of the hotline and improving response in fiscal 2007.

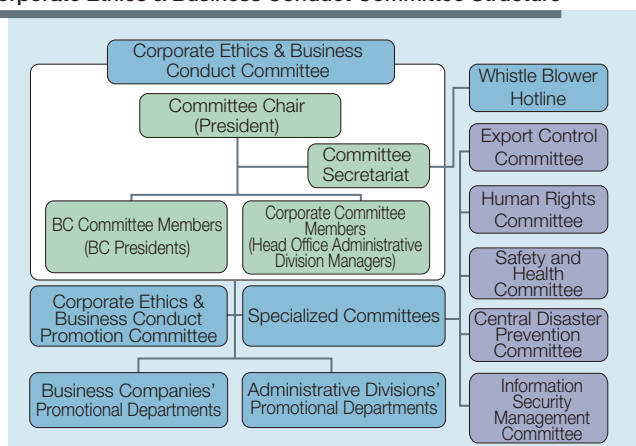
Corporate Ethics Month activities

As part of its drive to strengthen compliance for the Omron Group in Japan, Omron designated October as Corporate Ethics Month. Activities conducted during fiscal 2006 included distribution of corporate ethics/compliance posters and cards, workplace meetings, message from the President and seminars targeting directors.

Corporate ethics/compliance awareness enhancement

To stimulate corporate ethics/compliance awareness and practices among Omron Group directors and employees in Japan, company intranets posted a Corporate Ethics Bulletin Board. In fiscal 2006, the newly opened 'Q&A' section introduced appropriate action for each anticipated case. For fiscal 2007, Omron plans to upgrade the 'Q&A' content and put it into a booklet form for distribution to all Omron Group directors and employees in Japan.

Corporate Ethics & Business Conduct Committee Structure



SSB Code of Business Ethics

The Social Systems Solutions Business Company (SSB), specializing in railway station systems and other public service-related products, has promoted its own compliance-related activities. These include a compliance talk in which employees have discussions on compliance issues at each worksite.

In October 2006, SSB formulated its Code of Business Ethics and in November of the same year, its Quality Assurance Code, and worked to put them into practice. Societal and customer expectations for SSB are changing, from that of improving efficiency of social infrastructure systems to safety, security and environmental conservation. Against this backdrop, these regulations, by specifying fundamental rules that SSB employees must abide by, provide basic judgment criteria that employees can refer to when they face difficulties in decision-making.

Corporate ethics/compliance awareness survey

In March 2007, Omron conducted a total awareness survey targeting all Omron Group employees inside and outside of Japan (see pg. 9 'The Omron Principles') to grasp corporate ethics/compliance awareness among employees and evaluate their

understanding of the guidelines.

Omron aims to reflect the findings of this survey in measures to promote implementation of the PDCA cycle at each worksite around the world.

Information Security

Establishment of a new information management system

In fiscal 2006, with the goal of achieving permanent information security, Omron reviewed the current systems of information security management in operation at all Group companies in Japan.

Omron's policy is to fulfill its responsibilities to stakeholders by appropriately managing confidential information and personal information to protect them from leakage. Accordingly, Omron completely reviewed information management rules and launched an integral management system to cover both confidential information and personal information.

In fiscal 2007, Omron will strive to ensure the implementation of appropriate information security measures at all Group companies in Japan, while also reviewing information management rules applied for overseas Group companies.

Promoting corporate ethics and compliance in four regions of the world

At the Omron Group, a total of 32,456 people are working in Japan and four regions around the world. To demonstrate fairness and integrity in all corporate activities and individual employees' behavior throughout the world, Omron is promoting compliance in each region through distribution of the Corporate Ethics Guidelines and monitoring of compliance status. In fiscal 2007, Omron will publish regional versions of the CSR Practice Guidelines, which are based on and upgraded from the Corporate Ethics Guidelines (see pg. 11 'CSR Management and Activities'). Continued promotion of compliance training and monitoring is also planned.

North America

Compliance officers are in place at each North American Group company.

In fiscal 2006, compliance monitoring for Group companies continued, while awareness of the whistle blower hotline was enhanced, resulting in 11 hotline contacts received.

Blake Thatcher



Bill Abbott



Europe

Under the leadership of Omron Europe's Risk Management Committee, compliance auditing and manager training have been conducted on a regular basis to strengthen compliance. Establishment of a contact channel to work in collaboration with the committee is now underway along with the improvement of the compliance promotion system. Managers in charge of legal and regulatory matters were assigned to ensure strict observance of environmental and other regulations.

Patrick Duregger



China

Compliance and maintenance of ethical standards are among the key CSR issues for Omron in Greater China (see pg. 13 'CSR Management and Activities'). In fiscal 2006, corporate ethics officers were assigned at each Group company, and the first promotion conference was held in Shanghai. In addition to manager training, compliance monitoring continued with a focus on observing compliance with three important laws related to customs, bribery and operations falling outside each company's scope of business.

Fumihiro Matsuzaki



Dai Ogihara



Asia-Pacific

Taking into consideration the language and cultural diversity in the region, the Corporate Ethics Guidelines have been translated into five different languages.* Efforts are focused on education, training and monitoring with the aim of strengthening understanding of corporate ethics and compliance among all employees through the distribution of guidelines and creation of a system to ensure strict legal observance.

* Thai, Indonesian, Vietnamese, Malay and Tamil

CSR Policies and Results

Focusing on four areas of activities revolving around three pillars

In fiscal 2005, Omron designated three pillars of CSR policy: (1) Contribute to a better society through business operations; (2) Always demonstrate fairness and integrity in the promotion of corporate activities; and (3) Show a commitment to addressing societal issues as a concerned party. Based on this policy, four focus areas

were determined to cover the GD2010 second stage (fiscal 2005-07). These are: (1) Promoting innovation driven by social needs through business operations; (2) Strengthening legal compliance and corporate ethics; (3) Addressing diversity issues; and (4) Commitment to environmental conservation.

	Basic policy	FY2006 policy
1. Contribute to a better society through business operations		
Innovation driven by social needs	Offer products and services to address social needs related to safety, security, environmental conservation and health, by capitalizing on Omron's core competencies of Sensing and Control technology. The key concept is creating the 'best matching of machines to people'.	<ul style="list-style-type: none"> Develop technologies, products and services in accordance with the basic policy.
Universal design	Pursue Universal Design from the standpoint of allowing machines to adapt to the individual needs of various users.	<ul style="list-style-type: none"> Develop Universal Design products in accordance with the basic policy. In particular, incorporate the results of evaluation using the Universal Design indicators into new products.
2. Always demonstrate fairness and integrity in the promotion of corporate activities		
Corporate governance	Create an optimal management system and build/implement a monitoring system that attests to the effectiveness of corporate operations to enhance competitiveness. The eventual goal is to ensure sustainable growth of the company by gaining the trust and confidence of stakeholders.	<ul style="list-style-type: none"> Instill the Omron Principles to assure that they are thoroughly practiced by all Omron Group organizations and employees at the global level. Set up the Information Disclosure Committee to monitor information disclosure of the Omron Group as a whole.
Compliance & corporate ethics	Place the highest priority on corporate ethics as a responsible corporate citizen. Assure strict maintenance of fairness and integrity in all corporate activities and in the behavior of all employees.	<ul style="list-style-type: none"> Strengthen global promotion system to thoroughly disseminate the Corporate Ethics Guidelines. Encourage Group companies in Japan to implement autonomous PDCA cycle for promotion of compliance and ethical actions. Publish a case study guidebook including more practical guidance for action and appropriate criteria for judgment for each specific case.
3. Show a commitment to addressing societal issues as a concerned party		
Labor & diversity	Employee motivation and fair remuneration Motivate employees to fully demonstrate their talents and support them in achieving their individual goals. Stimulate the development of employees and the company itself through fair evaluation and remuneration based on employee performance and achievements.	<ul style="list-style-type: none"> Promote implementation of Specialists System. Continue to expand the scope of specialists' qualification and extend the system to cover Group companies.
	Respect for diversity Promote talented people to vital positions in the workplace regardless of gender, race, religion, or other non-performance related attributes and encourage them to reach their full potential.	<ul style="list-style-type: none"> Promote the employment of people with disabilities in a well-planned way to achieve the goal of 2.3% in Group-wide employment of people with disabilities in Japan by the end of FY2007. Continue female leader training and improve the training program. Improve working conditions, such as through the provision of daycare centers to help employees achieve work/personal life balance.
	Enhance awareness of human rights in the workplace Strive to raise employee consciousness of human rights and create a workplace that values individuals, while working to build a pleasant society free from discrimination.	<ul style="list-style-type: none"> Promote awareness of human rights among employees along with instillation of the Omron Principles. Improve awareness-enhancing system of Group companies.
Supply chain management	Build a robust, global partnership with suppliers and associates who cooperate in creating reliable products, ensuring that purchasing is conducted in a fair and open way. Also share Omron's CSR policy and awareness with suppliers so as to involve them in promotion of CSR practices.	<ul style="list-style-type: none"> Present and share purchasing policies including CSR considerations with suppliers. Add CSR items to basic supplier contracts as provisions requiring strict conformance and apply at the global level. Consider monitoring suppliers to help them strengthen CSR activities.
Community involvement	Strive to help people with disabilities or other limitations to enhance the quality of their lives and build a society that allows them to be self-reliant while fully developing their personal strengths.	<ul style="list-style-type: none"> Develop new support programs to improve QOL of people with limitations.
Environmental conservation	Omron believes that addressing environmental issues is one of its most important corporate responsibilities. Based on this, strive to reduce the environmental impact of business activities, while creating environmentally sound products and technologies.	<ul style="list-style-type: none"> Continue offering environmentally warranted products free from hazardous substances. Strengthen measures to reduce CO₂ emissions at overseas sites. Achieve zero emissions at all non-production sites in Japan. Conduct global environmental auditing.
Management-related issues		
Dialogue with stakeholders	Engage and communicate with stakeholders and listen to their views while implementing stakeholder-centered management. The eventual goal is to plan and implement corporate strategies and programs jointly with stakeholders.	<ul style="list-style-type: none"> Reflect recommendations given by dialogue participants in future activities. Expand and continue dialogues with stakeholders.

These pillars and focus areas of CSR activities were also maintained for the determination of fiscal 2006 policy and implementation of activities. The following table shows major CSR activities carried out during fiscal 2006 and the policy for fiscal 2007.

 correspond to four focus areas of activities.

FY2006 results		FY2007 policy
<ul style="list-style-type: none"> Strengthened solutions business to address security issues of the manufacturing industry. Offered a system to improve quality management and traceability of food production sites. Offered an energy management system capable of contributing to energy conservation through visualization of electricity consumption. Supplied control equipment for solar power systems. 	<ul style="list-style-type: none"> Developed more easy-to-use products incorporating customer feedback through the evaluation of blood pressure monitors and other healthcare devices. Consumer monitors and visits to customers' homes were used to survey usage conditions. 	<ul style="list-style-type: none"> Continue to develop products and services that solve issues related to safety, security, environmental conservation and healthcare.
		<ul style="list-style-type: none"> Develop Universal Design products in accordance with the basic policy.
<ul style="list-style-type: none"> Established new and updated corporate principles and announced corporate core value of 'working for the benefit of society' internally and externally. Translated 'The Omron Principles' booklet into 25 languages and distributed in each region to instill the new corporate principles. Formulated voluntary information disclosure policy/standards and set up an Information Disclosure Committee. Reduced term of directors and set up a President Nomination Advisory Committee to strengthen corporate governance. 	<ul style="list-style-type: none"> Reviewed Omron Corporate Ethics Guidelines and issued CSR Practice Guidelines to more comprehensively cover areas related to implementation of CSR demanded by global society. Distributed the above guidelines to all employees in Japan and conducted discussions at each worksite. Assigned a corporate ethics officer at Group company in China. Conducted compliance monitoring at 11 sites in and out of Japan to encourage implementation of PDCA cycle. Gathered and compiled corporate ethics/compliance-related cases in preparation of the publication of case study guidebook. 	<ul style="list-style-type: none"> Promote implementation and instillation of the Omron Principles at the global level. Strengthen sharing and instillation of the Omron Principles for overseas Group companies as well as those recently joined.
		<ul style="list-style-type: none"> Publish CSR Practice Guidelines in each region of the world. Establish a global-scale PDCA cycle implementation system for compliance. Publish a case study guidebook.
<ul style="list-style-type: none"> Nine new specialists were qualified, including one for a new job category added in FY2005, resulting in 43 qualified specialists for the entire Group. Continued to study expansion of job categories for specialist qualifications and system coverage of Group companies, but no new job categories were added or new specialists qualified at companies other than Omron Corp. 	<ul style="list-style-type: none"> Increased Group-wide percentage of employees with disabilities in Japan to 2.04% from 1.78%. Promoted employment of disabled persons in China, showing steady advancements in various Group companies. Continued female leader training and qualified one woman as a specialist at Omron Corp. Opened a daycare center near the Keihanna Technology Innovation Center for enhanced work/personal life balance for employees. Improved employee support initiative by extending period for shorter working hours for childcare and initiating periodical interviews by managers. 	<ul style="list-style-type: none"> Promote implementation of Specialists System and study expansion of job categories for specialist qualification. Introduce implementation of the Omron Principles as personnel appraisal criteria for managerial-level staff.
		<ul style="list-style-type: none"> Aim to increase Group-wide percentage of disabled employees in Japan to 2.3% by the end of FY2007. Continue female leader training and improve training program. Support employees in achieving work/personal life balance by opening a daycare center in Kyoto.
<ul style="list-style-type: none"> Adopted human rights as a topic of discussions conducted at each worksite as part of the instillation of the Omron Principles. Conducted training for persons in charge of human rights awareness enhancement in Japan with 36 persons from 30 Group companies participating. 	<ul style="list-style-type: none"> Revised purchasing policies to include new provisions of environmental conservation and legal compliance. Presented new purchasing policies to suppliers and requested their cooperation in CSR procurement. Negotiated contracts including CSR provisions with 136 suppliers in China and concluded new contracts with 75% of them. Studied monitoring process to check suppliers' status of CSR activities. 	<ul style="list-style-type: none"> Continue enhancing human rights awareness in alignment with programs to instill the Omron Principles. Strengthen efforts to prevent sexual harassment in accordance with the revised Equal Employment Opportunity Act.
		<ul style="list-style-type: none"> Build a system for effective CSR procurement.
<ul style="list-style-type: none"> Supported building of Kyoto recruitment agency network to promote employment of disabled persons. Approx. 8,400 employees worldwide participated in Founder's Day volunteer activities. Launched 'Ecovolun' initiative (see pg. 41) on a trial basis to support employees' volunteer activities. 	<ul style="list-style-type: none"> Continued total elimination of hazardous substances from products. CO₂ emissions increased 6.7% compared to FY2005 due to increased production; emissions per unit of production decreased 28.7%. Zero emissions were not achieved at some sites; achievement expected by FY2007. Conducted corporate environmental audits (internal audits) for two production sites in China. 	<ul style="list-style-type: none"> Develop an employment support program for disabled people in conformance with the drive to improve QOL for people with limitations.
		<ul style="list-style-type: none"> Continue efforts to meet hazardous substance regulations on products. Continue strengthening measures to reduce CO₂ emissions at overseas sites. Expand zero emissions sites. Strengthen environmental risk management at the global level.
<ul style="list-style-type: none"> Continued dialogue with Kyoto CSR Workshop. Conducted dialogue to exchange views between GLN Research Team and CSR managers from all the business companies. 		<ul style="list-style-type: none"> Reflect recommendations given by dialogue participants in future activities.
		<ul style="list-style-type: none"> Aim for expanded dialogue opportunities with more diversified stakeholders.

Building a better relationship with local stakeholders

On March 23, 2007, Omron hosted a discussion at its Head Office with members of the Kyoto CSR Workshop.* Initiated in fiscal 2005, this dialogue was in its second year and focused on three themes—(1) Comparing the 2005 and 2006 editions of Omron's Sustainability Report; (2) Expectations for Omron's CSR activities; and (3) Society's demands from

Omron in the future. Through this opportunity, Omron was able to gain valuable input from participants.

* Kyoto CSR Workshop:

This study group was organized in response to a call from Professor Seiichiro Shimamoto of Kyoto Bunkyo University. Its members include staff of companies headquartered in Kyoto, NPOs, NGOs, governmental officials, researchers and students, who freely participate in a private capacity. Every month, a guest speaker is invited to give a lecture. Participants share views and research on the meaning of Kyoto-style CSR activities, the effectiveness of corporate CSR activities in tandem with NPOs, and other topics.

Comments from participants

Put a human face on all aspects of CSR activities

Mr. Seiichiro Shimamoto

Professor of Modern Sociology, Department of Anthropology
Kyoto Bunkyo University



Omron's corporate principles of 'working for the benefit of society' are great, but the question is how deeply can you instill the philosophy in all employees. It's also a good idea to promote corporate ethics overseas, but simply exporting the Japanese way of thinking can create misunderstandings. Measures such as assigning staff in charge of CSR for each region should be considered. In ways such as these, Omron should seek to put a human face on all areas of its CSR activities.

Omron should assess its present status numerically and set clear-cut goals

Mr. Masahiro Fujino

Chief Project Coordinator, Kyoto NPO Center



In comparing the 2006 edition to the 2005 edition, I couldn't see much progress in terms of quantifying performance or impact. I think Omron should set numerical targets for things such as the ratio between regular full-time employees and part-time contract workers, the proportion of women in the management team, and the number of employees who have taken childcare leave. The company should then clearly indicate how, and in what time period, the company will meet these targets. It would also be a good idea to create some kind of forum in which Omron employees can have discussions with NPO members to further strengthen the partnership between Omron and NPOs.

I want to see distinctive social contributions that set Omron apart

Mr. Norimasa Orii

Secretary General, Nippon International Cooperation for Community Development (NICCD)



I had the impression that the 2006 report was created with a more international perspective, but I also felt that it slightly lacked Omron's distinctive characteristics. Maybe you tried to cover all the bases with your report, in the spirit of being a 'good student'. But it seems to me that Omron has shown a long-term commitment to supporting persons with disabilities, for instance, and I think you should emphasize efforts such as these more strongly. I expect Omron to continue creating model cases for Japan by demonstrating leadership in the area of social contributions as well.

Listening to the opinions of more diversified stakeholders will help broaden the company's view

Dr. Masamichi Okano

Graduate School of Environmental Engineering
Osaka University



Because Omron has declared its commitment to stakeholder-centered management, I think the report would be improved if you could encourage your employees and customers to more directly contribute their thoughts, asking themselves questions such as "What would I do in that situation?" To do this, you should probably have a dialogue with a wider range of people. For instance, you could pay more attention to the stakeholders of stakeholders, such as the families of your employees and the employees of Omron's suppliers. If Omron can exchange views with a wider range of people representing different viewpoints, it may be able to cultivate a broader view.

FY2006 Activities in Response to Feedback from the FY2005 Dialogue

• "Omron should disseminate CSR among all employees."

- Distributed the 'Introduction to The Omron Principles', 'Sustainability Report 2006' and 'CSR Practice Guidelines' to all employees in Japan and conducted workplace meetings at all sites for discussions using these materials
- Distributed 'Implementing Guiding Principles for Action' to all employees in Japan to promote awareness and encourage practical application of the principles

• "We want Omron to strengthen environmental contributions and communications with local communities."

- (1) Omron contributes to environmental conservation by drawing on its technologies. LCDs that consume less power, next-generation systems that control traffic signals based on traffic flow prediction (SPROUT), solar power conditioner, energy management system, quality lifecycle management (QLM) solutions, and capacitors (electricity storage systems)
- (2) As a Kyoto-based company, Omron aims to become an essential element of the local community.

Examples of collaborative projects with local NPOs/NGOs in Kyoto and other parts of Kansai region

- Collaboration with the Kyoto Green Fund to promote 'Solar Power Plants' project
- Cooperation with Hikari-no-Onpu concert for persons with disabilities
- Cultural support for persons with disabilities through co-sponsorship of a songwriting contest organized by Tanpopo-no-le Foundation
- Supporting KIDS project by volunteering to escort children with disabilities
- Co-sponsoring '100 Most Eco-friendly Activities' project (joint project organized by industry, government, academia and citizens to plan and conduct events to encourage more eco-conscious lifestyles for citizens to combat global warming)

• "More efforts are needed to enhance employee awareness of volunteer activities."

Omron organized the 'Ecovolun' initiative to encourage more employees to participate in volunteer activities (see pg. 41 'Activities of the Better Corporate Citizenship Department').

• "Omron should further promote collaboration with NPOs or NGOs."

In fiscal 2006, Omron continued to pursue maximum synergy by combining the specialized knowledge, expertise and determination of each NPO/NGO with Omron's technological prowess and rich human resources.

What is CSR for a global company?



Pictures below (from left):

Mr. Steven A. Rochlin

Steven A. Rochlin is the Head of AccountAbility North America and Executive Director of the Global Leadership Network. A noted authority in the area of corporate citizenship, he has published numerous articles, and is frequently invited to speak on the role of business in society. Mr. Rochlin serves as the principal investigator for numerous initiatives defining world-class global corporate citizenship.

Masahiro Ijiri

Senior General Manager
Management Administration Division
Industrial Automation Company

Ichiro Kamei

General Manager
Business Administration Department
Strategy Planning Division
Electronic Components Company

Keiichi Miyazaki

General Manager
Personnel & General Affairs Department
Management Administration Division
Automotive Electronic Components Company

Hideyuki Ohtani

General Manager
Legal & Compliance Department
Strategy & Planning Division
Social Systems Solutions Business Company

Katsunori Ochi

Supervisor
Personnel and General Affairs Department
Management Strategy Division
Omron Healthcare Co., Ltd.



On March 15, 2007, personnel in charge of CSR management from Omron's business companies (BCs) and Steven A. Rochlin from the Global Leadership Network (GLN*) exchanged views regarding CSR challenges that the Omron Group faces.

Through this discussion, Omron staff received valuable input from Mr. Rochlin regarding the promotion of global compliance, supply chain management, and other issues.

* GLN (The Global Leadership Network)

The GLN is a landmark team consisting of globally top-performing companies, along with the Center for Corporate Citizenship at Boston College in the U.S. and AccountAbility in the U.K. The GLN has created an internal planning and assessment framework that helps companies align their CSR commitment and performance with their core business strategies to ensure performance excellence in corporate citizenship.

How can we balance 'benefits for society' and 'profitability'?

Rochlin: I remain very impressed by the incredible innovation that Omron delivers, and the commitment you have to corporate responsibility. One of the things that I have heard from people at Omron is how your products are vital to society as well as to the environment. And it seems that each of you has a story on how you identified a major problem that has had no solutions in terms of developing systems to address it.

Let me start by asking an operations-related question. When you develop a new product or system that has an important social impact, do you devote the same amount of time toward delivering a profit on such a system, or are you more patient? Or is it different for each case?

Ochi: For Omron Healthcare, it's case by case. For example, we have a product that is an ECG (electrocardiograph) monitor.

The product has not yet become a profitable line of business, but we have received many words of appreciation from users and endorsement from many doctors. In the meantime we will remain patient in terms of profitability and try to cultivate the product from a long-term perspective. That is how we position this particular product.

Ijiri: In the case of the Industrial Automation Company (IAB), we believe that we must always secure a certain level of profits as long as we do business. Does that mean that we will withdraw from a business if it doesn't immediately deliver a profit? No. If the product is aligned with our strategy and domain of focus, and as long as it benefits society, we position the product as an 'investment'. And we will try to absorb the cost of the investment by means of existing business. This allows us to nurture new ideas while securing a profit for IAB as a whole.

Rochlin: So long-term thinking is definitely part of your plan.

How can we assure that overseas Group companies are strictly in compliance?

Rochlin: I have heard about these challenges from others at Omron: how to promote CSR activities, how to make sure that employees are in compliance in China, how to deal with supply chain issues, and the issue, of course, of diversity. We could talk about some other types of issues. For example, how climate change will continue to affect your customers, and how that will affect your future products and business models. We might talk about, for example, growing healthcare costs around the world and the difficulty of providing people access to preventive care. Of course, many of you mentioned safety and security. And there seems to be a growing gap between the types of regions that have access to systems that promote safety and security and those that don't. So which one of these many challenges do your companies put priority on?

Kamei: For the Electronic Components Company (ECB), our top priority has been in instilling Omron's corporate principles among employees. We believe that to address CSR, it is most important that our staff fully understand that Omron is a company that has these corporate principles. Even so, in some countries compliance remains a tough challenge. In fact, there was one case in which a local employee was fired for fraud. It has nothing to do with nationality—it's also possible that a Japanese expatriate may become involved with fraud. And some other countries face management-related challenges.

Ijiri: In China and Asia-Pacific, IAB took the lead in providing compliance and ethical conduct education for local staff, and we have also performed monitoring for compliance status. We strengthened education for those staff dispatched from Japan to work at local companies, so we haven't had any scandals involving Japanese expatriates. However, there still remain local customs that condone bribery or other unfair dealings in some regions. In such regions, the biggest challenge is how we can make local staff align with our way of thinking that emphasizes fairness and integrity.

How can we deal with CSR management in the supply chain?

Miyazaki: The Automotive Electronic Components Company (AEC) itself assumes a position as supplier for our client companies. From our customers' point of view, AEC is an element of their own supply chain. The automobile industry is very strict about delivery schedules, and demands very high standards of technology. Our employees, of course, understand the Omron Principles and CSR very well. But as long as we try to continue meeting the demands of our clients, we will get extremely busy and tend to work long hours. In that situation, some employees feel that concepts like 'maximum customer satisfaction' and 'respect for individuality and diversity (of employees)' specified in the Omron Principles contradict each other. Some may wonder if there's a gap between what is actually happening in our workplace and how CSR practices should work as an ideal. In other words, there's a gap between the principles and how they can be put into practice. We believe that we must continually challenge ourselves to overcome this gap.

Rochlin: I think Omron maintains a consistent stance for eliminating the gap between principles and reality. But I can certainly see

examples of tension in the supply chain, and so there is no good solution to the problem that you've raised. Because to solve this, it requires that someone bear more costs. Or it requires breakthroughs and innovation in your business process. Either one involves money and time. So from your perspective, one question is: if you are going to be asked to comply with supply chain practices, do you need more consistent rules that everyone follows?

Ohtani: As far as the Social Systems Solutions Business Company (SSB) is concerned, information security has recently become a major societal challenge. So we have started to deal with information management that includes information leakage problems in the supply chain. Our approach is like this: first, we make a checklist and 'visualize' rules that we want both our staff and suppliers to observe. Then, we evaluate how much these rules are followed using the checklist. We also consider that worksite monitoring, auditing and inspection are necessary, both inside and outside our company. Education for our staff and also for suppliers is also necessary. We are aiming to promote rule-formation, monitoring and education as a 'triple set' package.

Ijiri: We ourselves should also improve our evaluation skills. No matter how well defined the rules are, it's no use if our abilities to assess the compliance of rules are poor. Obviously it takes time to raise evaluation skills. But to avoid the risk of incorrect evaluation, it is important to improve our evaluation skills.

Ochi: As for supply chain management, in some cases at Omron Healthcare we form a capital alliance with a supplier and send a director-class representative to the company in order to assure good product quality. The first aim is to enhance quality, but by sharing the Omron Principles and code of conduct with our suppliers we are striving to go further into CSR management for the supply chain.

How should global CSR activities be promoted?

Ijiri: It is vital that we tackle important CSR challenges at the global level. But for things like 'respect for diversity', it would be difficult for all of our Group companies worldwide to implement the same measures. In Japan, our focus is on employment of persons with disabilities and creating work environments in which women can work more comfortably and demonstrate their capabilities fully. But it's impossible to import these initiatives directly to other regions. The concept of directly applying our experience in Japan to other countries is not always applicable. So Mr. Rochlin, could you give us some advice regarding global promotion of CSR activities?

Rochlin: Well, first I think it's important to start with common sense. I think it is important for businesses to identify the things that are most important in the regions, in the areas, and in the markets that are most critical, and deal with them one by one.

As well as the development of new products, it also takes time to develop effective and strategic CSR systems. I think that one challenge for a company is to increase and innovate the ways that they develop systems, production processes and products that respond to these expectations. And I think Omron has the components, the experience and the growing potential to develop and succeed in this manner, if you choose to continue to invest in it. But it will require great courage and at times great faith.

Lastly, let me say thank you so much for spending the time and sharing it with me.

Statement from Steven A. Rochlin—Head of AccountAbility North America, and Executive Director of the Global Leadership Network—for OMRON's CSR Report

Since 2004 I have conducted with my colleagues site visits to OMRON's Headquarters in Kyoto. I have met with and interviewed in depth executives and managers from OMRON's executive-suite, its five business companies, and its principal staff functions. In addition, OMRON staff have completed the GLN CSR performance excellence self assessment and planning tool.

The GLN team has provided OMRON with an analysis of its CSR Strengths, Weaknesses, Opportunities and Threats (SWOT) and recommendations for action. OMRON has in my opinion been highly responsive to our analysis and recommendations.

In March 2007 OMRON hosted a meeting of GLN members. Subsequent to the meeting I met with executives from the five business companies and from CSR and other staff functions to determine and update on its progress. OMRON requested I provide this summary analysis of my findings for its report. Note that in no one does this represent a formal, validated audit of OMRON's progress. Rather this represents my informed opinion based on my work as an advisor whose affiliated institutions of GLN, AccountAbility, and Boston College have received financial support from OMRON.



Business Strategy

In my opinion, OMRON has made strong progress at Headquarters in integrating CSR goals with its strategy – Grand Design 2010. At the operational level, each Business Company is encouraged to develop innovative technology and product solutions that address social and environmental needs and represent business opportunity. OMRON's businesses have created exciting solutions that hold the potential to enhance personal security, safety and health. Other solutions hold the potential to significantly reduce energy use and greenhouse emissions. These examples are featured throughout OMRON's CSR report.

I have suggested to OMRON to continue to prioritize efforts to integrate social and environmental considerations into formal business planning processes. OMRON's sensing and control technologies have create potential application in a variety of arenas that can improve quality of life, sustainable development, and overall well-being. An important consideration for OMRON will be how to apply solutions that can benefit those at all levels of the economic spectrum.

Engaged Learning

OMRON has made great strides to expand its efforts to engage with stakeholders. Historically the company has been highly active in Japan, and leads and participates in many multi-stakeholder forums that address issues of national concern from health care, to community development, to disaster preparedness, to trade and globalization.

Over the last few years, OMRON has expanded its effort to engage with stakeholder groups at a global level, and to address issues from within Japan. For example, OMRON has been actively involved in the Japanese electronics industry association work to design a responsible supply chain code of conduct. CSR and Public Affairs staff have enhanced their role to monitor and identify strategic issues and to help business companies and regional business units to constructively engage with stakeholder representatives.

In my opinion OMRON has room to learn from its experience within Japan, and to take a more strategic approach to stakeholder engagement globally. Many of OMRON's most exciting new product lines involve issues that span the boundaries of commercial opportunity and public goods. For example, OMRON is designing products and systems to improve road safety and reduce traffic accidents. OMRON's health care business is investing extensively in innovative technology to prevent diseases and encourage health and wellness. It's electronic business is creating systems that reduce energy requirements for a variety of ICT systems and home appliances. In addition, several of its business companies are using sensing and control technologies to enhance personal safety, security, and to support law enforcement. Each of these vital arenas involves diverse stakeholder interests. By becoming more actively involved in global discussions, OMRON will learn valuable information that may help improve its innovations. In addition, OMRON will understand stakeholder expectations, and both contribute and respond to these expectations to ensure that broader stakeholders needs are met and concerns are addressed. I have suggested OMRON to become more involved in global stakeholder conversations in relevant policy forums.

Leadership

OMRON has taken in my opinion a unique leadership role. It is working to help champion the CSR movement within Japan. In addition, it has become a prominent ambassador of Japanese companies in a variety of forums from the developing ISO 26000 social responsibility standard, to GRI, to GLN.

I have encouraged OMRON both to expand and deepen its leadership. This includes identifying the most vital, strategically material issues to lend its voice, skills, and competencies to build collaborative solutions. One such example could be in ensuring responsible global supply chain practices, which is becoming a more prominent issue for the electronics industry worldwide. OMRON may argue that other issues are more vital. What is essential is for the company at both a Headquarters level and at the business company level is to go through a rigorous process to identify these material social and environmental issues for which it should take leadership.

Operational Excellence

OMRON has in my opinion made over the past year impressive commitments to improve CSR commitment and performance particularly at corporate headquarters. It has strengthened senior executive leadership and oversight of CSR. It has revitalized its corporate values and is launching a process to make these values core to organizational performance models. It continues to build strong compliance, environmental, and universal design management systems. It has increased its commitment to design responsible supply chain management principles.

Supply chain and treatment of employees in China and elsewhere in Asia are acknowledged by OMRON executives as a continuing challenge. OMRON can play an important leadership role in connecting Japanese industry to global conversations around supply chain and the electronics industry.

Coordination and teamwork between headquarters and the business companies, and from one business company to another appear to be improving, however there is still progress to be made. I have encouraged OMRON to build stronger and more formal linkages between CSR Management HQ and the business companies.

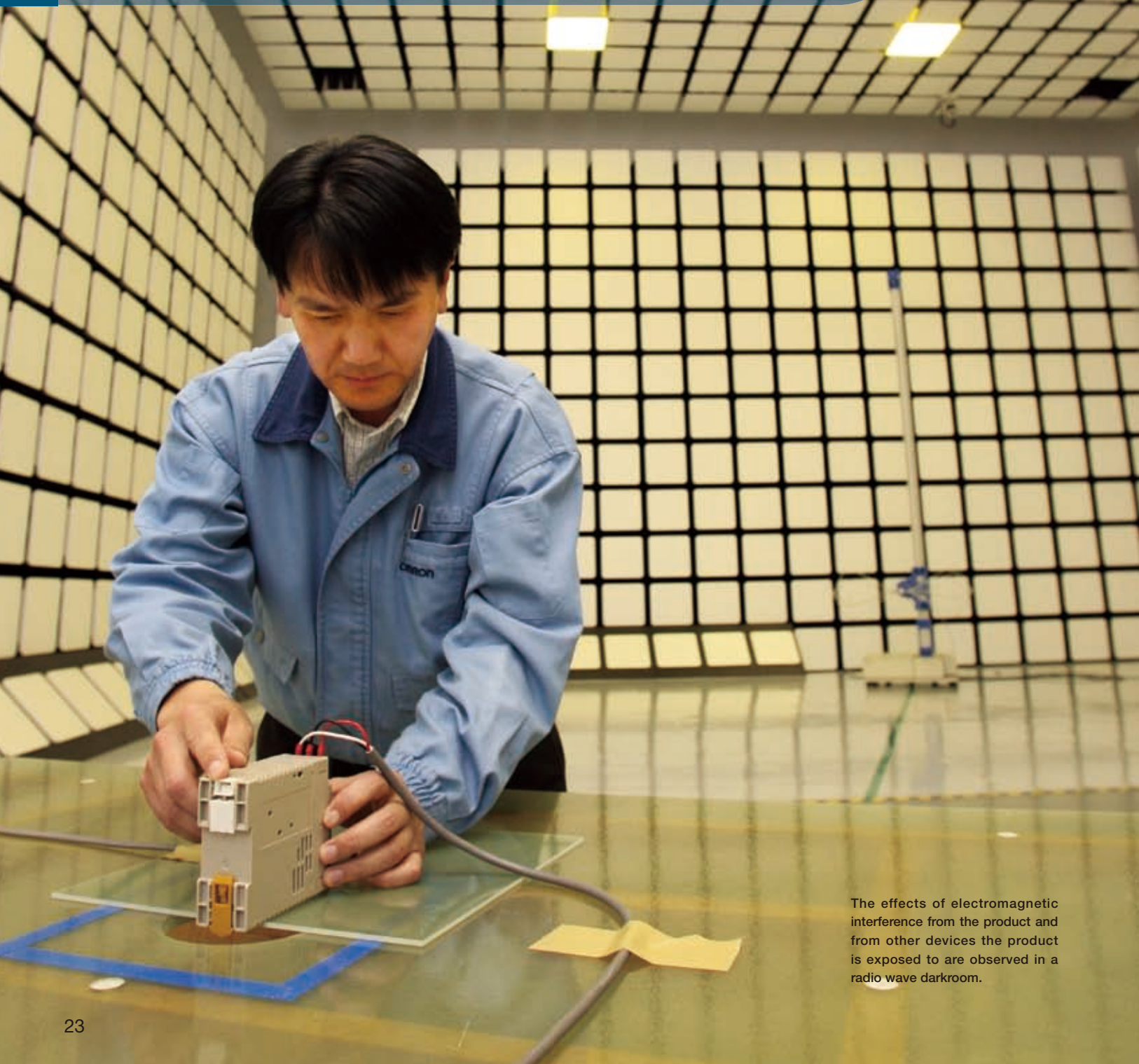
I am pleased for the opportunity to share these opinions in OMRON's CSR report. I look forward to continuing to observe its efforts to progress its CSR performance.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steven A. Rochlin'.

Steven A. Rochlin
Head of AccountAbility North America

Production that meets the company's commitment to safety and security for product users



The effects of electromagnetic interference from the product and from other devices the product is exposed to are observed in a radio wave darkroom.

Fulfilling the Manufacturer's Responsibility to Produce Safe Products

Establishment of a Monozukuri* Innovation Headquarters

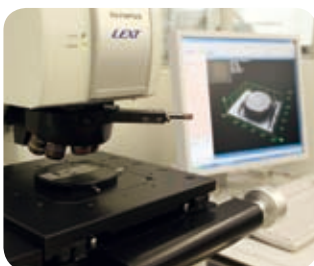
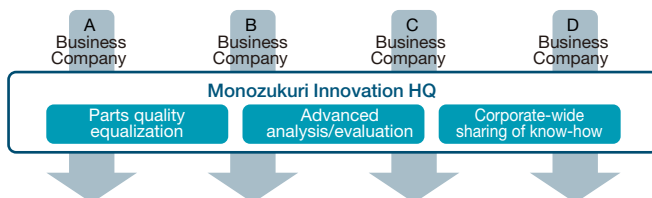
As stipulated in its Management Commitments, Omron aims to maximize customer satisfaction based on its 'quality first' policy and by offering pioneering products and services. In conformance with this principle, each business company has implemented its own initiatives to improve and maintain quality.

Recently in Japan, there has been a succession of serious accidents resulting from defective products. This shows the importance of a sincere effort by companies to ensure quality. Customer expectations for companies are growing, and Omron is no exception.

Moreover, Omron's overseas production is expected to reach 50% of its total production in 2007. These major changes in business scale and structure require an even stricter, more complete, and global dedication to its policies of 'no input, no production and no output' for defective products/parts.

Against this backdrop, Omron believes that the key to answering customers' exacting quality requirements is to uplift its production capability, which in fact, is essential for any manufacturer. To reinforce production expertise for the entire Group, Omron set forth a new corporate-level organization called the Monozukuri Innovation Headquarters in September 2006.

Functions of Monozukuri Innovation Headquarters



Ⓐ Evaluation/analysis specialists check the quality of individual parts (Photos show analysis of parts through electron microscopy.)



Ⓒ Inspection using an analyzer to ensure parts do not contain hazardous substances

This organization promotes innovation in all business processes by addressing quality enhancement from various angles. Specific measures include quality level check for suppliers in the procurement stage, reinforcement of development capabilities in the product development/design stage, enhancement of onsite improvement capabilities for production sites, and environmentally conscious production intended to meet growing demands from customers and society at large.

* **Monozukuri** is a Japanese term meaning 'the art of producing things'. It generally relates to craftsmanship in developing, creating and manufacturing products.

Eliminating Defective Parts in Purchasing

Observing suppliers' production lines

Omron purchases raw materials and parts from hundreds of suppliers to produce nearly 100,000 product models. To avoid the supply of defective products, it is essential to avoid acceptance of defective parts in the purchasing stage. Consequently, in addition to eliminating defective parts through inspection, it is important to verify that suppliers' lines have a system in place to prevent the production of defective parts.

With this in mind, the Monozukuri Innovation Headquarters put a line certification system into operation in September 2006. Under this system, Omron engineers inspect each supplier's production lines and evaluate their system of preventing production of defective parts, giving each a ranking from A to D. Omron requests improvement for those suppliers who have not yet reached Omron's required level. By referring to these ranks for selecting parts in the product

development stage, Omron makes sure to avoid the acceptance of defective parts.

To respond to the globalization of business operations, Omron plans to put a line certification system for all suppliers both in Japan and abroad, and will strive to set forth common global standards to deliver uniform parts quality. A total of 150 lines have been certified by March 2007, including those overseas. Omron aims to increase the number of certified lines to 800 by fiscal 2008.

Eliminating Defective Products in Development, Design and Production

Improving the organizational capabilities of development/design sector

When designing a product, developers and designers must fully understand the characteristics of the plant that produces that particular product. In fact, it is not an overstatement to say that most causes of defective products are present in the development/design process.

Based on the awareness that enhancing the organizational capabilities of upstream development/design processes is vital to raising product quality and preventing defective products, various measures are underway at the Monozukuri Innovation Headquarters.

One of the measures intended to bolster the organizational strengths of development/design departments is a process improvement initiative based on an evaluation method called 'Capability Maturity Model Integration (CMMI®)'. CMMI is a standardized model of an ideal development/design process flow, which is used to guide process improvement across an entire organization. By allowing staff to evaluate the development/design processes of their own organization and their own work process based on this model on a regular basis, continual

improvements of organizational capabilities are promoted to eliminate production of defective parts.

Building a knowledge database for sharing failure cases and countermeasures throughout the Group

To avoid production of defective products, development/design staff must learn from past failures to make sure they do not make the same mistakes over again. Often when problems occur, they are handled individually by the relevant business company. The result is that the lessons of failure and improvement are not well shared throughout the Group.

To cope with this situation, the Monozukuri Innovation Headquarters has constructed an FMEA database that integrates all knowledge information such as quality data and past cases of failures that are generated by each business company. Moreover, Omron's own support tool dubbed 'Visual Meister' is used to develop a system for preventing recurrence of the same failures on the factory floor to avoid production of defective products.

New analyzer helps recreate usage conditions

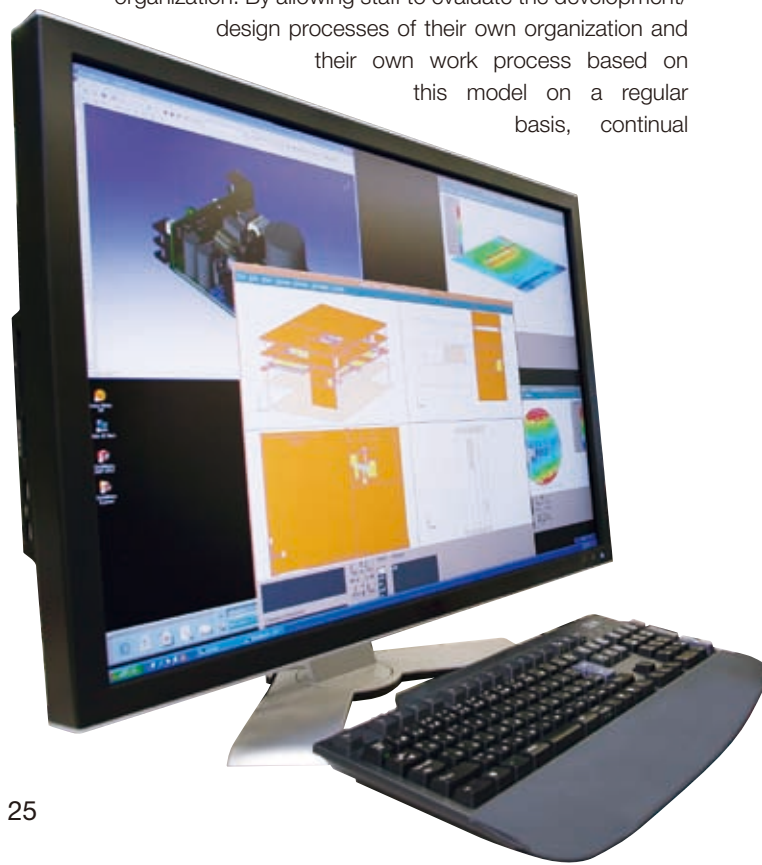
Conditions under which products are deployed vary from user to user, and the stress that the products experience is also different. In approximately 60% of all complaints Omron has received, the claimed failure either could not be reproduced or was due to improper usage beyond its specifications. However, analyses of past defects revealed that a large portion of the defects was induced by electrical interference, thermal stress or mechanical stress such as vibration and impact.

Based on this knowledge, the Monozukuri Innovation Headquarters introduced an advanced analyzer system, which was not possible to own at each business company. The system is used to artificially recreate stresses that cause defects so as to explore the defect-generating mechanism and identify causes of the defect. Obtained data is used for determining design standards and selecting test methods for evaluation. The data is also employed in product design simulations to create products that can be used reliably in a variety of operating environments.

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Computer simulation for product design using measured data

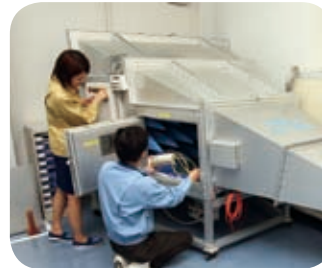




Measuring effects of electromagnetic interference from other devices on a product



Confirmation and analysis of collected data



Boosting factory-floor onsite capabilities

In the development/design stage, product conceptualization involves assurance of quality with reliability supported from various angles. The factory-floor's mission is to produce superior products by realizing this concept while maintaining high productivity. To fulfill this mission, continual maintenance and systematic improvement capabilities are needed for production sites.

The Monozukuri Innovation Headquarters considers such a capability to be 'onsite capability' and has established a technology to realize data-supported improvements using a statistical process control approach.

The concept of this technology is to measure, understand and implement onsite data. First, various phenomena that take place on the factory-floor, such as changes in processing conditions and variations in product characteristics, are visualized as data (measure). The visualized data is then analyzed to discover the underlying causes for the phenomena (understand). On the actual factory-floor, various factors are often combined to deliver a specific consequence, so technology for analyzing data is key. Finally, once the background is fully explored, a solution is drafted (implement). Omron addresses improvement of onsite capabilities by following these three steps.

This technique has been employed for relay production and equipment assembly lines, with results such as reduced defect rates and lead time.

Omron considers it a manufacturer's responsibility to create products using resources as efficiently as possible. Based on this awareness, the Monozukuri Innovation Headquarters is promoting environmentally conscious production.

Although production tends to put priorities on costs over all else, Omron also pays attention to the cost of waste generated during production (Omron calls it a 'negative product') and has already launched a 'no waste emission' initiative through the reduction of negative product costs. As part of this effort, a trial launch of an environmental management accounting system is being planned.

With this system, all the resources used on Omron's production lines, including raw materials, energy and water, are first classified into positive and negative products. The system then encourages effective utilization of resources by assessing both products in terms of volume and costs.

Environmentally Conscious Production

Supporting both the ecology and the economy

As concern for the global environment grows, the demand for environmentally conscious production is on the rise.

Each one of us must become a professional

Yoshitomo Okumura

General Manager
Evaluation & Analysis Center
Monozukuri Innovation Headquarters



Tasked with strengthening Omron's production capabilities, our most important mission is to promote quality enhancement for the entire Group by developing and deploying quality and environment-related technologies as well as core production technologies. By so doing, we support the creation of products that satisfy the expectations of our customers.

We consider fiscal 2007 to be the year for strengthening our relationship with each business company and turning our efforts into solid results, which paves the way for quality improvement for the entire Omron Group.

I believe that in order to make this happen, all of us at the Omron Group must become professionals in our respective fields and contribute to the Group's business growth.



Topic 1 Security Systems

Enhancing the security of information, people and equipment in the manufacturing industry

30-year commitment to safety and security

In recent years, information security has become more and more a part of corporate social responsibility. Companies that acquire ISMS* (Information Security Management System) certification and Privacy Mark have been rising steadily. However, the industrial community in Japan traditionally tends to put efficiency and productivity first, while postponing other considerations. The manufacturing industry, in particular, has fallen behind other sectors in terms of security measures. As employees become more diverse and mobile, the manufacturing industry faces an urgent need to implement effective security measures.

For more than 30 years, Omron has provided security solutions mainly for schools, tenant buildings, public service areas and financial institutions through access control. In 2004, Omron launched a security solutions business, and since then has concentrated its efforts on enhancing security for the manufacturing industry by drawing on its own experience in in-house security measures as a manufacturer.

*ISMS is a system of management concerned with information security. It requires companies/organizations to have a management system that sets security levels and conducts risk assessment based on established rules.

Developing optimal solutions through risk assessment of all corporate assets

ASMS (Asset Security Management System) is the key concept behind Omron's security solutions business. While ISMS concerns security of information and intellectual property, ASMS aims to protect all corporate assets including personnel and equipment in addition to these intangible assets.

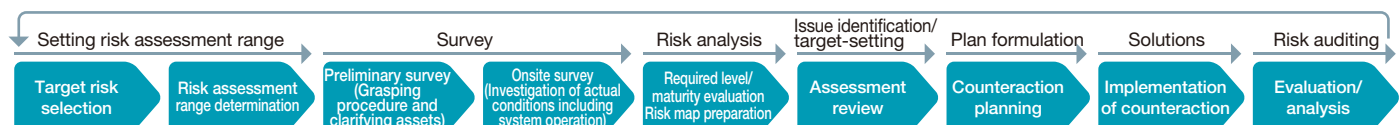
When presenting ASMS-based security solutions to a client, Omron first surveys the client's workplace to assess its assets and the company's current status. All potential risks for tangible and intangible assets are then visualized by plotting them on a coordinates plane, with the vertical and horizontal axes indicating severity and frequency, respectively. Careful risk assessment is then carried out along the flow starting from definition of risks through detailed examination/analysis to target setting. This process enables Omron to propose solutions that are ideally tailored to each client.

More people-friendly security systems

At the end of March 2007, Omron delivered security systems to Olympus Corporation's head office and plants in Japan.

Omron's security system centers on access control using IC

Risk Assessment Flow



cards distributed to all employees. At Olympus plants in Hachioji and Tatsuno, the IC card is used in combination with a wireless RFID tag, enabling detection and tracking of many people entering and exiting facilities at the same clock-in and clock-out times. This meets Olympus' need for correctly keeping track of employees coming to work and leaving from work while at the same time maintaining security. Omron also provided considerations for people with disabilities who face difficulty touching their IC cards against the card reader by suggesting a keyless entry system that automatically opens the door when a person presses the RFID tag button.

A dependable partner for clients

For this project, Omron handled everything from determination of specifications and development of a system to its deployment and operation in the workplace. Exacting rules were in place for the access of information provided by Olympus, so that the administrator had centralized control over the information and strict prohibition of access by unauthorized personnel.

To explain the introduction of the security system to Olympus employees, Omron staff organized seminars to help deepen understanding of the importance of security measures. This reflects Omron's belief that employee education and other programs to promote employee awareness are as essential as the deployment itself for enhanced security.

Omron's security solutions allow clients to visualize potential risks concerned with all assets, including information, personnel, equipment and others. This helps the client company to understand risks and

A comment from a valued customer



Looking to Omron's proposal that emphasizes not only hardware but software as well

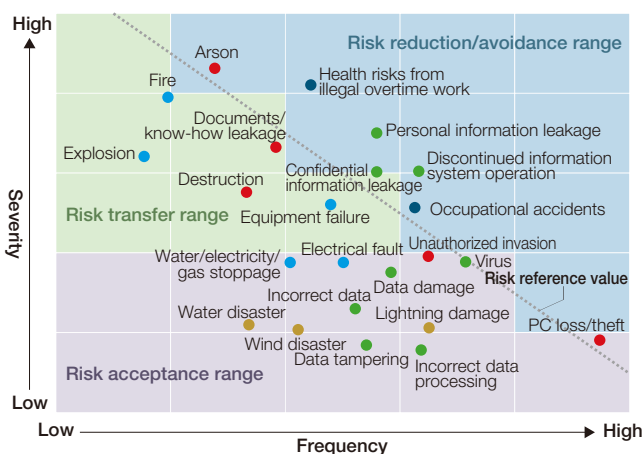
Mr. Takaki Matsuzawa
Manager
Administration Department
Corporate Center
Olympus Corporation

The factors that determined our choice of Omron as our partner for the security system deployment included, first of all, their solid concept for system development. The second factor was the comprehensiveness of Omron's solution that covered operation support and after-installation maintenance as well. The third reason was the confidence that we felt with Omron because of their clarification of the responsible personnel by assigning the duty of centralized information control.

We spent nearly a year of repeated trial and error from concept development to final system deployment. We appreciate the fact that Omron was able to provide us with lots of information and suggestions supported by their excellent track record in the field of security systems for various facilities. The key to security management is consciousness of each employee and that is why measures to enhance employee awareness are vital. We look forward to more proposals and advice from Omron, who emphasizes not only system hardware but the mindset of our employees as well.

issues that were previously not detected. Toward this end, Omron endeavors to build an optimal system at both the hardware (system components) and software (system operation) levels. In this way, Omron aims to serve as a dependable partner for client companies.

Example of Risk Map with Axes of Severity and Frequency



Risk acceptance range: Range in which current measures are continued and outcomes monitored.

Risk transfer range: Range in which risks are transferred to or compensated for by insurance, etc.

Risk reduction/avoidance range: Risk range in which more measures than the current ones are deemed necessary.

Risk reference value: Reference line for determining whether counteractions are necessary to deal with risk.

Types: ● Communications ● Equipment accidents ● Crime
● Natural disasters ● Employment



Wireless RFID tag embedded in IC tag holder



Topic ② QITEC (QP Information Technology System)

Food safety assurance system developed through collaboration with a food producer

Supporting quality management and traceability at the same time

Recently in Japan, there has been a succession of problems related to mislabeling of products or mishaps related to quality in the food industry. These incidents have made consumers more and more aware of the importance of food safety.

To respond to this growing consumer concern, the food industry must provide accurate labeling to fulfill its accountability. The entire supply chain must be fully traceable from ingredients to production to distribution. Some processes in food production require manual operation and thus cannot be automated. In these cases, the key to avoiding quality mishaps is to find a way to minimize human error.

Q.P. Corporation embarked on the development of a factory automation system in 1989. In 1992, Q.P. initiated the development of a system capable of preventing human ingredient mixing errors, triggered by a part-time worker's claim. The worker claimed that she was sometimes unable to sleep at night because she worried that she might have made a mistake in ingredients mixing. Called QITEC (QP Information Technology System), this system now contributes to quality traceability, reflecting the company's advanced approach to food safety.

Omron has supplied programmable logic controllers (PLCs) designed to monitor and control factory-floor equipment and production lines and other automated control equipment to Q.P. for many years. In recognition of this long-lasting association and accumulated experience, Omron was selected as a partner for

building the QITEC system. After the deployment of QITEC, human mixing errors have been totally eliminated. Thanks to this success, many makers showed interest in the system, and today more than 40 food and chemicals producers have employed QITEC.

QITEC keeps track of the entire process and helps prevent operator errors

Along with prevention of mixing errors, QITEC maintains traceability for the entire process, from the arrival of ingredients at the plant to delivery of final products.

When an ingredient arrives, a 2D code containing that ingredient's information is issued to assist inventory management. The 2D codes are also attached to small pouches used for subdividing ingredients into small portions. If incorrect ingredients are selected, a warning is displayed on the monitor as soon as the code reader reads the pouch's 2D code, thus contributing to error-free operation. The information for subsequent processes such as filling, sterilizing and packing is also recorded relevant to 2D codes.

By taking this procedure, information pre-registered in the 2D code, such as eat-by freshness date, ingredients and production processes, is labeled on the completed products before they are sent to the final packing stage. Therefore, should any problem be discovered on a product, all products in the respective lot can be immediately collected and the company can trace the data for its ingredients and production processes to identify causes of the problem.

- 1** Issue 2D code to be attached to small pouches.



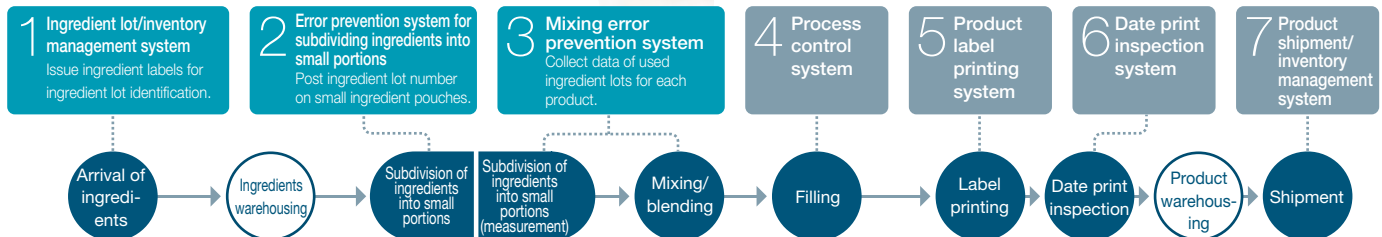
- 2** Paste labels printed with the 2D code on small pouches.



- 3** Thoroughly check mixed ingredients on the display.



QITEC System Components for Process Traceability



Creating an advanced yet easy-to-operate system by learning from plant workers

When building the QITEC system, Omron listened very carefully to comments from factory-floor workers who are actually engaged in food production. Omron staff tried to incorporate feedback from the workers into the system as much as possible, such as by incorporating a larger, easier-to-press touch panel button design. By so doing, Omron pursued a system with advanced functions, yet enabling easy, flawless operation by plant workers.

Even after system setup, Omron has continued to improve it, for example by modifying the program based on suggestions by users. Each time Omron delivers this system, no matter who is the user, Omron strictly maintains its strategy of onsite learning from plant workers. This is the driving force behind the constant evolution of the QITEC system.

Evolving from safety assurance to quality and productivity enhancements

QITEC has received many positive comments from food producers who use the system, such as "Human errors eliminated!" or "Reduced psychological stress on operators." The system has been adopted not only by food producers but the chemicals industry and other industries, helping to minimize human error in the production process while enhancing traceability.

Furthermore, QITEC can open up new opportunities, for instance, by utilizing information built up in the system to promote improvements in quality and operator efficiency.

The main task of the QITEC system is to eliminate human error and maintain uniform product quality through the management of production process information. By linking this system with the user company's host computer system, Omron expects to contribute to improvements in quality and productivity, while enhancing safety and security for customers.

A comment from a valued partner

We have a strong partnership with Omron because they listen to our plant workers' comments

Mr. Isamu Takayama
Senior Engineer and General Manager
Technical Planning Production Division
Q.P. Corporation



There are several reasons that we selected Omron as our partner for developing QITEC. First of all, their customer support is superb. They assigned dedicated staff for our project even though they had to change their organization to do so. The second reason was Omron's ability to supply all the necessary system components, which resulted in a homogeneous system environment. The third reason was their swift response in case of system failure.

We appreciate the way that Omron offered recommendations for both hardware and software, and for their efforts to promote this in-house devised system to ensure food safety throughout the food industry. We expect that Omron will continue to cooperate with us to tackle remaining challenges such as standardization of the 2D code format.



Topic ③ Control Components for Photovoltaic Tracker Systems

Omron technology supports popularization of photovoltaic installations in Europe

Growing popularity of photovoltaic systems in Europe

Photovoltaic (PV) systems and wind plants (windmills) use nature to provide renewable solar and wind energy with no depletion of natural resources. On top of that, these renewable energy-based systems, unlike fossil fuel-based thermal power systems, are clean and free from CO₂ emissions—a cause of global warming. As a result, the systems are attracting growing attention throughout the world.

The European Union has set forth a policy to increase the proportion of renewable energy in total EU consumption from 14% in 2005 to 21% by 2010. In response, environmentally conscious power system installations such as those based on solar or wind energy sources have become active throughout Europe.

Encouraged by growing expectations for PV systems, Omron supplies various control components with high reliability and environmental resistance to the market.

The operating principles derived from 'sunflower' is the secret behind high energy efficiency

A PV system with a daily average output power of 630-640kWh* is in operation at Higuera, a village in the suburbs of Madrid, Spain.

The system was developed by Electricidad Alsanbo, S.A., a Spanish industrial automation manufacturer. The installation is based on a PV tracker, which has modules that follow the movement of the sun so that their direction remains constantly perpendicular to the sun, thus being exposed to greater solar irradiation. The result is a

30-40% increase in output power compared to a fixed installation. Omron control components play key roles in this PV tracker system.

*Daily average electricity consumption for Japanese households is approximately 10kWh.

Complete offering of all necessary control components

Among all control components that Omron supplied for this PV system, the programmable logic controller (PLC) and inverter are the most important. The PLC is programmed with past data of the sun's positions while the inverter adjusts the positioning of the PV panels along vertical and horizontal axes according to the control command sent from the PLC. Both of these are core devices that enable the system's essential function of orienting the PV panels to the sun. Omron also provides the solar power conditioner that converts the PV generated power into power that can be safely used at home, and transmits it to the network. In fact, Omron technology plays the most essential role in enabling the PV system to operate flawlessly.

Solar power conditioner

This device is used to convert DC power generated by PV panels to AC for household-use. It is equipped with a network protective function that automatically stops the system as soon as a failure occurs on the utility company's system.



To ensure stable operation of a large-scale PV system like the one in Higuera, it is vital to keep its downtime to an absolute minimum. This is exactly where Omron's complete solution package can be relied on. Omron provides abundant know-how and extensive technical support as well as a wide range of highly reliable and durable control components.

Contributing to the further development and spread of PV installations

In Europe, Omron supplies control components for PV tracker systems through Omron Europe. Its excellent track record backed by an extensive sales/support network covering the entire European continent is the biggest strength of Omron. Omron strives to accelerate its efforts in addressing environmental conservation through comprehensive approaches including onsite proposal of solutions and fine-tuned support.

In Japan, Omron built a new energy usage system at its Kusatsu Factory in November 2006. This system combines a PV system with an electric double layer capacitors-based energy storage system capable of storing even very low levels of power. Through the experimental operation of this system, Omron intends to develop and accumulate technology and expertise to more effectively use new, clean energy sources with less impact on the environment, toward the aim of creating products and services that help protect the global environment.

A comment from a valued customer

Omron is a dependable partner not only at the equipment level but also in terms of technology and support

Mr. Andrés Almendros Martínez

President
Electricidad Alsanbo, S.A.



Among the many types of renewable energy sources available, a major focus in Europe is photovoltaic energy. Unlike windmills, PV energy installations do not emit noise and can deliver stable output power. They do not pose a danger to birds migrating from Africa to northern Europe, a problem often associated with windmills. Because of these reasons, our company is concentrating on the development of PV systems.

When we considered the development of a PV system project like this one, we needed a truly dependable company because we didn't have much experience in this area. Omron has always given us the right answers, and they had a complete solution, not only at the equipment level, but also in terms of customized attention and speedy response for technical support and consultation. These are some of the reasons we decided to choose Omron as our partner.



Inverter

The inverter controls the movement of PV panels by adjusting the current frequency and motor rotation depending on the azimuth angle and altitude angle data sent from the PLC.



Interior of photovoltaic power system



Programmable logic controller

The PLC is embedded with a program containing statistics-based solar position data. It also precisely controls the azimuth angle (movement along the horizontal axis) and altitude angle (movement along the vertical axis) of PV panels.



Topic ④ Energy Management System

Enhancing ecological awareness through visualization of energy usage

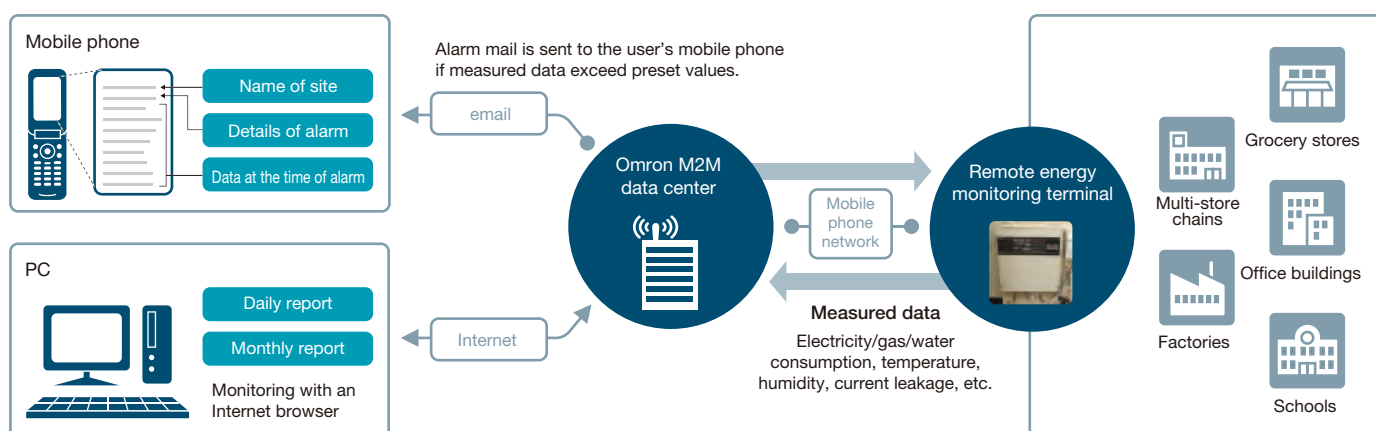
Energy management system ideally suited for energy conservation

As the Kyoto Protocol came into force, problems associated with energy demand and supply have recently become a major global issue. Against this backdrop, in Japan, the revised Energy Saving Law took effect in April 2006. Under this law, the scope of business sites obliged to take energy-saving measures has been expanded, subjecting the industrial sector to stricter regulations and heavier demands for energy conservation. This situation has resulted in companies' need for reducing CO₂ emissions that cause global warming while at the same time cutting energy costs. Omron's energy management system serves this dual purpose through visualization of energy usage.

With this system, sensing terminals are mounted onto power meters or distribution boards installed at business sites or other facilities, and data collected by the terminals are transmitted via a mobile phone network and accumulated in the dedicated server. Users can check electricity consumption data any time online and analyze it in detail. This provides an easy way to conduct a thorough and in-depth assessment of energy consumption that serves as the basis for devising energy-saving measures.

Omron's system also provides users with added convenience with its remote control capability by allowing easy adjustment of parameters from a remote location.

Energy Management System That Visualizes Energy Usage





Electricity monitoring sensor terminal installed on power meter



Electricity usage is checked every 30 minutes



Omron's system is at work in kindergartens and schools in Kyoto

In September 2006, Kyoto City established a municipal ordinance against global warming for the first time in Japan. Through measures such as an action plan intended to reduce CO₂ emissions, the city began proactively promoting anti-global warming initiatives. Ongoing activities include, for example, turning off lights in unnecessary areas, switching power off when equipment is not in use, and building green rooftops to help cut energy consumption through the enhancement of heat insulation. As part of this drive, Omron's energy management system was put into use at 283 facilities including municipal elementary, junior high and high schools and kindergartens during fiscal 2006.

At present, these facilities are collecting basic electricity consumption data every day using this system, with the aim of promoting energy-saving activities through the monitoring of energy usage.

Kyoto City Board of Education estimates the effect of the system deployment to be approximately a 1.6% reduction in electricity consumption, resulting in electricity costs being lowered by approximately 40 million yen.

Raising the environmental awareness of children

Kyoto City held environmental education seminars for facility managers of schools, who actually use this system, to raise their awareness of energy conservation by studying the purpose and significance of using the energy management system. Omron staff was also present at the seminars, encouraging participants to implement energy-saving activities on a daily basis through visualization of daily usage of energy.

The system can also show fluctuations in energy usage in the form of a graph, providing an at-a-glance indication of the effects of energy-saving activities.

Kyoto City therefore plans to use this system for environmental education by showing how much energy can be saved by carefully turning off lights whenever possible.



Aiming for a more substantial contribution to environmental conservation

Omron also realized more comprehensive remote monitoring of energy usage by enabling this system to measure gas and water usage in addition to conventional electricity consumption. At present, Omron's system has been contributing to energy-saving initiatives by various manufacturers and other users.

For the future, Omron will propose a more advanced energy management system by upgrading its function from visualization of energy usage to energy-saving support.

A comment from a valued customer

Looking forward to Omron assuming an advisory role

Mr. Shigenari Arisawa
Kyoto City Board of Education



Here in the City of Kyoto, where the Kyoto Protocol was adopted, we are promoting environment-friendly schools, and our recent introduction of an energy management system is a part of this initiative. The biggest reason why we chose Omron's system was its ability to monitor and verify power usage in real time. Since the system was put into use in September of 2006, we have already realized cost reductions through energy-saving efforts, and energy-saving awareness is also growing among teachers and school officials.

For the future, we look forward to Omron assuming an advisory role to suggest more effective ways to utilize this system for reduced electricity consumption. We are also expecting continued cooperation from Omron in efficiently using this system for environmental education and in disseminating the concept of 'environmental management' in the field of education.



Omron's Social Performance

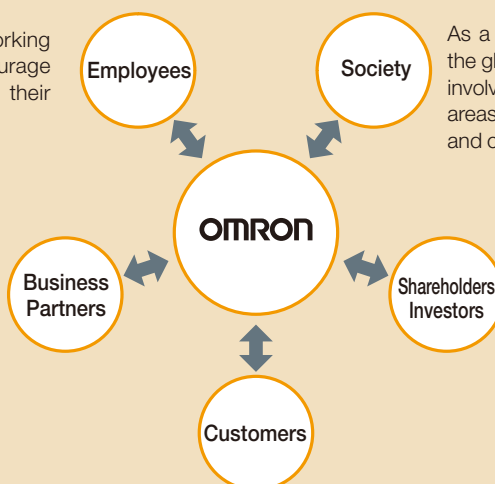
At Omron, the main stakeholders are considered to include its employees, customers, shareholders/investors, business partners/suppliers, and society as a whole (including local communities, global community, governmental offices, municipalities, NGOs and NPOs). As such, Omron places prime importance on communication with these stakeholders in order to meet the expectations of each stakeholder group and fulfill its responsibilities.

Stakeholder engagement

Omron aims not only to offer working opportunities but also to encourage employees to demonstrate their capabilities to the fullest.

Omron and its business partners/suppliers demand maximum coordinated efforts to stimulate mutual growth and to strictly maintain transparency and fairness in transactions.

Omron fulfills its responsibilities as a manufacturer not only through the pursuit of the highest possible quality and performance, but also through consideration of environmental concerns, safety and health, along with a stable supply of products.



As a responsible member of local communities and the global society, Omron is committed to community involvement while promoting communication in the areas of science and technology, social welfare, arts and culture, and international cooperation.

Omron strives to maintain accountability through the appropriate disclosure of corporate information, and to provide secure communication routes for incorporating the opinions and requests of its shareholders/investors wherever possible. At the same time, the company aims to promote sound management practices and appropriate distribution of earnings.

Extending employee support initiatives based on respect for individuality and diversity

As specified in its Management Commitments, Omron values the individuality and diversity of all current and potential employees. Accordingly, the company provides all people with equal employment and promotion opportunities. Omron also believes that helping its employees foster future generations will not only allow them to enhance their lifestyles but also better the future of our society as a whole. Based on this belief, Omron strives to augment employee support initiatives.

Employment and Remuneration

WEB [In-house Staff Recruitment Initiative]

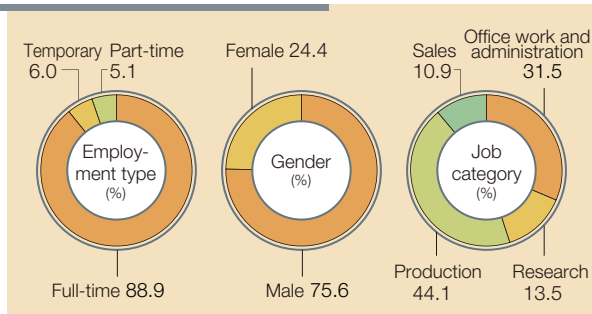
Respecting equal opportunities by eliminating discrimination

As of March 31, 2007, 11,386 employees worked at Omron Corporation and its Group companies in Japan (including 630 part-time and temporary workers). Those working at Omron Group companies outside Japan totaled 21,700.

Omron's employment and remuneration policies are based on respect for diversity, thus providing equal opportunities that are free from discrimination according to nationality, race, gender, age, religion, cultural background or other attributes.

In Japan, in strict conformance with the Equal Employment Opportunity Act, Omron's recruiting process is governed by a set of detailed regulations. These include requirements that information be provided at orientations or mailed to prospective employees in a gender-neutral manner, and that there be no gender-based treatment differences in examinations and interviews. Omron also strives to publicize employment opportunities widely using its corporate website and a variety of other media to attract a large base of prospective recruits.

Breakdown of Employees (in Japan)



Respect for Individuality and Diversity

WEB [Post-retirement Re-employment][Self-development Support Initiative]

Strengthening system to evaluate and remunerate employees based on expertise

In fiscal 2005, Omron Corporation launched a specialists system, which qualifies employees who are willing to contribute to the company's business through demonstration of their highly specialized talent and expertise as 'specialists', so as to provide them with greater opportunities and motivation.

This system is designed to clearly identify the desired personnel and provide the specialists with appropriate remuneration that reflects the level of professionalism and the performance of individuals. Because the specialists system presents an additional option for employees' career development, beyond simply assuming managerial positions, it also has a positive impact on employee motivation. This has resulted in an increasing number of employees who want to become skilled specialists.

In fiscal 2006, nine new specialists were qualified including one woman, adding up to a total of 43 specialists. The job categories for specialist qualifications have already been wide-ranging, but Omron aims to gradually add new categories.

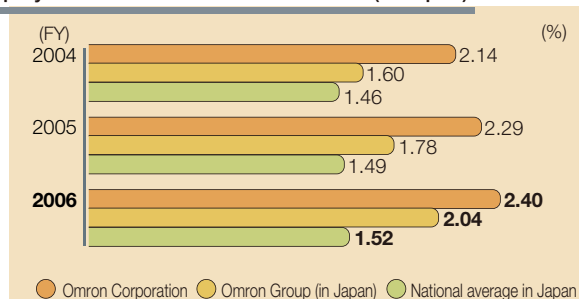
Aiming to rank highly among Japanese manufacturers in the employment of persons with disabilities

In addition to strictly observing legal requirements for hiring persons with disabilities, Omron is dedicated to creating expanded opportunities that allow such persons to leverage their skills and abilities by aggressively constructing 'barrier-free' working environments.

At Omron Corporation the percentage of persons with disabilities was 2.40% in fiscal 2006, up 0.11 points from the previous year. This level is 0.6 points above the legally mandated level (1.8%). This is largely attributable not only to Omron Taiyo Co., Ltd. and Omron Kyoto Taiyo Co., Ltd. (special subsidiaries charged with providing special considerations for employees with disabilities) but also to the improved employment rate of Omron Corporation. Also due to its proactive efforts the overall Group-wide percentage in Japan became 2.04%, an increase of 0.16 points from the fiscal 2005 level.

In fiscal 2007, Omron aims to achieve 1.8% at all Japanese Group companies without exception, and raise the domestic Group-wide percentage to 2.3%, among the highest for the Japanese manufacturing industry.

Employment of Persons with Disabilities (in Japan)



Reported in June of each year

Supporting employment of people with disabilities in China

Since fiscal 2005, Omron in China has been working to address the five key CSR issues specified for the region, while aligning CSR activities with its business strategy (see pg. 13 'CSR Management and Activities').

As part of this drive, Omron is aggressively working to achieve legally mandated levels for hiring disabled persons specified for various parts of China. The following table shows percentages of employees with disabilities at major Omron Group companies in China at the end of fiscal 2006.

Employment of Persons with Disabilities by Major Omron Group Companies in China

Name	FY2005 (%)	FY2006 (%)	Municipal legal requirements (%)
OMRON (Dalian) Co., Ltd.	1.71	1.81	1.70
OMRON (Shanghai) Co., Ltd.	1.26	1.18	1.60
Shanghai OMRON Control Components Co., Ltd.	1.79	1.65	1.60
Zhejiang OMRON Qiaoh Control Components Co., Ltd.	0.00	1.06	1.50
OMRON Electronic Components (Shenzhen) Ltd.	0.03	0.48	0.50

* Legally mandated level individually determined by each city/province.

Promoting women to positions of responsibility

Omron places great importance on recruiting a variety of highly talented people, regardless of gender, and encourages all employees to demonstrate their capabilities to the fullest. To ensure gender equality, Omron also strives to create a more comfortable working environment for women as well as men and promote more women to managerial positions.

In fiscal 2006, Omron Corporation expanded support initiatives for employees to achieve a balance between their work and personal lives, and provided a female leader training course in its third year.

By the end of fiscal 2006, four female employees were in management and one was qualified as a specialist (see pg. 36 'Respect for Individuality and Diversity'). Omron will continue to promote effective strategies to provide women with greater opportunities.



Third female leader training course

Commitment to Human Rights Issues

Raising human rights awareness through education and training

Omron is committed to providing a fulfilling and rewarding work environment based on respect for individual employees, and in the process, help build a positive, discrimination-free society. Each site at Omron Corporation has set up a committee to promote human rights and is actively working to raise employee awareness of related issues through education and training.

Beginning in fiscal 2004, the scope of the training programs was extended to cover part-time, temporary and contract staff. In fiscal 2006, personnel in charge of human rights promotion from various Group companies in Japan participated in a training course on the roles they should assume. Omron will strive to further upgrade educational programs, increase and maintain employee participation and revitalize activities individually conducted by its Group companies in Japan, in order to promote employees' human rights awareness.

Employee Support Initiatives

Upgrading systems to help employees balance work and personal life

Omron has always sought to create a working environment that helps highly motivated employees, regardless of gender, to work in comfortable and rewarding conditions. As part of this drive, Omron has established various support initiatives for employees to achieve a balance between their work and personal lives.

In fiscal 2006, Omron Corporation strengthened and expanded these support initiatives. For example, the maximum childcare leave period was extended from the previous 'longer of up to end of March at the child's age of 1 year or up to the child's age of 1 year and 6 months', to 'up to the end of March at the child's age of 2 years'. The maximum period for short working hours for childcare was also extended from 'up to the time in which child enters elementary school' to 'up to the time in which child completes third grade in elementary school'. Also, to help employees adjust to returning to work after childcare leave, a system was established in which the manager can interview employees three months before their leave completes. In fiscal 2006, 33 employees took maternity leave and 39 employees took childcare leave, while 14 used the shorter working hours system for childcare. One employee took leave to care of her elderly family member.

In fiscal 2007, Omron plans to expand the eligibility of these initiatives to include employees of major Group companies in Japan.

Establishment of onsite child daycare center

Working while raising young children is a tough challenge for any worker. To build an environment that allows employees to continue working without having to choose between work and family life, Omron opened a daycare center in April 2006 for employees' children at a facility close to the Keihanna Technology Innovation Center. This center is now being used by ten employees. As of March 2007, Omron was working on plans for a new daycare center in Kyoto to open in July 2007.



'Kirara Keihanna' onsite daycare center

My wife and I can work without anxiety

Tomohiko Matsushita
Microphotonics Group
Advanced Device Laboratory
Corporate Research and Development
Headquarters



We applied for the 'Kirara Keihanna' daycare center because my wife wanted to return to work after having a baby last year. The staff includes professional child-care workers and teachers who also provide helpful advice in child-rearing for beginning parents like us. We feel we can entrust our child to them without worry.

Extending CSR activities to involve the entire supply chain

Omron's goal is to build a robust, global partnership with its suppliers and partners for creating products that customers can rely on. Omron believes that purchasing must be conducted in a fair and open way to achieve this goal.

Purchasing and Procurement System

WEB [Purchasing Organization]

Establishment of Global Procurement Center

Omron's production sites around the world purchase various parts and materials from some 2,500 companies. As a result of business expansion, procurement operations have globalized as well.

In fiscal 2006, Omron set up a Global Procurement Center to reinforce global procurement and purchasing functions. This organization consists of the Global Procurement Strategy Department, tasked with formulating a global purchasing strategy; the Cost Management Innovation Center, responsible for cost planning in the product development stage for reinforcement of purchase functions; the SCM Process Innovation Center, in charge of strengthening supply chain management; and the China Purchasing Center, to handle centralized purchasing for China.

Omron believes this new structure will help the company strengthen not only purchasing operations but also CSR practices in the purchase/procurement process for the Omron Group. For the future, Omron plans to establish a centralized purchasing center in regions other than Japan and China and expand its network to promote CSR procurement* at the global level.

* **CSR procurement** refers to efforts to extend a company's CSR commitment to cover purchasing and procurement processes, while requiring suppliers/business associates to practice CSR. Requirements include legal and regulatory compliance; forbiddance of forced labor and child labor; respect for human rights and diversity; forbiddance of illegal trading; and appropriate management of chemical substances and observance of regulations related to substances contained in products.

Practicing CSR in Purchasing and Procurement

WEB [Omron Group Purchasing Policy]

Revising purchasing policy to promote CSR procurement

In conformance with the 'open, fair and global' purchasing policy set forth in 1999, Omron has implemented fair transactions with its partners. In April 2007, this policy was revised with the aim of promoting CSR procurement, specifying key programs of 'ecology (reduction of environmental impact)' and 'compliance (observance of laws, regulations and social norms)'.

Soliciting supplier cooperation in CSR procurement

Omron's goal is to fulfill CSR across the entire supply chain.

Accordingly, Omron has decided to take steps to initiate and promote CSR procurement in cooperation with its suppliers. The steps include: (1) sharing information regarding CSR considerations with suppliers; (2) assessment of status of CSR practices by suppliers, and (3) appropriate management. In fiscal 2006, Omron explained the revised purchasing policy and made eight items of requests to suppliers to share Omron's philosophy behind the promotion of CSR procurement.

Concluding CSR procurement contracts with suppliers in China

In response to the rapid expansion of business in China, Omron initiated CSR procurement in this region ahead of others.

In fiscal 2006, new purchasing contracts including CSR provisions were negotiated with 136 suppliers and had been reached with approximately 75% of them by the end of fiscal 2006.

Continually advancing green procurement

The basic green procurement policy at Omron is to not purchase or use any raw materials or parts that contain banned chemical substances.

According to this policy, new green supplier certification standards were established in May 2004. Key requirements include the need for suppliers to acquire third-party environmental management certifications (such as ISO 14001) and to provide information on hazardous chemical substances contained in parts or materials they supply. Asking cooperation from suppliers, Omron has been promoting green procurement.

In fiscal 2006, green suppliers numbered 848 in Japan, which represented approximately 93% of its total purchasing cost.

For the future, Omron is determined to ensure and maintain procurement of materials and parts free from banned substances.

My work began by earning the understanding of suppliers

Katsunori Kandori
Development IT Promotion Group
Cost Management Innovation Center



In fiscal 2006, we explained Omron's revised purchasing policy and requests to suppliers, to help them understand CSR procurement that Omron intends to achieve. As a result, we were able to gain positive consensus and support for Omron's purchase initiative from many companies.

Striving to offer maximum satisfaction through strict assurance of quality

One of Omron's Management Commitments is 'maximum customer satisfaction'. To this end, Omron is dedicated to providing a stable supply of safe, high-quality products by maintaining its commitment to quality assurance.

Product Quality Assurance

WEB [Basic Quality Policy]

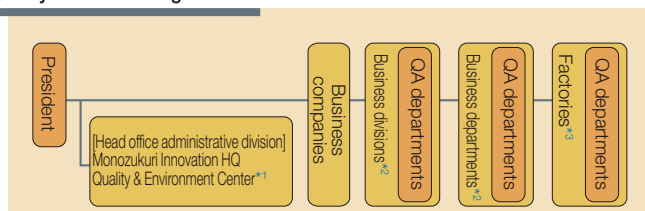
Solidifying the quality assurance structure

Omron implements activities to ensure quality at every stage of its business process from product planning and development through procurement and production, all the way up to sales and after-sales service. To ensure strict implementation of a PDCA cycle, each business company is required to formulate an action plan with improvement targets every year. Based on these targets, they then evaluate the degree of achievement, and draft and implement measures for improvements. Well-established procedures are in place to quickly report accurate and complete information to top executives in the event of a serious claim.

In fiscal 2006, a new Monozukuri* Innovation Headquarters was established as a Group-wide organization dedicated to quality enhancement through the strengthening of quality and environmental management and core product development/manufacturing technologies.

* **Monozukuri** is a Japanese term meaning 'the art of producing things'. It generally relates to craftsmanship in developing, creating and manufacturing products.

Quality Assurance Organization



*1 **Quality & Environment Center (Head Office)**

This department establishes Omron's basic quality policies and strategies, and performs audits for every business unit, in order to promote corporate-wide activities to ensure quality.

*2 **Quality assurance departments of business divisions/departments**

These departments are tasked with building a quality system for its respective division/department and providing total control over quality assurance activities in product planning, design/development, production, sales, installation and servicing stages.

*3 **Quality assurance departments of factories**

These departments are in charge of implementing programs intended to build and ensure the quality of products. They also monitor quality status at the respective factory or in the marketplace and promote improvements of quality.

Quality Assurance Initiatives

Striving to enhance quality through audits

To establish and further improve a system of consistently supplying better-quality products and services, the Quality & Environment Center of the Monozukuri Innovation Headquarters regularly conducts quality audits for various business divisions.

In fiscal 2006, audits were performed for five divisions in Japan and two companies abroad. The key points of auditing policy are to check the quality management system for production processes subject to major change and its implementation, and to verify the

quality assurance of processes from planning to response to market feedback.

Based on the results of auditing, Omron aims to narrow down targets of auditing, formulate evaluation levels and uplift the skill and expertise of auditors in fiscal 2007 and beyond, to boost the effectiveness of quality audits.

Enhancing quality education

Omron provides training courses for each rank in order to help employees acquire the knowledge necessary for quality control and assurance, and to allow them to correctly implement these processes.

In fiscal 2006, seminars for manager-class people and training courses for leaders were organized along with FMEA* and 5S (Sort, Straighten, Scrub, Sustain and Self-discipline) training programs. Each business company also conducts its own quality education at various divisions. A plan is in place to create a full-fledged quality education program while continually providing learning opportunities for employees during fiscal 2007.

* **FMEA (Failure Mode and Effects Analysis)** is a risk assessment technique for systematically identifying potential failures in a system or process. In FMEA, failures are prioritized according to the seriousness of their consequences, frequency of occurrence and ease of detection so that effective measures can be drafted in the design stage to avoid future failures.

Universal Design

Promoting user-friendly designs

Omron Healthcare Co., Ltd. implements various measures to create more user-friendly healthcare products. For example, the company formed monitor contracts with about 1,200 consumers. By asking them to use products under development, Omron Healthcare has been trying to incorporate feedback and suggestions from them into the products to continually add improvements. Based on inquiries received by the support center, information gathered through user cards and findings from customer satisfaction survey, opinions and requests from customers who actually used the products for several months are analyzed. Omron Healthcare staff occasionally visits customers' homes to directly observe the environment in which the unit operates and its usage conditions. Fully grasping feedback from customers and how products are used through these and other methods leads to consistent development of products that are easily usable by a wide range of people.



Customers' support leads to further improvements

Yoshinori Ozaki
Business Management Department
Product Strategy Headquarters
Omron Healthcare Co., Ltd.

To enhance ease of use for our blood pressure monitor, we visited homes of some customers and observed their behavior by getting cooperation from the Kyoto Institute of Technology. Based on the findings of this survey, we revised the instructional copy and illustrations to make them clearer and easier to understand. All instruction manuals published after this one have incorporated these improvements. We will continue to work hard to meet customer requirements.

Focusing on two-way communications with investors

Focusing on relations of mutual trust with shareholders, Omron is aiming to meet the expectations of its shareholders and investors and earn their confidence by further promoting two-way communications and providing them with an appropriate level of returns in the form of dividends.

General Shareholders Meeting

WEB [Electronic Voting Use]

Aiming to create two-way interactive shareholders meeting

Omron's general shareholders meeting held on June 22, 2006 drew an attendance of 492 shareholders—the highest in Omron's history.

In an effort to make its shareholders meeting more open and easier for shareholders to attend, Omron has scheduled the meetings to avoid days on which the shareholders meetings of other large companies are concentrated. In fiscal 2006, Omron took this approach a step further by aiming to create a two-way interactive shareholders meeting. To foster two-way communications, the meeting venue included display booths featuring Omron products and panel presentations, and shareholders were encouraged to directly communicate with Omron executives regarding its business operations.

Efforts were also concentrated on providing an easier and more convenient exercise of voting rights. In fiscal 2006, Omron also offered access to the Electronic Voting Platform for Institutional Investors,* resulting in a significant increase in the number of voting rights exercised via the Internet.

* **Electronic Voting Platform for Institutional Investors** is an electronic voting system operated by ICJ, Inc. Using this system, trust banks that deal with institutional investors and non-resident investors can exercise their voting rights.

Distribution of Profits

WEB [Dividends][Retained Earnings][Interest-bearing Liabilities][R&D Expenditures & Capital Expenditures]

Seeking an appropriate return to shareholders

Omron's earnings distribution policy is to secure internal capital resources for future investments to promote growth, and distribute any surplus to the shareholders to the maximum extent possible. Accordingly, the company aims to maintain the dividend payout ratio in the 20% range relative to consolidated net income. The annual dividend paid per share for fiscal 2006 was 34 yen, up 4 yen per share from last year, with the payout ratio reaching 21%.

To provide a more stable return to shareholders for the next fiscal year and beyond, Omron will make every effort to maintain the minimum payout ratio of 20%, while setting a new goal—dividends on equity (DOE*) of 2% for a while. Omron will also continually and flexibly utilize retained earnings accumulated over a long period of time to repurchase and retire the company's stock to benefit shareholders. According to this policy, Omron repurchased 4,160,000 shares of Omron stock in fiscal 2006.

* **Dividends on equity (DOE)** = Return on equity (ROE) x Dividend payout ratio

Inclusion in SRI Indices

Omron included in multiple SRI indices

Highly recognized for the company's proactive CSR practices, Omron has been included in several SRI indices, such as the SRI (Socially Responsible Investment) Index by Morningstar and the Sustainability Index by Ethibel.

Omron is also included in the corporate governance fund set up by Japan's Pension Fund Association.

Communication with Shareholders/Investors

Omron's proactive IR communications receive high acclaim

Two-way interactive communications are central to Omron's investor relations. In fiscal 2006, Omron held quarterly meetings for presentation of business results and financial standing and teleconferences for institutional investors, as well as participating in investor relations conferences. Including the President's tours to personally meet institutional investors, Omron provided more than 650 communication opportunities, greater than that of fiscal 2005. Targeting individual investors, Omron participated in 45 corporate presentations and investor fairs, also providing more opportunities for dialogue with individual investors compared to fiscal 2005.

In recognition of these continuing proactive IR communications, Omron won the 2006 IR Prime Business Award from the Japan Investor Relations Association (JIRA) and its website was ranked second in the Nikko Investor Relations Co., Ltd.'s Ranking of Listed Corporation Websites. Omron will remain active in offering corporate information and promoting two-way communications so that the company can earn the trust and confidence of shareholders/investors.



Corporate presentation for individual investors

Improving IR site as a tool for supporting interactive investor relations

Keiko Nakagaito
Investor Relations Department
Corporate Strategic Planning Headquarters



We have consistently upgraded our IR pages within the Omron Website, with the goal of offering accurate information to all shareholders and investors in a fair and timely manner. We aim to further improve the content of the IR site as a tool for supporting two-way communications such as by relaying business results presentations for investors. (<http://www.omron.com/ir/>)

Promoting community involvement around the world

Omron's Management Commitments emphasize awareness and practice of corporate citizenship. Guided by this concept, Omron has been involved with various forms of contributions to society. These activities are aimed at supporting people with disabilities or other limitations to enhance the quality of their lives and at building a society that allows these people to be self-sufficient and fully develop their personal strengths.

Activities of the Better Corporate Citizenship Department

Management of the Omron Group's community involvement

Omron engages in community involvement both directly and indirectly. Direct contributions include donations as well as participation in and support for the activities of NPOs, all of which draw on Omron's distinctive strengths. Indirect contributions are made by introducing and providing information on volunteer activities to employees and supporting employees who take part in these activities.

Omron pursues effectiveness in its activities by specifying the scope of these efforts as group-wide, multiple-site, or site-specific according to the theme of the activity. Omron also aims to boost synergies between direct and indirect contributions by encouraging employees to participate in direct contribution activities promoted at the corporate level.

The Better Corporate Citizenship Department in the Omron Head Office is tasked with planning, promoting and managing the social contributions and community involvement activities of the Omron Group.

In fiscal 2006, Omron set forth the Basic Policy for Community Involvement and Social Contributions (Corporate Citizenship) by upgrading its conventional Corporate Citizenship Declaration as part of the Omron Group CSR Practice Guidelines (see pg. 12 'CSR Management and Activities').

Promoting the 'Ecovolun' initiative

To encourage more employees to participate in volunteer activities, the 'Ecovolun' initiative was launched in fiscal 2006 mainly at the Tokyo Head Office. Under this initiative, employees receive points when they take part in community events as volunteers, or when they participate in social contribution and environmental protection projects that Omron Group sites organize or provide information about. At the end of the fiscal year, the total number of points is calculated at each site and converted to a monetary value. The company then pledges this amount to various contribution activities. In fiscal 2006, Omron employees participated in a tree-planting activity as part of the 'Ecovolun' initiative.

After confirming acceptance of the initiative by sites and its effectiveness during fiscal 2007, Omron will consider a full-scale implementation throughout Japan.



Sagami Forest tree-planting project

Aiming to build a recruitment network for persons with disabilities

One of Omron's focus areas of CSR activities is extending support to people with disabilities. Accordingly, Omron promotes employment of persons with disabilities for the entire Group, while also supporting them in various ways.

As a part of this drive, Omron has been involved with the development of a Kyoto recruitment agent network for disabled persons since fiscal 2005, in cooperation with the Kyoto Information Technology Support Center for Persons with Disabilities and Omron Personnel Service Co., Ltd.

This network is intended to support employment of persons with disabilities, an essential factor for them to gain self-independence. It aims to create a wide range of working opportunities for disabled persons in different styles including regular employment by companies, telework and work at vocational training centers.

Support for victims of natural disasters

Omron pledged 10 million yen through the Nippon International Cooperation for Community Development (NICCO) for the victims of the Central Java Earthquake that hit Indonesia.

The donation was used to provide emergency medical support, organize a psychological and social care workshop and rebuild an elementary school destroyed by the quake.



Psychological/social care workshop for children

Founder's Day Activities and Community Services Outside Japan

[WEB] [Founder's Day Activities throughout the World in FY2006]

Approximately 8,400 Omron people serve as volunteers across the world

May 10th, the anniversary of Omron's founding, has been designated 'Founder's Day' ('Omron Day' in Japan). Every year since 1991 on this day, Omron Group employees around the world have performed volunteer work in their local communities during their paid working time.

In fiscal 2006, a total of 8,400 employees participated representing the Omron Group as a whole, including 4,300 from Omron Corporation, 1,500 from its Group companies in Japan, and 2,600 from Group companies outside Japan. The number of participants decreased in Japan compared to fiscal 2005, mainly due to unfavorable weather, but increased overseas, especially in North America.



Omron Handball Team members collecting donations on the street

New activities in fiscal 2006 included volunteer rice planting work and providing the 'All about Guide Dogs' leaflet to the Chubu Guide Dogs Association.

Overseas, a new activity was found in the field of educational support. Employees visited local elementary and high schools and spoke about Omron technologies that affect their daily lives, such as controls for traffic signals.

North America

In Canada, revenue from barbecue events organized by employees was donated to a cultural institution and an environmental organization.

In the U.S., Omron staff organized maintenance and cleanup activities for a local park, while also planting trees.



Planting trees in a park

China

In China, employees took part in the Dalian Health Week event and provided a free-of-charge blood pressure measurement service. Other activities included planning and support for the Shanghai Walking Rally for the Elderly and donating daily living goods to a children's home.

In Shenzhen in cooperation with the Chinese Academy of Engineering, Omron volunteers aided qualification for skilled industrial automation engineers.



Free blood pressure measurement in Dalian

Europe

In the U.K., business education courses and support for students in writing their graduation thesis were provided throughout the year.

Staff in Germany set up a flea market with children of local kindergartens to let them experience social interaction firsthand.



Setting up a flea market with children

Asia-Pacific

Omron employees in Malaysia organized a health-related dialogue event and a relief seminar by World Vision, an international relief organization.

In Thailand, educational funds were donated to a children's home along with medical supplies and PCs.

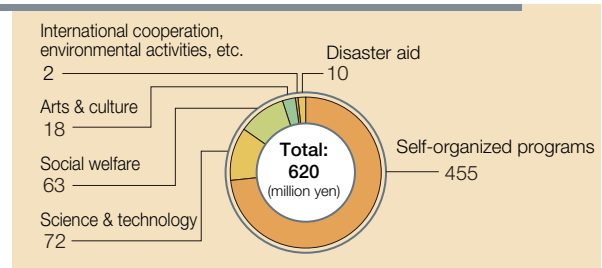


Young residents of a children's home

Community Involvement Activity Costs

Omron Corporation's community involvement expenditures for fiscal 2006 declined 57 million yen from a year earlier. This is mainly attributable to decreased costs for disaster aid (temporary spending) and donations in the science and technology field. By contrast, expenditures related to social welfare increased.

Breakdown of Community Involvement Expenditures by Field



Main community involvement activities in various fields during FY2006 (in Japan)

Science & Technology

- Supporting the 17th Granting of Subsidies by the Tateisi Science and Technology Foundation
 - Subsidies were granted for 22 research projects and six international exchange projects

Social Welfare

- Kyoto Omron Community Foundation Humanity Awards presentation
- Supporting KIDS Project (volunteers to escort children with disabilities at Tokyo Disneyland)
- Co-sponsoring 26th Oita International Wheelchair Marathon
- Co-sponsoring 18th All-Japan Long-distance Wheelchair Relay Race
- Organizing ski training course for people with disabilities together with Professional Ski Instructors Association of Japan

Arts & Culture

- Co-sponsoring songwriting contest organized by Tanpopo-no-le Foundation
- Co-sponsoring 2006 International Cooperation Concert organized by the Japan International Volunteer Center
- Organizing Omron Cultural Forum jointly with the NHK Kyoto Culture Center
- Co-sponsoring pipe organ concerts at Kyoto Concert Hall

International Cooperation

- Participating in a knitting charity project for children worldwide
 - Omron donated 65 sweaters and 18 scarves, caps, gloves and vests for Mongolian children.
- Supporting the Foster Parents project organized by NGO Plan Japan
 - Omron supported eight foster children.

Environmental Activities

- Donating solar power conditioners to the Kyoto Green Fund (solar power plants)
- Supporting Green Cross Japan's Eco-Diary project
- Co-sponsoring '100 Most Eco-friendly Activities' project involving industry, government, academia and the citizens of Kyoto



Omron's Environmental Performance

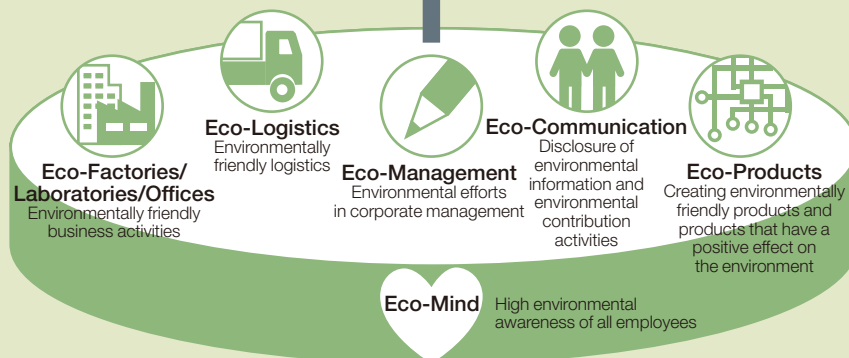
Along with long-term maximization of its corporate value, Omron also strives to contribute to a sustainable, resource-circulating society. Toward this end, Omron established its 'Green Omron 21' environmental vision, which includes Omron's targets related to six key areas for the years leading up to 2010. In 2006, Omron established two basic environmental policies within the newly published CSR Practice Guidelines.

Environmental Management Vision 'Green Omron 21'

Creating a 21st Century Company

Development of society
Contributing to the sustainable development of a resource-circulating society

Maximizing Omron value on a long-term basis



Note:

When preparing Sustainability Report 2007, Omron double-checked past data and made corrections in certain cases. As a result, values of some data listed in this report may be different from those in the report for fiscal 2005 activities.

Promoting environmentally conscious business activities while working to conserve natural resources

Basic Policies

Omron considers addressing environmental issues to be its corporate responsibility and thus is an important management objective for the Group. Accordingly, Omron established its new basic policies for the environment, consisting of 'environmentally conscious business activities' and 'environmental conservation activities' in the Omron Group CSR Practice Guidelines (see pg. 12 'Publication of Guidelines').

As for environmentally conscious activities, while working to lessen the negative impact on the environment arising from its business activities, the Omron Group will also remain committed to developing and promoting products and technologies that help conserve natural resources and the environment. Omron also aims to implement environmental management practices that enhance both ecology and efficiency. To build a solid base for environmental management, Omron will provide all employees with environmental education and awareness-raising opportunities in order to encourage an ecological mindset.

In the area of environmental conservation activities, Omron recognizes that actions implemented by all concerned organizations and individuals are crucial for the promotion of conservation of natural resources and the environment. As such, the Omron Group, together with relevant organizations, will proactively engage itself in solving the environmental issues that society faces. All Omron Group directors and employees are expected to demonstrate concern for environmental protection, even in private activities away from work, and to act in an environmentally conscious manner.

CSR Practice Guidelines

Environmentally Conscious Business Activities

1. Environmental Activities

Throughout our operations with respect to research and development, production, sales, administration and after-sales service, we will undertake environmental activities such as energy and natural resource conservation, reducing waste, discontinuing or reducing use of hazardous materials, reclaiming unused products and recycling.

2. Compliance with Environmental Regulations

We must properly understand and comply with all applicable environmental laws, national and local regulations, and other governmental requirements and agreements for preserving the environment and protecting it against industrial pollutants.

3. Compliance with International Standards

We will establish an environmental management system to achieve conformance with international standards. We will maintain relevant environmental standard certifications.

4. Environmental Learning

We will actively acquire and seek to master knowledge regarding the preservation of the environment in order to apply that knowledge toward reducing the environmental impact of our business activities.

Environmental Conservation Activities

1. Voluntary Environmental Conservation

We will strive to lessen the environmental impact of our private activities and participate in community programs for environmental conservation.

2. Active Participation in the Company's Environmental Activities

We will actively participate in environmental conservation activities organized and carried out by the company or its departments as part of our social contributions.

Environmental Vision and Action Plan

In 2002, Omron established 'Green Omron 21', an environmental vision that determines the direction of Omron's environmental management as a '21st century company', and an action plan that clearly identifies focused activities and targets.

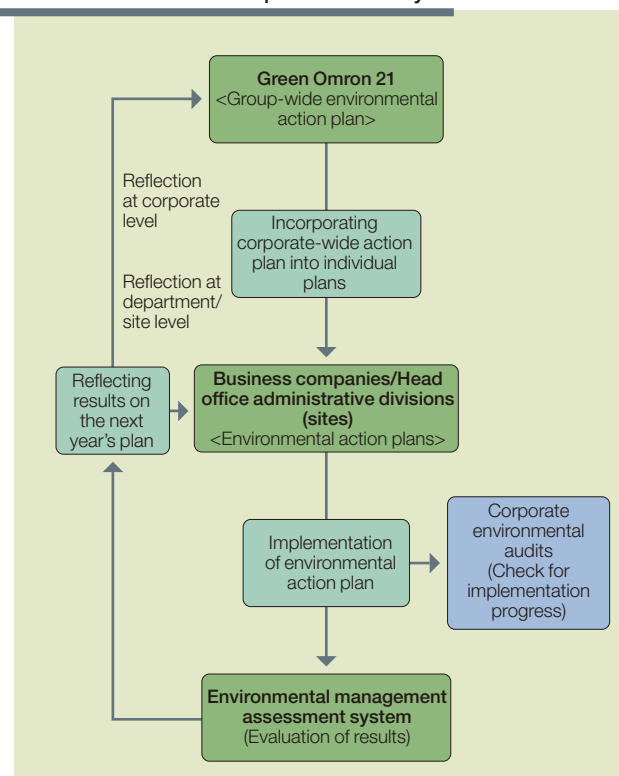
Green Omron 21 is designed to promote activities in six key areas, namely Eco-Management, Eco-Products, Eco-Factories/Laboratories/Offices, Eco-Logistics and Eco-Communication, centering on Eco-Mind. This aims at the long-term maximization of Omron's corporate value and contributing to the development of a sustainable resource-circulating society.

In October 2005, Omron reviewed the areas of activities and targets formerly specified and established a new action plan (Ver. 2) with a new target year set for 2010, the final year of GD2010.

The corporate-wide action plan is shared with all business companies, head office administrative divisions and sites under their control and incorporated into their individual action plans. While each site's implementation of the action plan is inspected by corporate audits, the target achievement status of each business company/administrative department is evaluated with the environmental management assessment system.

This assessment system evaluates each business company/administrative division's activities in three areas—products, site efforts and compliance with environmental laws and regulations—and scores them with A, B and C ratings. The results of this evaluation are reflected in plans for next fiscal year, while C-ranked business companies/administrative divisions are required to make additional investments in environmental conservation to make sure that improvement measures are taken.







Environmental Action Plan Implementation Cycle



Continued activities related to six areas

The table below lists the action plan and results for fiscal 2006. Along with increased production, Omron failed to meet targets for reduction of CO₂ emissions, waste generation and paper use. Although Omron revised the criteria for Eco-Product certification, its implementation was postponed until fiscal 2007.

Major issues that Omron currently faces include global environmental management and reduction of CO₂ emissions. Especially important are energy-conservation measures at the logistics stage, which has become subject to increasingly stringent regulations with the revised Energy Saving Law.

Theme		FY2006 Targets	FY2006 Results
 Eco-Mind	Environmental education	<ul style="list-style-type: none"> Continue implementation of environmental education programs Supply educational materials for overseas sites 	<ul style="list-style-type: none"> Continued implementation of environmental education programs Completed preparation of 3 packages of educational materials for overseas sites
	Promotion of environmental awareness	<ul style="list-style-type: none"> Continue hosting Environmental Month seminars Continue soliciting ideas for environmental proposals and slogans Continue hosting Eco-Life Sheet competition 	<ul style="list-style-type: none"> Conducted Environmental Month seminars (June) Environmental proposal submission: 1,350 entries, environmental slogan submission: 6,694 entries (June) Eco-Life Sheet competition attracted 3,806 participants (February 2007)
 Eco-Management	Environmental accounting	<ul style="list-style-type: none"> Strengthen environmental accounting functions Expand environmental accounting into Japanese Group companies 	<ul style="list-style-type: none"> Considered launch of environmental management accounting Expanded environmental accounting to 5 additional sites
	Pollution control/ environmental risk management	<ul style="list-style-type: none"> Maintain record of no legal infringement, environmental accidents, claims or complaints 	<ul style="list-style-type: none"> No cases of law infringement, environmental accidents, claims or complaints
	ISO 14001 certification	<ul style="list-style-type: none"> Maintain and expand acquisition of ISO 14001 certification into non-production sites 	<ul style="list-style-type: none"> Japan: New certification acquired by 4 production sites; scope of certification expanded for non-production sites Overseas: New certification acquired by 2 production sites and 1 non-production site
 Eco-Products	Development/supply of Eco-products	<ul style="list-style-type: none"> Initiate use of new Eco-label certification criteria 	<ul style="list-style-type: none"> Completed revision of new Eco-label certification criteria (implementation scheduled for FY2007)
	Creation of products with fewer or no hazardous chemical substances	<ul style="list-style-type: none"> Eliminate use of regulated chemical substances (lead, cadmium and mercury and hexavalent chromium) 	<ul style="list-style-type: none"> Maintained total elimination of regulated chemicals from target products Met Chinese version of RoHS
	Promotion of green procurement	<ul style="list-style-type: none"> Complete green supplier certification 	<ul style="list-style-type: none"> Completed green supplier certification
	Product recycling/reuse	<ul style="list-style-type: none"> Start recycling/reuse of rail station systems Select new products subject to recycling/reuse 	<ul style="list-style-type: none"> Initiated recycling of recovered materials from rail station systems
 Eco-Factories/ Laboratories/ Offices	Promotion of CO ₂ emission reduction	<ul style="list-style-type: none"> Production sites in Japan: Reduce CO₂ emissions per unit of production by 3% from FY2003 Non-production sites in Japan: Reduce total CO₂ emissions by 1.5% from FY2003 	<ul style="list-style-type: none"> 1% increase from FY2003 (9.5% decrease from FY2005) 2.4% increase from FY2003 (7.5% decrease from FY2005)
	Waste reduction/recycling	<ul style="list-style-type: none"> Achieve zero emissions at non-production sites in Japan Reduce waste volume per unit of production at production sites in Japan by 15% from FY1998 	<ul style="list-style-type: none"> Zero emissions not achieved at some sites (achievement expected for FY2007) 21% decrease from FY1998
	Detoxification of PCB-containing waste	<ul style="list-style-type: none"> Conduct process to detoxify PCB-containing waste according to the processing facility's schedule 	<ul style="list-style-type: none"> No relevant sites according to the processing facility's schedule for FY2006 Conducted survey to check for transformers containing low concentrations of PCBs
	Reduction of PRTR Law-controlled substances	<ul style="list-style-type: none"> Maintain FY2005 level (per unit of production) 	<ul style="list-style-type: none"> Released amount per unit of production: 41.2% decrease from FY2005
	Resource conservation at sites	<ul style="list-style-type: none"> Maintain FY2005 levels (total volume) 	<ul style="list-style-type: none"> Office paper used: 6.8% increase from FY2005 Water used: 11.0% decrease from FY2005
	Air pollution prevention	<ul style="list-style-type: none"> Maintain FY2005 levels (per unit of production) 	<ul style="list-style-type: none"> NOx emissions per unit of production: 67.2% decrease from FY2005 SOx emissions per unit of production: 66.8% decrease from FY2005
	Water contamination prevention	<ul style="list-style-type: none"> Maintain FY2005 levels (total volume) 	<ul style="list-style-type: none"> BOD emissions: 12.5% decrease from FY2005 COD emissions: 0.3% decrease from FY2005
 Eco-Logistics	Promotion of CO ₂ emission reduction at logistics stage	<ul style="list-style-type: none"> Specify targets in terms of CO₂ emissions per unit of production in Japan 	<ul style="list-style-type: none"> Target setting incomplete for CO₂ emissions per unit of production at logistics stage in Japan
	Promotion of resource conservation at logistics stage	<ul style="list-style-type: none"> Expand deployment of returnable container system Consider expanding deployment of thin stretch film 	<ul style="list-style-type: none"> Implemented returnable container system between logistics centers and 4 sites Introduced thin stretch film at 12 sites
 Eco-Communication	Environmental communication (environmental reporting, site reporting)	<ul style="list-style-type: none"> Continue publishing report and strengthen information disclosure Expand sites covered by the report 	<ul style="list-style-type: none"> Published Omron Sustainability Report (June) Released environmental information for 2 Omron sites and 4 Group companies in Japan
	Environmental communication (public relations, exhibitions)	<ul style="list-style-type: none"> Release environmental information through website Participate in environmental exhibitions Release environmental information using media 	<ul style="list-style-type: none"> Updated CSR website (July) Participated in Enviro-Shiga (Oct.) and Eco-Products (Dec.) Placed environment advertisement in "Nikkei Ecology" magazine (Jan. and Mar. 2007)
	Environmental/social contribution activities	<ul style="list-style-type: none"> Continue contribution activities at each site in cooperation with local community Continue holding environmental classroom 	<ul style="list-style-type: none"> Carried out Founder's Day community contribution activities (May) Held "environmental classroom on wheels" at elementary schools (Jan. 2007)

Self-assessment rating ○ : Targets achieved △ : Targets partially achieved ✕ : Targets not achieved

Rating	FY2007 Targets	FY2010 Targets	Page
○	· Put environmental education programs firmly in place	· Continue implementation of environmental education programs	P48
○	· Continue hosting Environmental Month seminars · Continue soliciting ideas for environmental proposals and slogans · Continue Eco-Life Sheet initiative	· Strengthen measures to raise environmental awareness among employees	P48
○	· Take steps for introduction to overseas Group companies	· Put environmental accounting system firmly in place at overseas Group companies	P48
○	· Continue no cases	· Continue no cases	P47
○	· Maintain and expand acquisition of ISO 14001 certification	· Maintain and expand acquisition of ISO 14001 certification	P47
✕	· Meet target for percentage of Eco-label products relative to new products based on new criteria	· Meet target for percentage of Eco-label products relative to new products based on new criteria	P53
○	· Maintain total elimination of regulated chemical substances	· Maintain total elimination of regulated chemical substances	P54
○	· Continue procurement from green suppliers	· Continue procurement from green suppliers	P38
△	· Initiate recycling/reuse for newly selected products	· Put system in place to recycle/reuse newly selected products	P54
✕	· Production sites in Japan: Reduce CO ₂ emissions per unit of production by 4% from FY2003 · Non-production sites in Japan: Reduce total CO ₂ emissions by 2% from FY2003	· Achieve COP3 target specified for Japan (8.6% CO ₂ emissions reduction from FY1990) · Total CO ₂ emissions from major sites in Japan: 55,810 tons	P50, 51
△	· Achieve zero emissions at overseas production sites · Reduce volume of waste per unit of production by 17% from FY1998	· Achieve zero emissions at all sites in Japan · Reduce Volume of waste per unit of production by 22% from FY1998	P52
○	· Continue process to detoxify high concentrations of PCBs in devices · Consider detoxification of low concentrations of PCBs in transformers	· Complete process to detoxify high concentrations of PCBs in devices	P48
○	· Maintain level per unit of production	· Maintain level per unit of production	P48
△	· Maintain total volume levels	· Maintain total volume levels	P51
○	· Maintain levels per unit of production	· Maintain levels per unit of production	WEB
○	· Maintain total volume levels	· Maintain total volume levels	WEB
✕	· Meet reduction target (set in terms of emissions per unit of production) in Japan · Set reduction targets in terms of emissions per unit of production overseas	· Meet reduction targets	P50
○	· Continue implementation of returnable container system and consider expanding channels · Promote resource conservation through shift from stretch film to green band	· Continue use	WEB
○	· Continue publishing report and strengthen information disclosure · Expand sites covered by the report to include overseas Group companies	· Continue publishing report and strengthen information disclosure · Expand sites covered by the report	WEB
○	· Continue release of environmental information through website · Continue participating in environmental exhibitions · Continue release of environmental information using media	· Hold environmental forum	WEB
○	· Continue community contribution activities	· Continue community contribution activities	WEB

Promoting environmental management that enhances both ecology and economy

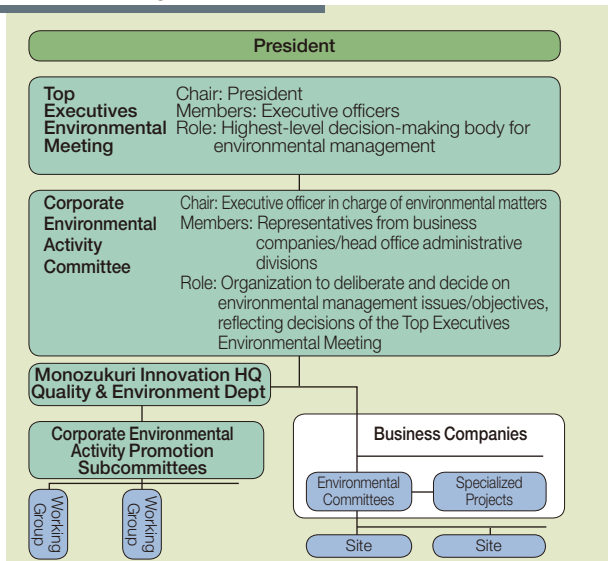
Considering it to be an important management objective to effectively address environmental issues, Omron aims to fulfill its 'Green Omron 21' environmental vision. To this end, Omron implements environmental management practices designed to enhance both ecology and economy.

Environmental Management Promotion System

Omron's Group-wide environmental management system is structured with the Top Executives Environmental Meeting at the highest level, functioning as the decision-making body responsible for overseeing environmental management. Also in place is the Corporate Environmental Activity Committee, whose members deliberate and decide on environmental management issues in accordance with decisions reached at the Top Executives Environmental Meeting. Under the Committee are environmental committees established individually by business companies, which in turn establish and manage organizations tasked with carrying out environmental conservation activities.

To strengthen quality and environment-related technologies, the Quality and Environment Department of the Corporate General Affairs Headquarters was reorganized into the Quality and Environment Department of the Monozukuri Innovation Headquarters, and is responsible for corporate-wide activities to address environmental issues.

Environmental Management Structure



Acquisition of ISO 14001 Certification

WEB [ISO 14001-certified Sites]

Believing that an environmental management system is the key to addressing environmental issues, Omron has promoted acquisition of ISO 14001 certification across the Group.

In fiscal 2006, seven additional sites received ISO 14001 certification, while two sites were subtracted due to merger/consolidation of sites. Consequently, a total of 57 sites in Japan and 19 sites abroad have

become ISO 14001 certified as of April 2007. The result is that 28,207 out of the 32,456 employees in the Omron Group (87%) are working in ISO 14001-certified sites. In fiscal 2007, four additional overseas sites are scheduled to acquire ISO 14001 certification.

ISO 14001-certified Sites in Each Region

Region	Number of ISO-certified sites
Japan	57
North America	3
Europe	3
Asia (China)	13 (9)
Total	76

Environmental Auditing

WEB [Results of Audits and Points Requiring Improvement]

Omron's internal environmental audits consist of onsite internal audits based on each site's environmental management system and corporate audits carried out by the Head Office environmental department. Regular external audits provided by ISO assessors also ensure that ISO 14001 requirements are met appropriately.

In fiscal 2006, corporate audits were conducted for nine sites in Japan and two sites in China. Audits for Chinese sites revealed points requiring improvement, including failure to meet legal requirements for conducting environmental measurement and incomplete records of regular inspections of environmental facilities. Environmental activities conducted at five sites in Europe and the U.S. were also inspected.



Environmental auditing

Auditing Scheme and Standards

Type of audit	Audit standards
Corporate audits (All sites are subject to auditing once every two years)	<ul style="list-style-type: none"> 'Green Omron 21' Environmental Action Plan Environmental laws/regulations Corporate-level environmental rules Measures for environmental risks
Onsite internal audits (1 or 2 audits per year, according to each site's regulations)	<ul style="list-style-type: none"> ISO 14001:2004 requirements Provision of each site's environmental management system documents Applicable laws/regulations for each site and other requirements Each site's environmental objectives/targets and action plans

Environmental Risk Management

To avoid or minimize environmental risks accompanying business activities, Omron makes sure to comply with environmental laws and regulations, and implement and manage environmental facilities in conformance with ISO 14001 requirements and in-house regulations.

Again in fiscal 2006, there were no cases of violations of laws and regulations, accidents, complaints, fines, penalties, or lawsuits related to the environment throughout the Omron Group both in and outside Japan.

PCB management and disposal

Omron regularly inspects transformers, power capacitors and fluorescent lamp ballasts, which contain polychlorinated biphenyls (PCBs), stored at each site to make sure proper management of these devices. Devices containing a high concentration of PCBs are scheduled to be disposed of by fiscal 2010. In fiscal 2006, as low-concentration content of PCB was detected during disposal of transformers, an investigation surveyed devices that are likely to use PCBs all at once across Omron sites in Japan. The investigation revealed that some of devices once claimed to contain PCBs in high concentration actually had PCBs in low concentration or no PCB at all. But some devices were newly found to contain PCBs in low concentration. Moreover, a high-voltage capacitor once included in the PCB-containing device list was found to contain no PCB. The survey results have already been reported to the relevant municipal government.

PCB-containing Devices Stored (in Japan)

Type	Stored devices (units)	
	High-concentration content of PCB (units)	Low-concentration content of PCB (units)
Transformers	0	18
Power capacitors	65	0
Fluorescent lamp ballasts	376	0

Reduction of PRTR-specified substances

Omron monitors and manages each site to check the amounts of 354 PRTR Class 1 designated chemical substances that are used, released and transferred. At the same time, Omron works to maintain or reduce the released and transferred amounts per unit of production at fiscal 2005 levels or less. In fiscal 2006, 14 groups of these substances were used throughout the Omron Group in Japan. Efforts to meet the chemical substance-related regulations in Europe resulted in a significant drop in the use of lead, contributing to reductions in used and released amounts compared to fiscal 2005 levels despite increased production.

Use, Release and Transfer of PRTR Substances (in Japan)

Substance name	Amount used (tons)	Amount released (tons)	Amount transferred (tons)
Antimony and antimony compounds	8.48	0.00	0.02
Bisphenol A epoxy resin (liquid)	10.37	0.00	0.03
Ethylbenzene	1.04	0.43	0.52
Xylene	4.31	0.74	0.52
Silver and water-soluble compounds	0.24	0.00	0.00
3-(3,4-dichlorophenyl)-1,1-dimethylurea	0.24	0.00	0.00
Tetrahydromethylphthalic anhydride	3.01	0.00	0.10
1,3,5-trimethylbenzene	0.42	0.01	0.00
Toluene	7.52	4.06	3.33
Lead and lead compounds	23.67	0.11	0.75
Nickel	0.75	0.00	0.00
Nickel compounds	0.27	0.00	0.00
Hydrogen fluoride and its water-soluble salts	3.57	0.01	0.00
Methylenebis (4,1-cyclohexylene) diisocyanate	0.19	0.00	0.00

Environmental Accounting

WEB [Environmental Costs, Environmental Performance Benefits, Economic Benefits]

Since fiscal 2001, Omron has been implementing environmental accounting practices to quantitatively analyze and manage investments and costs associated with environmental conservation, along with the resulting benefits, toward the aim of more efficiently investing in environmental improvement. Based on the Omron Environmental Accounting Manual that conforms to the Environmental Accounting Guidelines 2005 issued by the Ministry of the Environment, only direct benefits are calculated as economic benefits to make more effective use of environmental accounting for promoting environmental management. In fiscal 2006, environmental accounting was introduced at five additional sites, but integration/consolidation of sites resulted in the elimination of nine sites, resulting in a total of 43 sites implementing environmental accounting, four sites fewer than fiscal 2005.

In fiscal 2006, environmental investments amounted to approximately 300 million yen, while environmental expenses were approximately 4.3 billion yen. Environmental costs decreased approximately 2.9 billion yen compared to fiscal 2005, which corresponded to R&D costs spent to respond to RoHS during the previous year.

Environmental benefits totaled approximately 1 billion yen, due to the significant increase in gain from the sale of valuable resources resulting from soaring prices of metal.

Environmental Education and Awareness Enhancement

Mindful that employees are the driving force behind environmental management, Omron continues to improve educational opportunities for its employees to raise their ecological awareness and encourage action to put this awareness into practice. In fiscal 2006, EMS-based employee education and training were promoted along with programs to enhance the environmental consciousness of employees. The environmental e-learning program also offered nine additional courses, resulting in a total of 3,820 participants, which represented an increase of 1,793 compared to fiscal 2005. Starting from fiscal 2007, Omron plans to launch three e-learning courses in overseas sites.

To enhance employees' environmental awareness, Omron has continued to organize Environmental Month seminars and solicit employee ideas for environmental proposals and slogans.

To promote energy-saving efforts not only in the workplace but also at home, Omron encourages the use of a household eco-accounting book ('Eco-Life Sheet') that keeps track of home energy use. In fiscal 2006, one out of three Omron Group employees in Japan kept the eco-accounting book.



Environmental training for new recruits

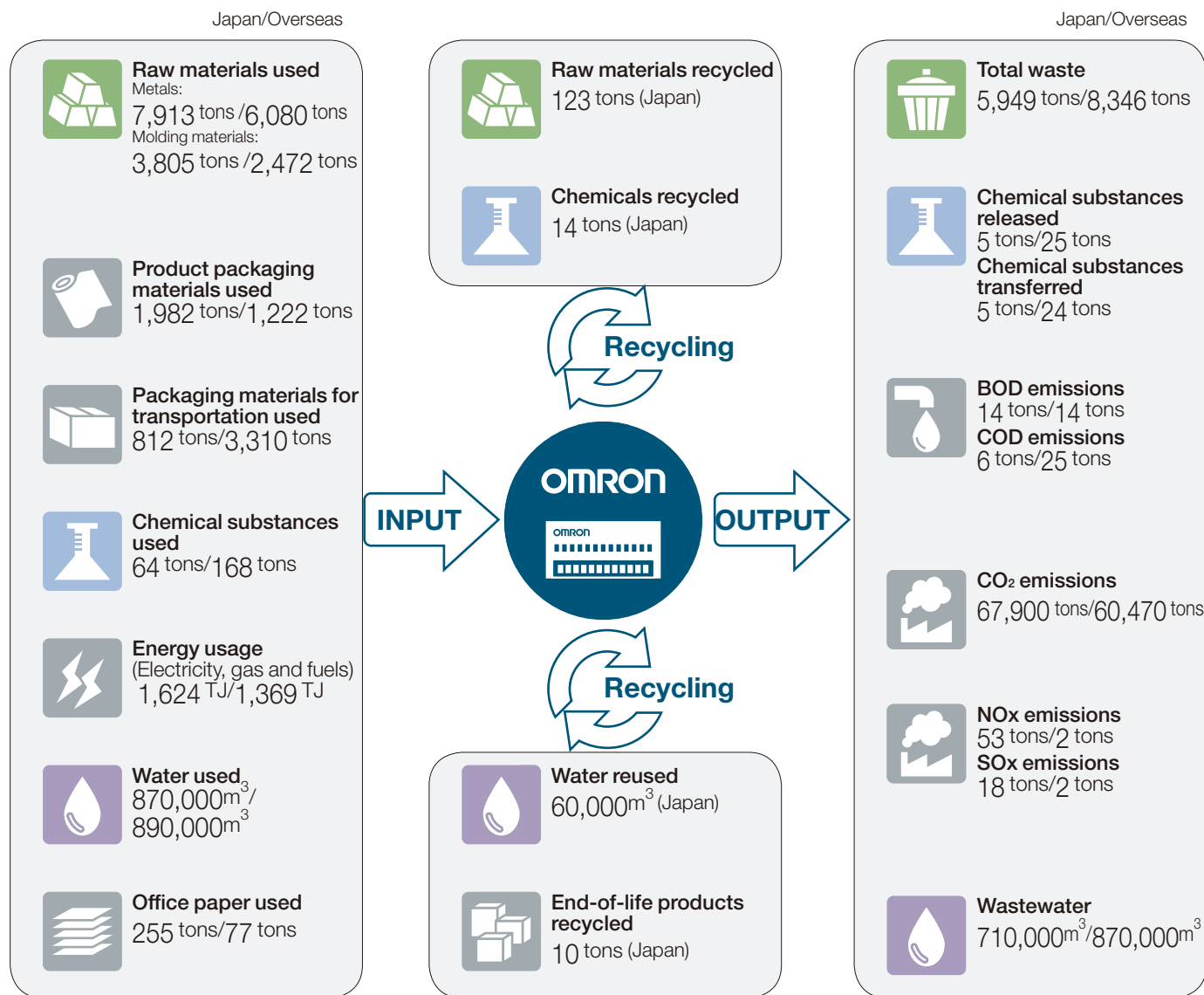
Number of Environmental Education Program Participants (in Japan)

Category	Type of education	Participants
Rank-specific environmental education	Environmental education for new recruits	136
	Environmental education for mid-career recruits	64
Education for engineers/developers	Product assessment reviewer certification training (Product assessment methodology, regulated chemical substances, etc.)	43
Environmental e-learning	9 courses	3,820

Assessing and analyzing the use of resources (input) and emissions (output) at the global level

The Omron Group's business activities impact the environment in various ways, including the use of resources and energy. To reduce the negative impact of its business activities on the environment, Omron assesses and analyzes resource and energy requirements (input) and emissions such as waste (output) for a product's entire lifespan. This is done at the global level, and the data and findings are used to design countermeasures.

With the increased volume of production in fiscal 2006, there was a corresponding increase in all items of environmental impact compared to fiscal 2005. However, Group-wide efforts to promote environmental conservation resulted in improvements in terms of per unit of production values, an indicator of usage efficiency.



Input

Electricity: Electricity purchased from electric power companies for production facilities and offices
Gas: Utility gas, LNG and LPG as energy source
Fuels: Kerosene, light oil and heavy oil as energy source
Water: Tap water, water for industrial use and groundwater
Chemical substances: Amount of regulated chemicals (PRTR substances) used at production facilities and laboratories
Raw materials: Molding materials and metals for product manufacture
Paper: Printer/photocopy paper at production facilities and offices
Product packaging materials: Paper and plastics for individual product packaging
Packaging materials for transportation: Cardboard used for transporting products

Output

CO₂: CO₂ emissions from electricity, gas and fuels
NO_x: NO_x emissions from gas and fuels
SO_x: SO_x emissions from gas and fuels
Wastewater: Industrial and domestic wastewater from production facilities and offices
Chemical substances: Chemical emissions to air, soil and public waterways
 Waste and amount transferred to sewage systems
Waste: Industrial waste from business activities and business-related general waste and valuable resources
BOD: Biological oxygen demand (oxygen needed by microorganisms to decompose organic contaminants in water)
COD: Chemical oxygen demand (oxygen needed by chemical oxidants to decompose organic contaminants in water)

Working to reduce CO₂ emissions and waste

Omron is working hard to reduce the environmental impact of its business activities, for example, by reducing CO₂ emissions, the main factor causing global warming. The company also aims for 100% recycling of waste (zero emissions) and is engaged in various resource-conservation activities on a global basis.

Energy Conservation and Prevention of Global Warming

CO₂ emission reduction efforts in Japan

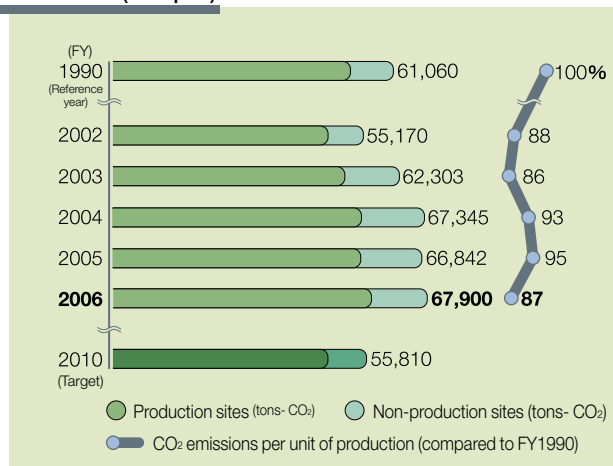
The Omron Group in Japan has set a target for achieving by fiscal 2010 an 8.6% reduction in CO₂ emissions compared to fiscal 1990. Accordingly, Group-wide efforts are now being concentrated on promoting energy conservation to meet this goal.

In fiscal 2006, Omron Group companies in Japan implemented strict controls on daily use of electricity, for example, by adjusting air conditioner settings and turning off lights when not in use. In addition, more energy-efficient equipment and devices were employed along with solar power generation systems. The company also is accelerating the shift to fuels that emit less CO₂.

With increased production in fiscal 2006, total CO₂ emissions from production sites increased approximately 2,100 tons over fiscal 2005. But proactive energy-conservation efforts resulted in an improvement of 9.5% in CO₂ emissions per unit of production (an indicator for energy usage efficiency). As a result of focused energy-saving efforts at laboratories, total CO₂ emissions from non-production sites in Japan were 1,100 tons less than the fiscal 2005 level.

However, a comparison against the fiscal 1990 level shows an 11.2% increase in total CO₂ emissions in Japan. If no additional measures are taken, by fiscal 2010, CO₂ emissions are projected to increase by 15% compared to the fiscal 1990 level, if potential business growth is taken into account. It will be extremely difficult to achieve the emission reduction target while continuing to promote business growth if the company solely relies on its internal efforts to limit CO₂ emissions from Omron Group facilities. As such, Omron decided to purchase emissions credits through a CDM (Clean Development Mechanism) project. Through its investment in an HFC recovery and decomposition project, Omron will purchase 10,000 tons of emissions credits each year over five years beginning in 2008. By combining this purchase with further efforts to promoting energy-saving measures, Omron aims to achieve an 8.6% reduction in CO₂ emissions.

CO₂ Emissions (in Japan)



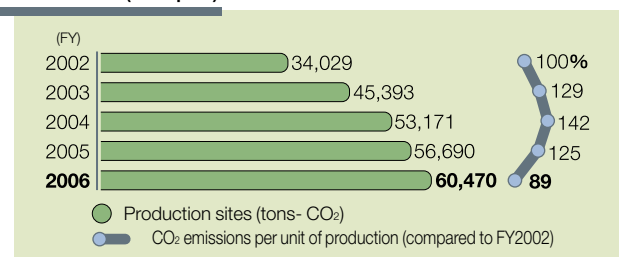
CO₂ emission reduction efforts outside Japan

A goal of 1% improvement in CO₂ emissions per unit of production every year has been adopted by overseas sites, indicating their commitment to energy conservation.

As a result of a 50% increase in production volume compared to fiscal 2005, CO₂ emissions per unit of production declined 28.7% from fiscal 2005 level, meeting its target. However, total CO₂ emissions are almost approaching the level in Japan.

In fiscal 2006, corporate audits were conducted in China to evaluate the usage of energy at various sites in the region and suggest measures for improvement. A full-scale energy-saving diagnosis is planned for the future, to further encourage energy conservation efforts.

CO₂ Emissions (in Japan)



CO₂ emission reduction efforts at the logistics stage

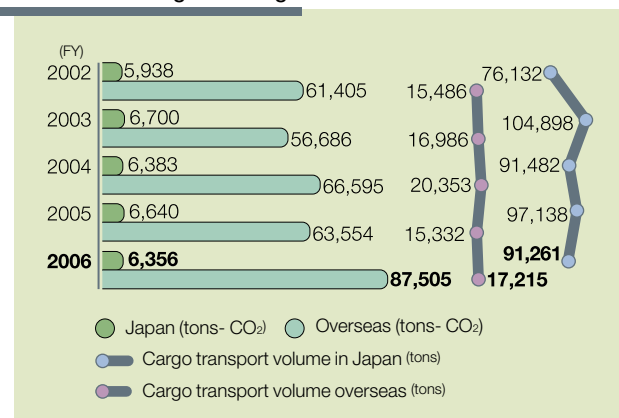
In Japan, Omron reviewed circulating transportation routes and expanded consolidated cargo transportation and joint distribution with other companies for the enhancement of transportation efficiency. Although transport volume dropped 6% from a year earlier, CO₂ emission reduction at the logistics stage remained at 4.3%. Overseas, transport volume increased 12.3% compared to fiscal 2005 and air transport also grew, resulting in a 32.7% increase in CO₂ emissions at the logistics stage.

In fiscal 2007, Omron will promote a shift to environmentally friendly trucks in Japan. For overseas distribution, Omron will integrate import/export points to one base, and study the possibility of a modal shift from air to high-speed ferry transport, to advance efforts to reduce CO₂ emissions.



Environmentally friendly truck

CO₂ Emissions at Logistics Stage



Non-CO₂ greenhouse gas emission reduction efforts

To reduce PFC, SF₆ and other non-CO₂ greenhouse gas emissions, Omron is promoting a shift to gases with a lower global warming coefficient, along with an accompanying removal system.

Omron's Minakuchi Factory used 434kg (7,797 tons when converted to CO₂) of PFC and SF₆ per year for manufacture of semiconductors. In fiscal 2006, a removal system was installed, contributing to a 46% reduction (amounting to 3,600 tons) in emissions.



Greenhouse gas removal system

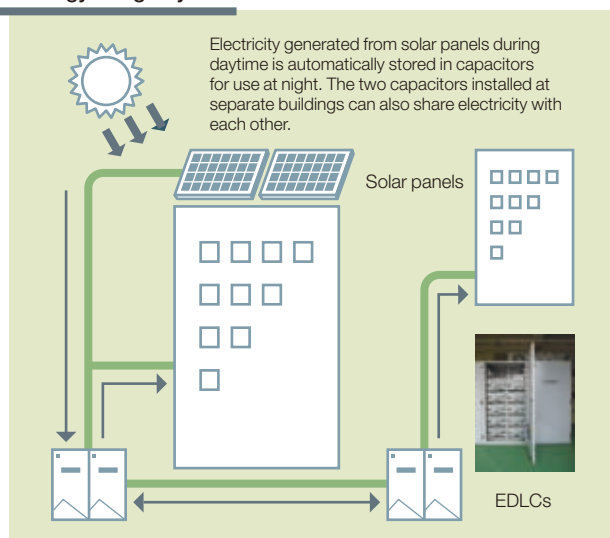
New energy creation

Omron has built a new energy usage system that employs electric double layer capacitors (EDLCs) at its Kusatsu Factory. It is among the largest EDLC-based energy storage systems in the world.

This system employs electricity generated from 100kW solar panels along with a commercial power source, to power lighting within the factory while storing excess electricity in EDLC electricity storage devices. By using this stored electricity on rainy or cloudy days or at night when solar power generation is limited, at full capacity the system can provide approximately 10% of the energy required by the factory's No. 3 building with an area of 12,000m².

New natural energy sources such as solar, wind and biomass have an unstable power output, which has been a major hurdle to large-scale deployment. By taking advantage of the capacitor's characteristics, including high charge/discharge efficiency and the capability to store even very low power, Omron's system can equalize and stabilize output power. From now on, Omron will develop and accumulate technology and expertise for effectively using new energy sources through experimental operation of the system, toward the aim of creating products and services that help protect the environment.

New Energy Usage System



Measures taken at laboratories

At the Keihanna Technology Innovation Center, Omron's R&D base, power supply systems and air conditioners are in operation around the clock for the cleanroom and environmental testing facilities. To accommodate this power demand, the center uses a gas cogeneration system together with a commercial power source.

As an energy-saving measure, the center changed the cogeneration system control method to suppress power variations accompanying the switchover to commercial power, resulting in a drop in the peak value. In addition, optimized settings for heat source water flow rate-based operation of absorption chillers enabled operation for longer hours, which contributed to enhanced efficiency for waste heat usage. Data for electricity usage and operation time for each equipment piece has been an accumulated 95%. Based on this data, the energy supply was optimized by factoring in load fluctuations associated with the deployment of equipment and personnel. As a result of these efforts, the Keihanna Technology Innovation Center reduced energy usage by 11% and CO₂ emissions by 1,100 tons compared to fiscal 2005.



Absorption chillers

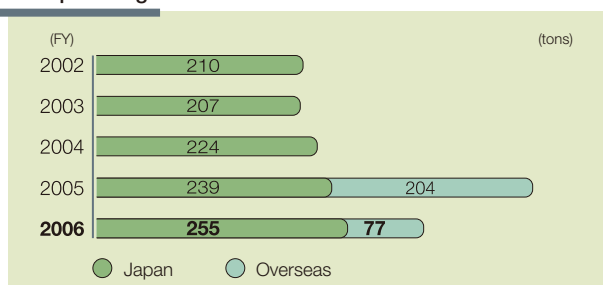
Resource Conservation

Reduction of paper and water usage

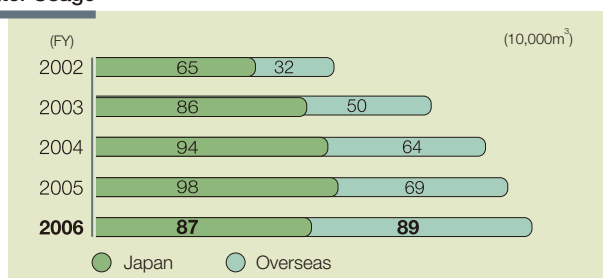
Although Omron encouraged paper-less documentation through the use of information systems, the preparation of many documents accompanying the integration and consolidation of production sites in fiscal 2006 pushed up the volume of office paper used in Japan by 7% compared to fiscal 2005.

Recycling of wastewater advanced in fiscal 2006, resulting in an 11% reduction in the amount of water used in Japan compared to fiscal 2005.

Office Paper Usage



Water Usage



Zero Emissions

[WEB] [Waste by Category]

Waste reduction

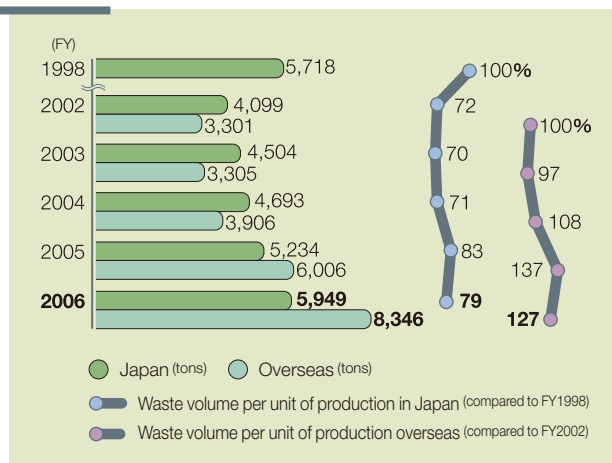
Omron believes that inputting fewer raw materials in production processes and improving production yield are keys to waste minimization, and as such each site is aggressively implementing reduction measures.

In fiscal 2006, the total waste volume in Japan increased 715 tons from a year earlier to 5,949 tons. The main components of the increase for production sites were 467 tons by increased production and 75 tons by the increase in sites included in the calculations, which comprised an increase of 542 tons for production sites. As for non-production sites, a main contributor to the increase was the increased number of sites included in the calculations, which amounted to 173 tons.

Outside Japan, waste volume amounted to 8,346 tons, representing an increase of 2,340 tons from a year earlier, which was primarily attributed to expanded production.

Despite these increases in waste volume, waste volume per unit of production improved compared to fiscal 2005 both inside and outside Japan. In the future, Omron will work even harder to reduce waste by avoiding emissions in the highest upstream stage of production.

Waste Volume

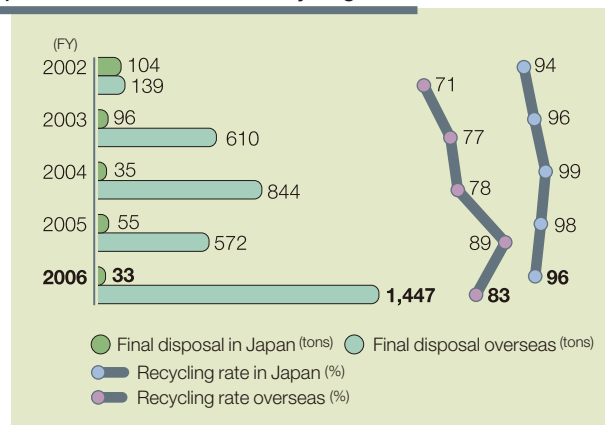


Improvement of recycling rate

At Omron, all Japanese production sites have already achieved zero emissions with 100% recycling and reuse of waste generated from their business activities. In fiscal 2006, zero emissions were also achieved at 12 additional non-production sites. However, recycling efforts were delayed at some sites, which added to the scope of data calculated in fiscal 2006. This raised the overall volume of disposed waste in Japan, which in turn dragged down the recycling rate. The sites that have already achieved zero emissions will strive to upgrade from thermal recycling to material recycling with the aim of more effectively re-circulating resources.

Outside Japan in fiscal 2006, the recycling rate worsened 6% from a year earlier to 83%. This was mainly caused by newly established factories, which ended up temporarily disposing waste during start-up due to a delay in recycling measures.

Disposed Waste Volume and Recycling Rate



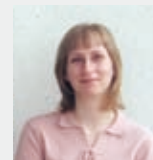
Appropriate waste treatment and efficient management

Omron has continually strived to strictly comply with the laws and regulations related to waste treatment. To this end, Omron introduced a centralized management system for waste treatment in fiscal 2005 to quickly and correctly respond to revisions to related laws and regulations and to the launch of an electronic waste manifest system. By providing centralized control over all information related to waste treatment and sharing it across the Omron Group in Japan, Omron aims to optimize waste treatment and enhance waste management efficiency.

Environmental performance earns high marks

Aneta Zimnicki

Omron Dualtec Automotive Electronics Inc.
(Canada)



Omron Dualtec has enjoyed many successes in environmental performance over the last four years, for which we received six environmental awards.

The most notable was the construction of our ECU facility, which became the first LEED (Leadership in Energy & Environmental Design)-Canada certified industrial building (silver level). The certification recognized our efforts in constructing, maintaining and managing a 'green building' through the use of environmentally conscious building materials and reduction of construction waste, enhanced efficiency of energy and water use, waste recycling and other activities.

This project also contributed to our energy conservation goals. Although we increased sales by 25% over fiscal 2004, we increased our electricity consumption by only 8%. We were also able to reduce cardboard waste per unit sales by 42%, and increase our recycling rate to 90% from 78% in fiscal 2003. As a responsible corporate citizen, our company is committed to sustainable operation, balancing the pursuit of economic growth with protection of the environment.



Creating Eco-products and minimizing the use of hazardous substances

Omron's goal is to make a proactive contribution to reducing the harm caused by our societal system to the environment by globally offering environmentally warranted products ('Eco-products'). These are created by drawing on Omron's core competencies of sensing and control technologies.

Creation of Eco-products

WEB [Eco-label Products]

Product assessment

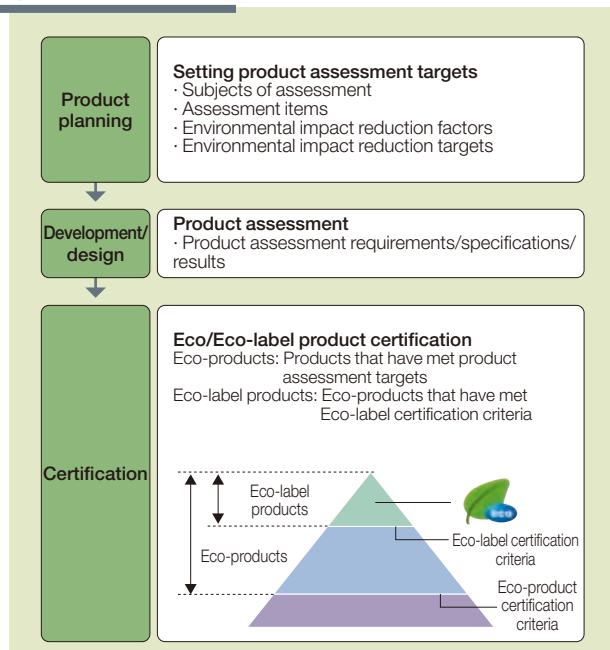
Product assessment at Omron is intended to minimize the negative environmental impact of Omron products at every stage, including production, distribution, use, maintenance, recovery, disposal and recycling; and to assure that its products fully comply with environmental laws and regulations in all relevant countries.

Conducted at the early stages of product planning, development and design, product assessment involves prediction and estimation of the potential impact of products on the environment. This is based on evidentiary data (objective data that forms the basis for judgment), which is evaluated by product assessment reviewers (third-party personnel other than the developer). This system has been in use at all production sites worldwide by fiscal 2005.

In fiscal 2006, Omron concentrated on fostering and expanding reviewers to cope with its main issue associated with product assessment, namely promotion of system implementation outside Japan. As a result, the number of reviewers at overseas sites increased by 60 compared to fiscal 2005.

To reinforce its commitment to offering environmentally warranted products, Omron strives to further the implementation of the product assessment system worldwide, with a focus on cultivation of product assessment reviewers.

Eco-product Creation Flow



Revision to Eco-label product certification

Omron designates products that have met environmental targets through product assessment as 'Eco-products'. Products that satisfy even higher standards of environmental impact reduction are certified as 'Eco-label products'.

In fiscal 2006, Omron revised the Eco-label certification criteria to cover the contribution to energy and resource conservation on the user side. Specifically, more detailed definitions of assessment items were given for products directly aimed at environmental contribution and examples of such products were specified. The new criteria were also made to apply to systems and software products as well.

In fiscal 2006, 33 Eco-label products were developed, accounting for 17% of new developments produced during the year. In fiscal 2006 alone, Omron Eco-label products saved an estimated total of 16,180,000kWh of energy and conserved 397 tons of metal and plastics combined.

In fiscal 2007, Omron plans to set a new Eco-label product ratio target based on the revised criteria, and promote further efforts to create Eco-products.

Eco-label product developments in fiscal 2006



Among the industry's first to eliminate RoHS banned substances

'Karada Scan' HBF-361 Body Composition Monitor with Scale

This monitor can measure subcutaneous and visceral fat percentages and skeletal muscle mass and is totally free from RoHS banned substances.



77% less power consumption while in use

K3FP Series Ultra-slim Signal Converter

This device converts a signal from the sensor into an output to the controller. It consumes 77% less power when in use compared to the conventional Omron model.

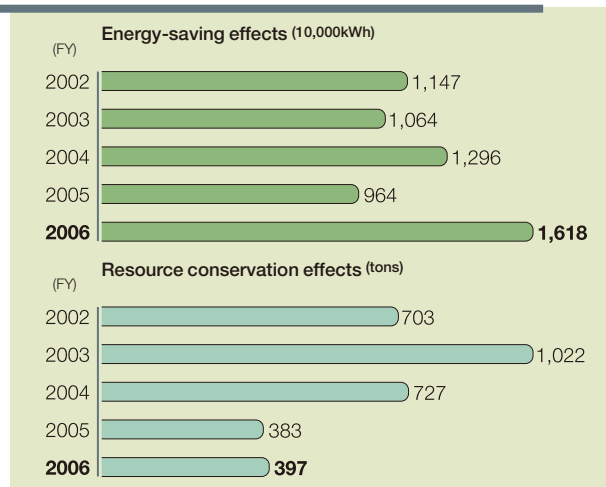


56% less plastics in use

CJ1G-CPU45P-GTC Programmable Logic Controller

Designed to control various manufacturing equipment and lines, this PLC features a smaller design that reduces the use of plastics by 56%.

Estimated Environmental Impact Reduction by Eco-label Products



Reduced Use of Hazardous Substances

WEB [Green Supplier Certification Standards]

Non-use of banned substances warranted through information systems

Based on its policy of not purchasing or using any raw materials or parts that contain regulated chemical substances, Omron achieved full compliance with the RoHS Directive in March 2006. Omron has also completed a survey for nearly 160,000 items of commercially available raw materials, electronic parts and processed products in Japan and approximately 20,000 items abroad.

The two support systems for the survey of chemical substance contents for parts/materials (Rechs^{*1}) and for the design of environmentally warranted products (E-Warps^{*2}) greatly contributed to the elimination of banned substances from Omron products. Rechs was put into operation in November 2003, while the operation of E-Warps was launched in April 2004.

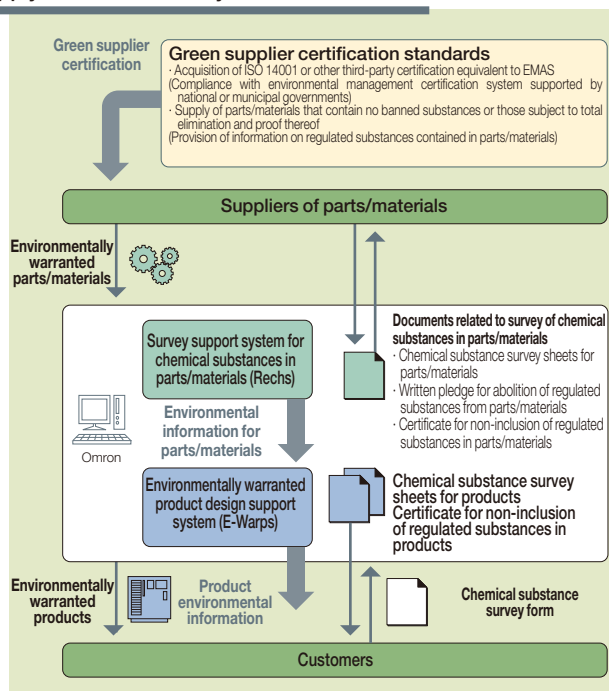
^{*1} Rechs: System designed to collect necessary information from suppliers regarding regulated substances contained in parts/materials via the Internet.

^{*2} E-Warps: System that uses the data collected by Rechs to support product development, assessment and release of information to customers.

Review of target substances to include 16 substance groups

In fiscal 2006, Omron reviewed target chemical substances for survey. This reflected the progress in standardization of the substances and format for survey of electrical and electronic products by the Japan Green Procurement Survey Standardization Initiative (JGPSSI). As such, Omron reviewed and revised target chemical substance groups

Supply of Environmentally Warranted Products



in conformance with the JGPSSI's guidelines in December 2006. This resulted in 16 substance groups for which Omron confirms and warrants non-use.

Omron has also completely complied with China's Management Methods for Controlling Pollution by Electronic Information Products (Chinese version of RoHS), effective March 2007. The Chinese version requires an indication of whether or not the products contain any of the six substances banned by the European RoHS in labeling or through other means such as product brochures or user manuals.

While continually providing customers with environmentally warranted products through the use of the Rechs and E-Warps systems, Omron will also strive to respond to upcoming regulations in Europe and other parts of the world.

Product Recycling

Recycling of Automated Ticket Vendors and Passenger Gate Machines

Omron verified the effectiveness of recycling with the aim of building a recycling scheme for end-of-life rail station systems such as automated ticket vending machines and automated passenger gates.

With the introduction of IC card service in the Tokyo metropolitan area, 5,300 units of automated ticket vendors and passenger gates had to be reconstructed. Omron therefore collected 10 tons of waste parts, including printed circuit boards, cables, housing top panels and acrylic panels, and recycled 99.9% of them.

In fiscal 2007, Omron will promote measures to enhance employee knowledge of waste management and disposal to minimize waste-related risk, while also expanding the range of products subject to recycling.



Recycling automated ticket vendors

Reduction of Packaging Materials

Resource conservation for product packages

Along with resource conservation for products, Omron is also striving to reduce the use of materials for packaging. Accompanying the adoption of a new smaller, lighter AC adaptor for the 'Spot Arm' automatic blood pressure monitor, the product package's internal layout was also reviewed. With the redesigned package, the inner lid provides a space for storing accessories and the number of internal buffer materials has been reduced, while thinner cardboard was used for the box. Through these measures, the volume and mass of its packaging was reduced by 7% and 33%, respectively, while keeping the shock-absorbing functions equivalent to the former package. Use of less internal buffer materials also contributed to reduced package assembly steps and enhanced ease of disposal.



Before redesign



After redesign

A Comment on the Omron Group's Sustainability Report 2007

Iwao Taka, Ph.D.

Professor, International School of
Economics and Business Administration
Reitaku University
Visiting Professor, Graduate School of
Management
Kyoto University



Regarding the previous year's report, I commented on three points requiring improvements. First, the difficult-to-understand 'FY2005-06 Policies and Results' table. Second, the relatively scarce mention of 'negative information'. Third, limited information regarding the prevention of bribery involving foreign public officials. I had to point out these issues simply because Omron commands leadership in terms of CSR performance. For that reason I expected even further improvements in CSR activities from Omron. I felt that this year's report had satisfied my expectations by responding at a reasonable level to what I pointed out.

As for the first point, the 2007 report mentions that Omron is now in the process of internal coordination to embed CSR targets and specific measures to be taken into Omron's three-year plan covering fiscal 2008 to fiscal 2010. Currently, Omron is in the second stage (fiscal 2005-07) of its Grand Design. Because Omron did not specify its final destinations (final target levels) in the initial year of the second stage, the overview of CSR activities and policies remained general again this year. Against this backdrop, Omron is now working to clearly specify long-term CSR goals and formulate strategies aiming at the start of the third stage in fiscal 2008.

Let me remind you that this problem, as mentioned above, is a format-wise problem; it does not mean that no particular CSR achievements were made during the second stage. In fact, Omron stationed a CSR manager at each internal business company and also established a new Corporate Strategic Planning Headquarters under the direct control of the President. A specialized CSR organization was also founded at Omron in China as part of its drive to build a global CSR management system.

I had the impression that Omron made considerable improvements for the second and third points. A company cannot avoid becoming extremely conscious about releasing negative information. Nonetheless, Omron talked on legal violation risk in China in the report and positioned it among the key CSR issues for the company. Omron also took problems related to violations of customs-related laws (infringement of customs procedures, etc.), unfair benefits to be offered (unaccountable payments for foreign governmental officials, etc.), and operations falling outside each organization's scope of business (sales activities at a representative office, etc.) as examples and is trying to directly face these challenges. I particularly appreciate this point. Why? Because to me, the fact that Omron mentioned these important challenges is a clear indication of Omron's sincere commitment to facing these challenges and that

the company is actually delivering productive results.

If I mention one point that requires improvement, that point would be how much of what is written in the report sticks to the facts and to what extent it is actually promoted. This is hardly visible. For example, although the report introduces CSR procurement, there is no way for us to know how much it has been disseminated through suppliers. A question of how to give assurance concerning the information included in the report will become an important issue that requires future consideration.

As for this year's report, under the assumption that all included information conforms to facts, I would like to mention three Omron strong points.

The first point is proactive promotion of communications with stakeholders on a global level so as to strengthen their understanding of Omron's core value of 'working for the benefit of society'. Above all, what deserves special mention is the efforts of top executives toward deepening mutual understanding with local staff by visiting overseas worksites and communicating with employees with different languages and cultural backgrounds.

The second strong point is its commitment to diversity, for which Omron is far ahead of others. Over many years, Omron has remained committed to promoting employment of and support for persons with disabilities. The outcome of their efforts in this area has already reached a praiseworthy level. Omron, without becoming complacent with this success, is determined to aim for even higher goals.

The final point is the company's strong consciousness about CSR for a global company. In the past, 'do as the Romans do' was the generally accepted way of thinking within any company. But that kind of management attitude is becoming outdated.

What is demanded of a sustainable global company is to adopt global standards and act consistently in conformance with them. With an acute sense to detect changes taking place around us, Omron is working to formulate and implement new global CSR strategies by incorporating arguments about the international social responsibility standard (ISO 26000) in advance. A message from top executives of 'Aiming to become a corporate group that is valued highly by future generations' reflects Omron's proactive efforts to adopt global standards and the strong determination of top executives to meet these standards.

Independent Review Comments on Omron Group's Sustainability Report 2007

May 31, 2007

Mr. Hisao Sakuta

President and CEO
OMRON Corporation

Hiroshi Enoki

President
Tohatsu Environmental Research Institute Ltd.

The following is our consecutive annual independent review comments on Omron Group's commitment to corporate social responsibility (CSR) based on our review of the Omron Group's "Sustainability Report 2007" (hereinafter referred to as "the Report"), and inspections of the Head Office (CSR Management Department, Corporate Culture Promotion Center, Quality and Environment Center, and Human Capital Management Center) and the Kusatsu Plant, and certain inquiries made.

Please note these comments are not an expression of an independent examination opinion in accordance with generally accepted principles as the basis of such opinion, regarding the accuracy, etc. of the information stated in the Report, and are not a guarantee or certification of any kind.

1. CSR management promotion

As seen in the increasing publication of CSR and similar other reports, a growing awareness has spread among companies that society demands not only economic benefits but also environmental and societal consideration from companies. However, the reality is that companies tend to focus attention on short-term profitability resulting in a continuous stream of corporate scandals. For a company to promote CSR, it is necessary for all Group companies, directors and employees to understand and accept the CSR way of thinking and to put into practice.

In May of last year, the Omron Group established new corporate principles with the CRS consistent corporate core value of "Working for the benefit of society", which was announced both within and outside the Company. Based on a belief that practicing CSR must come from putting corporate principles into action, Omron also issued "Omron Group CSR Practice Guidelines" that function as CSR standards of conduct, and "Implementing the Guiding Principles for Action" that concretely discusses action guidelines for Omron's corporate principles. To facilitate each employee's understanding of Omron's corporate principles and help them put them into action, Omron did more than just distributing corporate principles and guidelines to employees. Workplace meetings were organized at all sites, and each department and employee prepared "My Actions" or "Our Actions" based on their own understanding of Omron's corporate principles. We expect the

Omron Group's commitment to CSR practices to be promoted further by encouraging each Group employee to understand and accept the Omron Principles through these activities.

2. Global-level promotion of CSR management

Based on the projection that Omron's overseas sales in relation to its total sales will exceed 50% in the next fiscal year, promotion of CSR practices on a global level will become more and more important. As such, to share Omron's corporate principles outside Japan, Omron created opportunities for top executives to visit overseas sites to hold discussions on these principles with local executives and employees. In Greater China, an important strategic region for Omron, a CSR management organization was set up as an area management company. These and various other activities are underway to promote CSR activities worldwide. To put the CSR management systems firmly in place on a global level in the future, we expect Omron to strengthen internal audits for CSR activities in a way similar to its corporate environmental audits in which corporate auditors from Omron Head Office conduct onsite inspections.

3. Conclusions

Practicing CSR can be described as a company's commitment to contributing to sustainable development of society by fulfilling its social responsibilities and addressing not only present needs but also future needs. We believe this way of thinking is also aligned with Omron Group's management objective of "long-term maximization of corporate value." For fiscal 2007, Omron plans to identify CSR issues from a global perspective. Based on these findings, Omron also intends to specify such issues as challenges to be tackled and targets to be met in the third stage (FY2008 through FY2010) of GD2010, which is the basic policy for Omron Group management strategies. We therefore expect Omron to develop performance indicators to serve as evaluation metrics for managing the progress toward and achievements of targets.



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