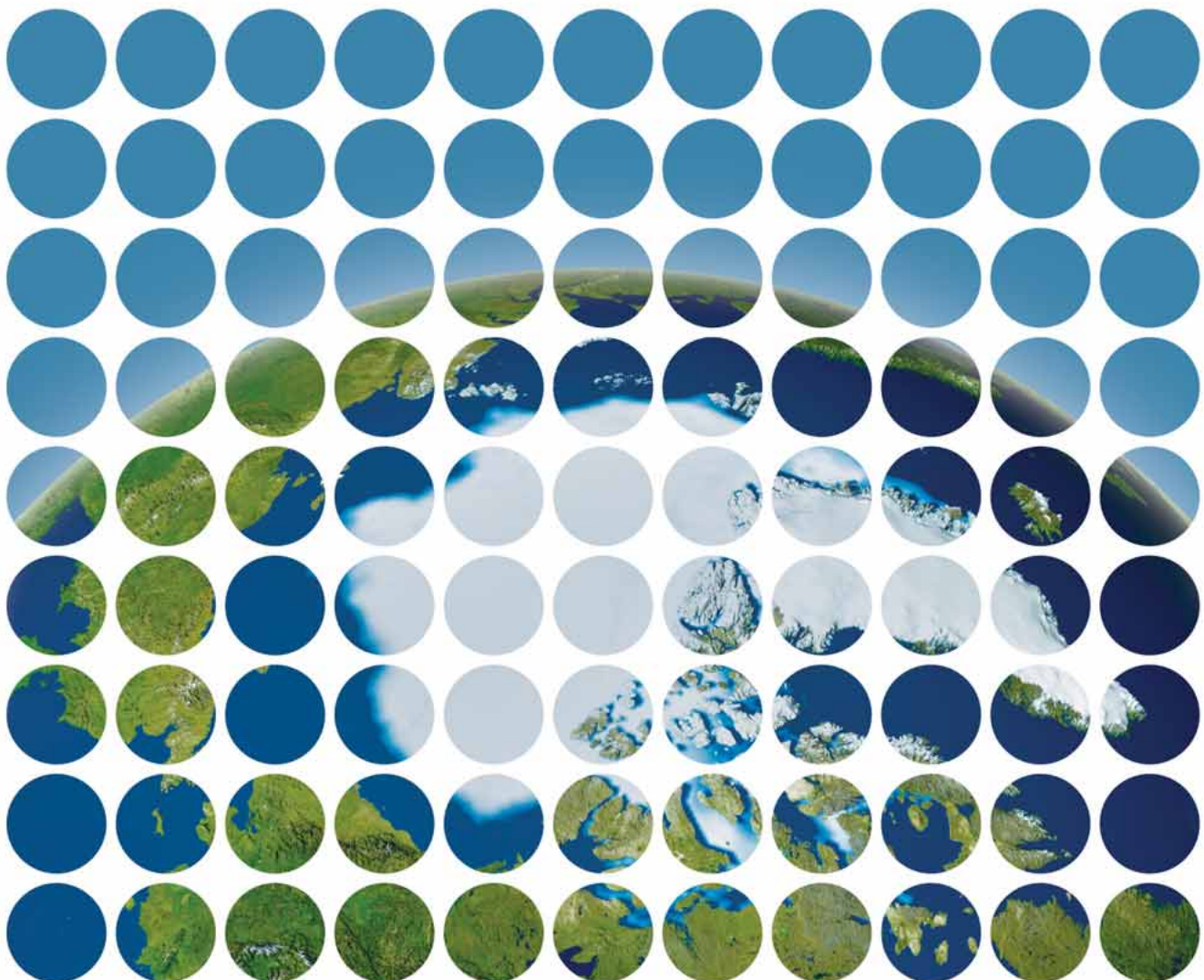# Sustainability Report 2008

OMRON

Sensing tomorrow™

In fiscal 1998, Omron began publishing an environmental report. In fiscal 2004, the report was upgraded to include more comprehensive and in-depth reporting of the social aspects as well as the environmental aspects of Omron's management and 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.

Specifying Topics to be Covered

When determining the topics and information to be included in the Sustainability Report 2008, emphasis was placed on the following two aspects:

■ Materiality

Omron analyzed various issues faced by the company according to the degree of impact on the evaluation and decision-making of stakeholders surrounding Omron, as well as the degree of impact on Omron's business results and performance on a medium- or long-term basis. This led to Omron's identification of high-materiality issues, to which they should give preference in addressing. Details of the materiality analysis process are discussed in this report. As such, Omron also determined the topics and information to be covered by this report based on the criteria of materiality.

For example, regarding "innovation driven by social needs," which is considered to be one of the highest-materiality issues for Omron, the report preferentially provided pages dedicated to in-depth reporting by five business companies, which highlighted everything from each business company's mission statements to their commitments to CSR.

■ Completeness

To help Omron's stakeholders evaluate the Group's CSR performance, the period and organizations to be covered by this report as well as the structure of reporting have been specified as follows:

Period covered by this report: Fiscal 2007 period (April 1, 2007 through March 31, 2008). Some of the activities and initiatives implemented during fiscal 2008 are also included.

Structure of this report: In preparing the report, Omron strived to follow the sequence of the PDCA cycle whenever possible, which involves Plan and Do activities during the reporting period and Check outcomes and Act to make necessary improvements.

Organizations covered by this report:

- **Social performance reporting:** The entire Omron Group (referred to 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, as shown below:
  - 17 Omron Corporation sites
  - 38 major Group companies in Japan
  - 14 major Group companies overseas (3 in North America, 3 in Europe, 4 in Greater China, and 4 in Asia Pacific)

Enhancing the Quality of Reporting

To enhance the quality of reporting, Omron emphasized the following five reporting principles:

■ Balance

Omron strived to disclose not only the positive aspects of its performance but also the negative aspects, which included inconvenient or unfavorable information from the standpoint of the company. For example, a detailed description of soil contamination on the grounds of its sites and countermeasures were included in the report.

■ Comparability

Since the publication of its first Sustainability Report in fiscal 2004, Omron has consistently measured and collected data based on the same criteria. Even if a change in criteria is unavoidable due to external circumstances, Omron clearly specifies the content of the change to maintain consistency with past data.

■ Timeliness

Each year, Omron prepares a report that includes the results of performance for the fiscal year ending March 31 and publishes the report (Japanese edition) on the date of the annual general meeting of shareholders held in June. Any updates to information are reported on its website whenever available to the company in order to maintain timeliness of information.

■ Accuracy

Omron endeavors to build a management system appropriate for collecting material information and data regarding CSR performance in an accurate manner. As for material data included in the report, Omron received a third-party examination on the development status of a data summation system.

■ Clarity

The roles of this report and the corporate website have been separated clearly so that this report preferentially provides and focuses on material information, while other detailed information and data are available on the Omron website. This helps Omron to make information more easily retrievable and accessible to stakeholders.

http://www.omron.com/corporate/csr/
(Available late September 2008.)

■ Assurance

Omron considers that "assurance" involves not only assuring that reported information is accurate ("do things right") but also that appropriate information has been selected for reporting by taking an appropriate process ("do right things").

Omron had dialogue and engagement with various stakeholders during the course of formulating its CSR strategies and analyzing materiality of issues, which also served as an opportunity to evaluate the reliability of this report, in order to enhance assurance toward its sustainability reporting.

Guideline references

Global Reporting Initiative (GRI) "Sustainability Reporting Guidelines (G3 version)"
Ministry of the Environment "Environmental Reporting Guidelines (2007 edition)"

Next scheduled publication

June 2009 (Japanese edition)
September 2009 (English edition)

Financial performance reporting

Detailed financial performance reporting is available in our Annual Report 2008 to be published in September 2008.

Contents

Feature Articles CSR Activities of Omron Business Companies

Net Sales ¥**91.5** billion
Subsidiaries **24**
Affiliates **2**
Employees **14,795**

Greater China

Japan
Net Sales ¥**388.6** billion
Subsidiaries **50**
Affiliates **17**
Employees **11,922**

Net Sales ¥**101.9** billion
Subsidiaries **26**
Employees **2,593**

Americas

Europe
Net Sales ¥**134.4** billion
Subsidiaries **39**
Employees **2,111**

Net Sales ¥**46.6** billion
Subsidiaries **23**
Affiliates **3**
Employees **4,065**

Asia Pacific

Net Sales by Segment (consolidated)

Others 2.0%
HCB 9.4%
SSB 11.2%
AEC 14.1%
ECB 20.2%
IAB 43.1%

Omron Group
¥**763.0** billion

Net Sales by Region (consolidated)

Greater China 12.0%
Asia Pacific 6.1%
Europe 17.6%
Americas 13.4%
Japan 50.9%

Omron Group
¥**763.0** billion

Employees by Region (consolidated)

Greater China 41.7%
Asia Pacific 11.5%
Europe 5.9%
Americas 7.3%
Japan 33.6%
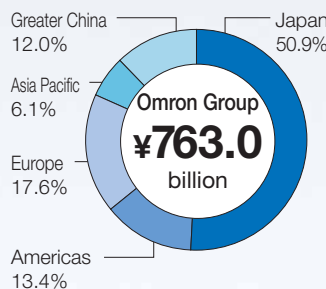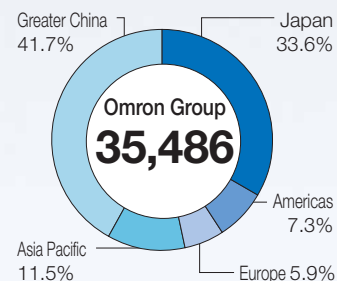
Omron Group
35,486

Overview of the Omron Group

Striving to create a better society by drawing on the company's core sensing and control technology, with a focus on social needs related to safety, security, environmental conservation and healthcare.

Net Sales (consolidated)
(Unit: ¥100 million)

2003	2004	2005	2006	2007 (FY)
5,849	6,086	6,268	7,367	**7,630**
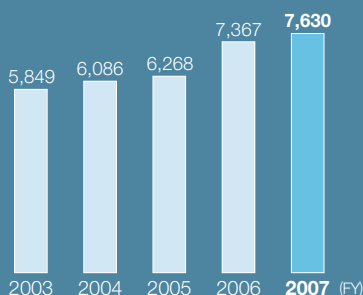
Income Before Income Taxes (consolidated)
(Unit: ¥100 million)

2003	2004	2005	2006	2007 (FY)
480	525	644	663	**642**
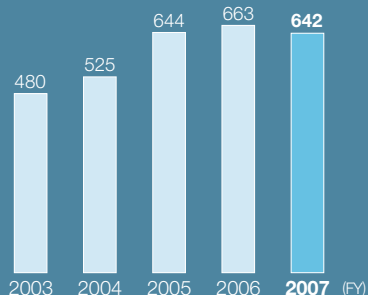
Net Income (consolidated)
(Unit: ¥100 million)

2003	2004	2005	2006	2007 (FY)
268	302	358	383	**424**
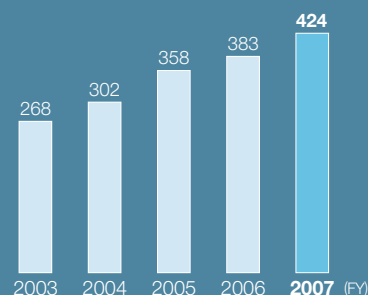
IAB Industrial Automation Business

Production and marketing of control components and systems for factory automation and industrial equipment

Sensing devices (photoelectric sensors, proximity sensors, PC board inspection systems, etc.), control devices (programmable logic controllers, temperature controllers, relays, timers, etc.), safety components (safety sensors, safety switches, etc.)

ECB Electronic Components Business

Production and marketing of electronic components for home appliances, telecommunications equipment, mobile phones, amusement machines and office automation equipment

Relays, switches, connectors, sensors, microlens arrays, custom ICs, IC coin systems, optical communications devices, etc.

HCB Healthcare Business

Production and marketing of home-use and professional-use medical devices

Blood pressure monitors, digital thermometers, nebulizers, pedometers, body composition monitors with scale (body fat monitors), electronic pulse massagers, vital signs monitors, blood pressure monitoring systems, respiratory gas monitors, central patient monitoring systems, non-invasive vascular screening devices, etc.

OMRON

AEC Automotive Electronics Business

Production and marketing of electronic components for automobiles

Automotive relays, sensors, laser radar (LIDAR) sensors, power window systems, remote keyless entry systems, electronic control units, etc.

SSB Social Systems Business

Production and marketing of equipment, systems and modules in the areas of public transportation and traffic control as well as provision of related solutions and services
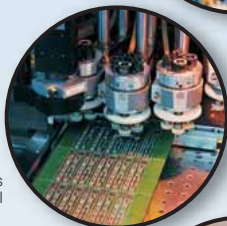
Automated passenger gates, ticket vending machines, fare adjustment machines and other railway systems; traffic controllers, road management systems and other traffic control systems

Others

Development and promotion of new businesses to realize the Group's growth strategy

Personal computer peripheral equipment (modems, broadband routers, UPS, etc.), wireless sensing devices (insulation monitoring devices, etc.), RFID systems (IC tag inlays, reader/writers, antennas, etc.)

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 Scientific Technologies, Inc. (U.S.A.)/OMRON Electronics LLC (U.S.A.)/ OMRON Canada Inc. (Canada)/OMRON Manufacturing of The Netherlands B.V. (The Netherlands)/OMRON Electronics Iberia S.A. (Spain)/OMRON Electronics S.P.A. (Italy)/ OMRON Electronics Ltd. (U.K.)/OMRON (Shanghai) Co., Ltd. (China)/OMRON Industrial Automation (China) Co., Ltd. (China)/OMRON Taiwan Electronics Inc. (Taiwan)

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 Semiconductors Co., Ltd./OMRON Electronic Components LLC (U.S.A.)/OMRON Electronics Manufacturing of Germany G.m.b.H. (Germany)/ OMRON Electronic Components Ltd. (U.K.)/OMRON Electronic Components Europe B.V. (The Netherlands)/Shanghai OMRON Control Components Co., Ltd. (China)/OMRON Electronic Components (Shenzhen) Ltd. (China)/OMRON Electronic Components Pte Ltd. (Singapore)/OMRON Electronic Components (Hong Kong) Ltd. (Hong Kong)/OMRON Malaysia Sdn. Bhd. (Malaysia)/PT 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 (Guangzhou) Automotive Electronics Co., Ltd. (China)/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 Co., Ltd./OMRON Colin Co., Ltd./ OMRON Healthcare, Inc. (U.S.A.)/OMRON Healthcare Europe B.V. (The Netherlands)/ OMRON (Dalian) Co., Ltd. (China)/OMRON Industry & Trade (Dalian) Co., Ltd. (China)/ OMRON Healthcare Singapore Pte Ltd. (Singapore)

Others

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

Total Assets (consolidated)
(Unit: ¥100 million)

2003	2004	2005	2006	2007 (FY)
5,923	5,854	5,891	6,303	**6,174**
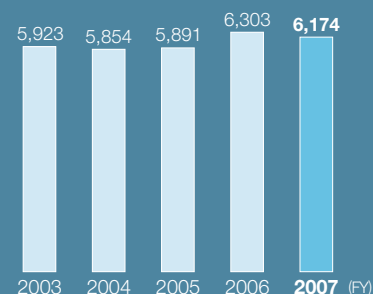
Shareholders' Equity & Shareholders' Equity Ratio (consolidated)

☐ Shareholders' equity (¥100 million) ◯ Shareholders' equity ratio (%)

2003	2004	2005	2006	2007 (FY)
2,747	3,058	3,629	3,828	**3,685**
46.4	52.2	61.6	60.7	**59.7**
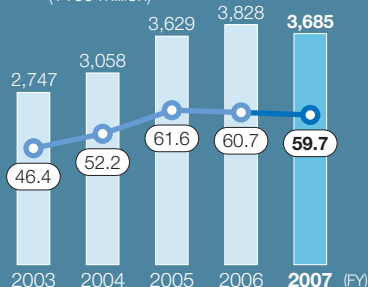
Employees

☐ Omron Corporation ☐ Group total

2003	2004	2005	2006	2007 (FY)
24,331	24,904	27,408	32,456	**35,486**
5,158	4,670	5,280	5,048	**5,402**

4
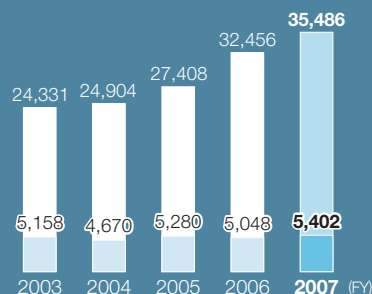
Striving to boost the quality of CSR-oriented management

Looking back at Omron's performance in fiscal 2007, it is disappointing that we could not meet our targets, either for sales revenues or profits. Even so, these results marked the Omron Group's sixth consecutive year of revenue and profit growth. At the same time, we were able to achieve the goal of doubling total business value. This goal was set for the second stage of Omron's long-term management vision, "Grand Design 2010 (GD2010)." The second stage covered fiscal 2005 through 2007. We are very proud of these results, because we are confident that we achieved them by fulfilling our responsibility to society.

In 2008, Omron celebrated the 75th anniversary of its founding. Since the company's establishment, we have consistently assessed changes taking place in our society and have been a pioneer in anticipating and addressing potential needs. These efforts, based on what we call "innovation driven by social needs," have earned us high recognition from our stakeholders. Our long-standing success would not be possible without our stakeholders' support, for which we are grateful.

Yoshio Tateisi
Chairman of the
Board of Directors
OMRON Corporation

Looking back on fiscal 2007

Fiscal 2007 was the final year of the second stage of GD2010, and was also the year that we prepared for the third stage (fiscal 2008-10). During fiscal 2007, we have worked on focus areas of CSR built on the following three pillars, set forth for the second stage of GD2010:

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

Results and reviews of our CSR activities in each area are summarized in the "Targets and Results" section of this report.

In fiscal 2007, we also formulated our CSR strategy for the third stage of GD2010, portraying Omron's CSR vision for a decade from now and identifying prioritized areas of issues to be addressed by Omron. During the course of formulating our CSR strategy, we repeated dialogues with various stakeholders and strived to extract social issues and evaluate their materiality more accurately and appropriately by incorporating input from these dialogues. The details of this process are also covered in this report.

Heading for the third stage of GD2010

In the third stage as well, Omron will continue to implement CSR practices embedded in our management strategy, which revolve around the aforementioned three pillars. Our policy will be to emphasize international mainstream CSR concepts and arguments, and broaden the range of our focus issues to more completely meet the expectations and requirements of the global community. We will also aim to address various issues by prioritizing them in terms of materiality.

Innovation driven by social needs

We consider that "innovation driven by social needs" is the essential element that comprises Omron's identity and thus is one of the highest-materiality challenges. Omron consists of five business companies that stimulate innovation in a wide range of business domains by addressing anticipated social needs. This report also includes reports from five business companies that cover each company's mission statements and details of their activities.

Tackling global warming

As reported by the Intergovernmental Panel on Climate Change (IPCC), the fight against global warming is considered to be one of society's most urgent issues. Reflecting this belief, the cover design of this report symbolizes the earth's alert to us as human beings. With our headquarters in Kyoto, the place where the Kyoto Protocol was adopted, we are determined to promote anti-global warming measures as our most important management objective. Driven by this determination, we will work even harder to reduce CO_2 emissions and develop more products and services that can help reduce CO_2 emissions from society at large.

Visualizing CSR management

We know that the prerequisites for a first-rate CSR company are steady implementation of CSR activities based on a high-caliber management mechanism, as well as visibility of CSR efforts to stakeholders. Omron reviewed various committees that previously handled each CSR issue separately. We then integrated these to form a Group CSR Committee in fiscal 2008. Through this committee we strive to take a comprehensive look at Omron's overall management from a CSR perspective and pursue CSR practices that are more easily visible to stakeholders.

For this report, we prioritized information that we believe is of high materiality in Omron's CSR, and made sure to focus on reporting such information. To enhance the quality and quantity of our reporting, we began using our corporate website to provide more detailed reporting from fiscal 2008.

We believe that improving the quality of the report involves improving the quality of CSR-oriented management as well. Omron will continue to challenge ourselves to enhance the quality of our CSR-oriented management so that we can truly declare that Omron's existence itself represents the fulfillment of CSR.
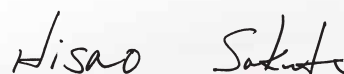
We sincerely welcome any and all comments and suggestions you may have about the Sustainability Report 2008.

June 2008

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
OMRON Corporation

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

Management Principles
- Challenging ourselves to always do better
- Innovation driven by social needs
- Respect for humanity

Management Commitments
- Respect for individuality and diversity
- Maximum customer satisfaction
- Relationship-building with shareholders
- Awareness and practice of corporate citizenship

Guiding Principles for Action
- Quality first
- Unceasing commitment to challenging ourselves
- Integrity and high ethics
- Self-reliance and mutual support

Corporate Core Value

Working for the benefit of society

On May 10, 2006, the day 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.

Instillation and Implementation of the Omron Principles

Publication of regional editions of the guidelines

Omron's corporate core value of "working for the benefit of society" describes the real purpose of the company's existence. It serves as the criterion by which all Omron people should base their judgments when making decisions and conducting corporate activities. Since it was first expressed in the form of Omron's corporate motto in 1959, this spirit has been preserved and consistently maintained at Omron. It also communicates the basic stance Omron takes as it conducts corporate activities both internally and externally—with CSR as a central concept of all its corporate activities. Omron believes that putting the Omron Principles into action is nothing but the fulfillment of its CSR.

To make sure that the Omron Principles are thoroughly practiced, Omron published its "CSR Practice Guidelines" in fiscal 2006, and "Implementing the Guiding Principles for Action" in fiscal 2007. The former guidelines specify the ground rules and the basic stance for fulfilling the Management Commitments. The latter discusses specific actions required for Omron employees to practice each Guiding Principle for Action in their day-to-day work. These two guidelines were distributed to all employees in Japan to share the Omron Principles and encourage Omron employees to live up to the Principles.

During fiscal 2007, regional editions of the CSR Practice Guidelines including European, North American, Asia Pacific, Chinese and Korean editions were prepared by incorporating legislation and customs specific to each region. Presentation meetings targeting managers to explain the Omron Principles were also held in 23 sites throughout the world. For fiscal 2008, Omron plans to translate these regional editions into a total of 25 native languages and distribute them to relevant sites.

In fiscal 2007, "Implementing the Guiding Principles for Action" was also translated into 25 different languages and distributed to all overseas Group companies, together with manuals for workplace discussions.

WEB Full Text of "CSR Practice Guidelines"

Assessment of implementation of the Guiding Principles for Action targeting managers

In fiscal 2007, Omron Corporation launched an assessment system targeting the managerial class, so as to evaluate the level of implementation of the Guiding Principles for Action. The system assesses managers' behavior regarding the Guiding Principles for Action from two angles—the first is their own action and behavior. The second involves sharing and instillation of the principles in their workplaces, such as by giving advice and guidance to their staff. The results of this assessment are incorporated into personnel appraisal.

WEB Overview of Assessment System for Implementation of the Guiding Principles for Action

Advancing the Implementation of the Omron Principles

In fiscal 2006, Omron conducted an employee awareness survey on the Internet targeting 33,000 employees across the world. Elements surveyed included the level of implementation of the Guiding Principles for Action, penetration of the Omron Principles, and organization/workplace activation level among others. Approximately 9,400 employees responded, mainly those who have Internet access.

The results of the implementation survey revealed a relatively high level of employee awareness for putting the Guiding Principles into action, with "quality first" and "integrity and high ethics" especially indicating high levels of implementation. On the other hand, the levels of implementation for "unceasing commitment to challenging ourselves" and "self-reliance and mutual support" were lower compared to other elements comprising the Guiding Principles for Action. To further promote practicing of these two principles, Omron worked hard to put the implementation assessment system firmly in place. At the same time, Omron decided to launch a new "Challenge Commendation Program" in fiscal 2008. By expanding the in-house commendation program formerly available at Omron Corporation to cover the entire Omron Group, the new program aims to create a workplace atmosphere that encourages employees to demonstrate the spirit of taking on challenges.

Venues and Number of Participants for Presentation Meetings for Sharing the Omron Principles

Europe

Amsterdam: **36**
Paris: **31**
Milan: **30**
Rome: **22**

Asia

Seoul: **83**
Taipei: **48**
Dalian: **39**
Beijing: **40**
Shanghai: **247**
Guangzhou, Shenzhen, Hong Kong: **165**
Thailand: **47**
Kuala Lumpur: **26**
Singapore: **36**
Jakarta: **29**

U.S.A. & Canada

Toronto: **37**
Chicago: **88**
San Francisco: **28**
Houston: **27**

Sharing the Omron Principles at 23 sites throughout the world

In fiscal 2007, Omron conducted activities designed to share its Principles and enable deeper penetration of the CSR Practice Guidelines at 23 sites throughout the world.

Top executives from the Omron Head Office visited regional sites and gave presentations to local managers, explaining the background behind the birth of the Corporate Core Value, and stressed that living up to this value is nothing but the fulfillment of Omron's CSR. They also shared their thoughts on the Management Principles, Management Commitments and the Guiding Principles for Action. The presentations were accompanied by CSR Practice Guidelines explanatory sessions, which emphasized the importance of putting the Omron Principles into practice.

The presentation meetings drew 1,059 participants in total, which accounted for nearly 90% of all managers throughout the world.

Many participants found the presentations to be helpful in deepening their understanding of the Omron Principles and CSR while also motivating them to take pride in being a part of Omron.

While continuing the visits of senior executives to worldwide sites, Omron also has a plan to invite regional managers to participate in training sessions in Japan, to further strengthen their understanding of the Principles and encourage their practice.

One of the remaining challenges for Omron is instilling the Principles among not only the managerial class but also individual staff members. To this end, Omron will prepare texts, manuals and support tools for regional managers and other personnel in charge. These materials can then be used by these personnel to implement activities for sharing the Principles in their own worksites.

Sharing the Omron Principles overseas Shingo Akechi, Executive Vice President

To help Omron Group employees to share and better understand the Principles, I gave a presentation on the founder's personal management philosophy, which is incorporated into the Omron Principles. I also introduced case studies of departments that are living up to the Principles through their business activities. In my presentation, I provided background episodes, photos and videos, which were favorably received by participants. Many employees had positive comments, saying they were deeply moved and can now hold more pride in Omron, for instance. Several people mentioned that they wanted to share the Omron Principles with customers as well.

In the future, we want to have similar activities targeting young employees in Japan. By uniting our Group efforts, we can more deeply instill our spirit of challenging ourselves and contributing to society within our workplace as Omron's culture.

Today, corporate philosophy and emphasis on CSR have become important ways of improving brand value and sharpening competitive edge. Aware of this, we are striving to communicate to our customers and other external stakeholders our commitment to sharing the Omron Principles and implementing CSR practices.

Identification of materiality and Omron's CSR vision for a decade from now

CSR Policy

Fundamental principles and required behavior stipulated in guidelines

Within the Omron Principles, the Management Commitments serve as the core elements in Omron's efforts to meet its CSR. The commitments stipulate Omron's focus on stakeholder-centered management, which involves relations of mutual trust with stakeholders through sincere dialogue.

Omron's CSR Practice Guidelines established in fiscal 2006 set forth specific actions and behavior necessary for each Group member to meet these commitments. The guidelines stipulate the four fundamental principles of Omron's CSR practices (listed at right). Beneath these principles are the basic policies for addressing the five key CSR issues, and practice guidelines that Omron Group directors and employees are required to follow. The key issues are: Human Rights, Labor Conditions, and Occupational Health and Safety; Fair and Honest Business Practices; Environmental Protection; Harmonious Coexistence with Society; and Prohibition of Private Activities that Harm the Company's Reputation.

WEB Full Text of "CSR Practice Guidelines"

Defining the three pillars of CSR activities

Omron's CSR activities revolve around the three pillars of its CSR policy. Accordingly, with Omron's Grand Design 2010 (GD2010), its long-term vision targeting the year 2010, Omron has been proactively addressing CSR issues by integrating CSR into the core of its management strategies.

During the second stage of GD2010 (GD-II: fiscal 2004-07), Omron determined key issues based on the three pillars and has strived to meet its goals.

Basic CSR policy—3 pillars

Contribute to a better society through business operations

Always demonstrate fairness and integrity in the promotion of corporate activities

Show a commitment to addressing societal issues as a concerned party

(1) Contribute to a better society through business operations.
Continuously offer advanced technologies, high-quality products and services by stimulating innovation driven by social needs.

(2) 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.

(3) 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.

Fundamental Principles stipulated by the CSR Practice Guidelines

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 (ACT).

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.

Formulation of GD-III (fiscal 2008-10) CSR Strategy

Drafting strategy from a medium-term perspective

In preparation for the upcoming start of the third stage of GD2010 (GD-III: fiscal 2008-10), Omron in fiscal 2007 worked on formulating the CSR management strategy for the three years of GD-III.

The first step was analysis of the current status of Omron's CSR activities. Based on the results of this analysis, two basic policies were determined: setting direction and goals from medium-/long-term perspectives; and emphasis on international mainstream CSR frameworks and standards.

Under these policies, Omron thoroughly determined the CSR challenges that the global community demands from companies, then identified core issues and specific issues to be addressed by Omron.

To determine the direction in which the company should be heading in the long run, Omron developed a perception of society 10 years into the future and Omron's CSR vision concerning each core issue. To identify the issues of particular importance to Omron from among many issues, materiality analysis was also conducted.

These steps finally led to determination of the GD-III basic strategy and issues to be addressed, focus areas of activities to be tackled up to 2010 (the final year of GD-III), and programs and targets for each year during the period. The following shows the flow of the GD-III CSR strategy formulation process:

GD-III CSR Strategy Formulation Process
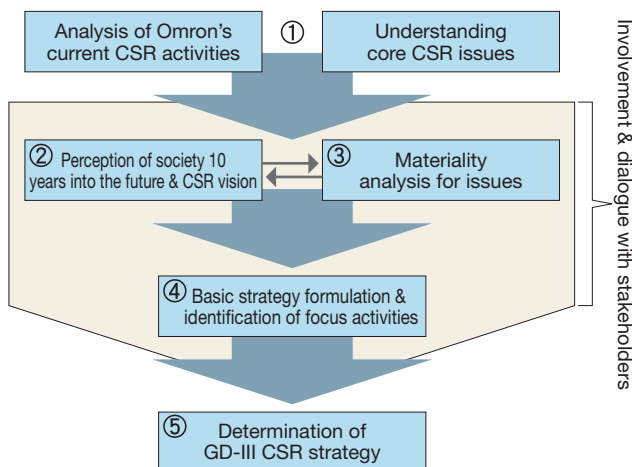
1. Extraction of core issues and identification of specific issues to be addressed by Omron

The first step of strategy formulation was to thoroughly investigate and analyze core CSR issues that the global community emphasizes by referring to various CSR-related standards, regulations, principles and guidelines available in the world. Omron then identified the range and specifics of issues that Omron should address.

All of the issues listed below are important challenges for which the global community expects a proactive commitment from companies. Omron believes that it should address all of these issues in a way that leverages its distinctive business characteristics.

However, management resources are by nature limited, and it is impossible to handle all issues with an equal application of effort. Therefore, as a second step, Omron took two approaches toward indentifying the focus areas of activities: determining Omron's CSR vision for a decade from now, and materiality analysis for each issue.

Issues to be Addressed by Omron

	Core issues	Issues to be addressed
Contribution through business	Innovation driven by social needs	● Innovation driven by social needs (Socially/environmentally beneficial products)
	Customer issues	● Safe products & services ● Improvement of products recall mechanism
Fairness & integrity	Organizational governance	● Accountable management ● Transparent management practices
	Fair operating practices	● Ethical and transparent practices ● Protection of intellectual property ● Personal information protection & information security
Addressing societal issues	Human rights	● Countermeasures against human rights violations ● Respect for the rights of vulnerable groups
	Labor practices	● Support for self-reliance of persons with disabilities ● Support for self-reliance of employees ● Respect for diversity ● Occupational safety and health ● Rights at work & social security ● Appropriate remuneration for non-regular employees ● Work-life balance ● Dialogue with employees ● Promotion of local personnel to positions of responsibility
	Environment	● Reduction in CO_2 emissions at all sites ● Elimination of hazardous substances ● Energy conservation ● Zero emissions/recycling ● Preservation of biodiversity/ecosystem
	Community involvement & development	● Support for developing regions ● Community involvement
	Supply chain management	● CSR procurement

2. Perception of society 10 years into the future and Omron's vision

Resolutions for current global challenges require sustained long-term efforts. Accordingly, Omron considered it necessary to take into account social changes and the company's direction at least 10 years into the future, even when formulating a CSR strategy that targets only the next three years.

As such, when formulating the CSR strategy for GD-III, Omron anticipated the way in which society might change in 10 years (around the time of 2015-2020). Based on this, Omron envisioned the social expectations for Omron and the roles it should assume at that time, and determined its CSR vision. In other words, Omron defined the ideal image it wants to realize a decade from now. Specifically, Omron perceived the society 10 years into the future for each core issue and envisioned the roles that Omron should assume at that time. Based on these forecasts, Omron's CSR vision for a decade from now was defined.

For example, for the core issue of "innovation driven by social needs and customer issues," Omron used its perception of society 10 years later to define its roles in that society and its CSR vision, as shown below. Similarly, for each of the other core issues, namely "fair operating practices and organizational governance," "human rights" and "labor practices," Omron portrayed its ideal image based on the anticipated social trends that will exist in 10 years.

Various changes projected to occur in 10 years include widening regional and individual wealth disparities accompanying the progress of globalization, and increasingly severe environmental problems such as global warming and shortages of water supplies. Regarding each of these projected changes, Omron envisioned the ideal image that it aims to achieve. What Omron seeks to portray is a company that is aggressively committed to addressing the social issues of each age by taking advantage of the uniqueness of its business operations. In addition to incorporating this vision into its CSR strategy, Omron will constantly keep this in mind when promoting CSR activities so that all activities are aligned in a unified direction.

Omron's Target Image in 10 Years (around 2015-2020) (excerpts)

Innovation driven by social needs and customer issues	
Perception of society 10 years into the future	Ten years from now, it will be natural that companies solve various social challenges through their core businesses such as supply of products, services and technologies. The challenges that companies are required to address will include not only environmental issues but also issues related to an aging society with declining birthrate, education, regional and individual wealth disparities, and poverty. Each company's commitment to tackling these social issues and outcomes of its efforts will determine the real value of that company. Regardless of national economic situations, today's mass consumption/mass disposal-oriented lifestyle will be forced to change, and many consumers will demand more eco-friendly products and services that are based on fair dealings. As a result, people will come to seek more psychological fulfillment and a rewarding lifestyle and become more conscious of health. Along with companies' proactive information disclosure and advancement of communications technology, consumer knowledge regarding products, services and other aspects of corporate activities will improve along with their information-gathering abilities. This will make consumers take a harder look at corporate activities. Consumers' discerning judgments will allow only a company that is seriously committed to harmonious coexistence with society to continue to be in business and grow.
Omron's roles in society in 10 years	Since the inception of the company, Omron has lived up to its core value of "working for the benefit of society." Omron envisions the Optimization Society in which a complete balance is achieved between individuals and society, between humans and the environment, and between people and machines. Accordingly, the company puts prime importance on the concept of "innovation driven by social needs," which will allow Omron to introduce innovative products and services to the world ahead of its competitors. This means promoting business operations in such a way as to help build a better society, and Omron recognizes that society will demand this even more strongly in 10 years to come. All employees feel a strong sense of responsibility to meet this requirement, and maintain a spirit of challenging themselves to meet the great opportunities presented to them. Specifically, Omron will continue to offer health promotion solutions to consumers and provide corporate clients with safety and security by drawing on its sensing and control technology. In addition, Omron will be integrating all employees' efforts to deliver a positive impact on society both domestically and internationally, by developing businesses related to a sustainable lifestyle and social structure. At the same time, Omron will subject itself to the critical eye of society as it seeks fairness and integrity as a manufacturer, while providing maximum quality and environmental consciousness. As such, Omron will fulfill its responsibility by avoiding any negative impact on society.
Omron's CSR vision for a decade from now	The most effective way to steadily promote innovation driven by social needs is through alliances and partnerships with various stakeholders, both internal and external, in comprehensive areas from research and development to production and sales. Omron envisions that in 10 years it will have a full-fledged system in place for collaborative innovation with its customers (both consumers and businesses), business associates, governmental agencies, NPOs and others. By materializing "discoveries" that Omron has gained through collaborations with various stakeholders, many innovative and socially beneficial products and services will become available from Omron. Omron will also apply this process of collaborative innovation to social and economic development throughout the world, offering support in the areas of healthcare, safety and security particularly to minorities and vulnerable groups. This will allow Omron to uncover and meet the potential needs of society. Omron, as a manufacturer, will also remain committed to product quality and take pride in this effort, while maintaining a top-level global reputation.

WEB Full Text of "Omron's CSR Vision for a Decade from Now"

3. Materiality analysis of issues

Together with the anticipation of social changes from a long-term perspective and determination of Omron's vision, Omron sought to identify focus areas selected from many extracted issues (listed in the bottom right table on pg. 10). To this end, materiality analysis was conducted, in which Omron created a materiality map by plotting each issue along the two axes of "impact on stakeholders" and "impact on Omron."

It was not easy to determine relative materiality because all issues appeared to be important, and there was a concern that Omron's self-analysis might not be objective enough. To eliminate this concern, Omron collected and analyzed the latest CSR information from around the world and conducted dialogues with various stakeholders* to listen to their views on materiality of issues.

Going through this process, Omron finally completed the materiality map shown below. Omron will regularly review the map and revise if necessary.

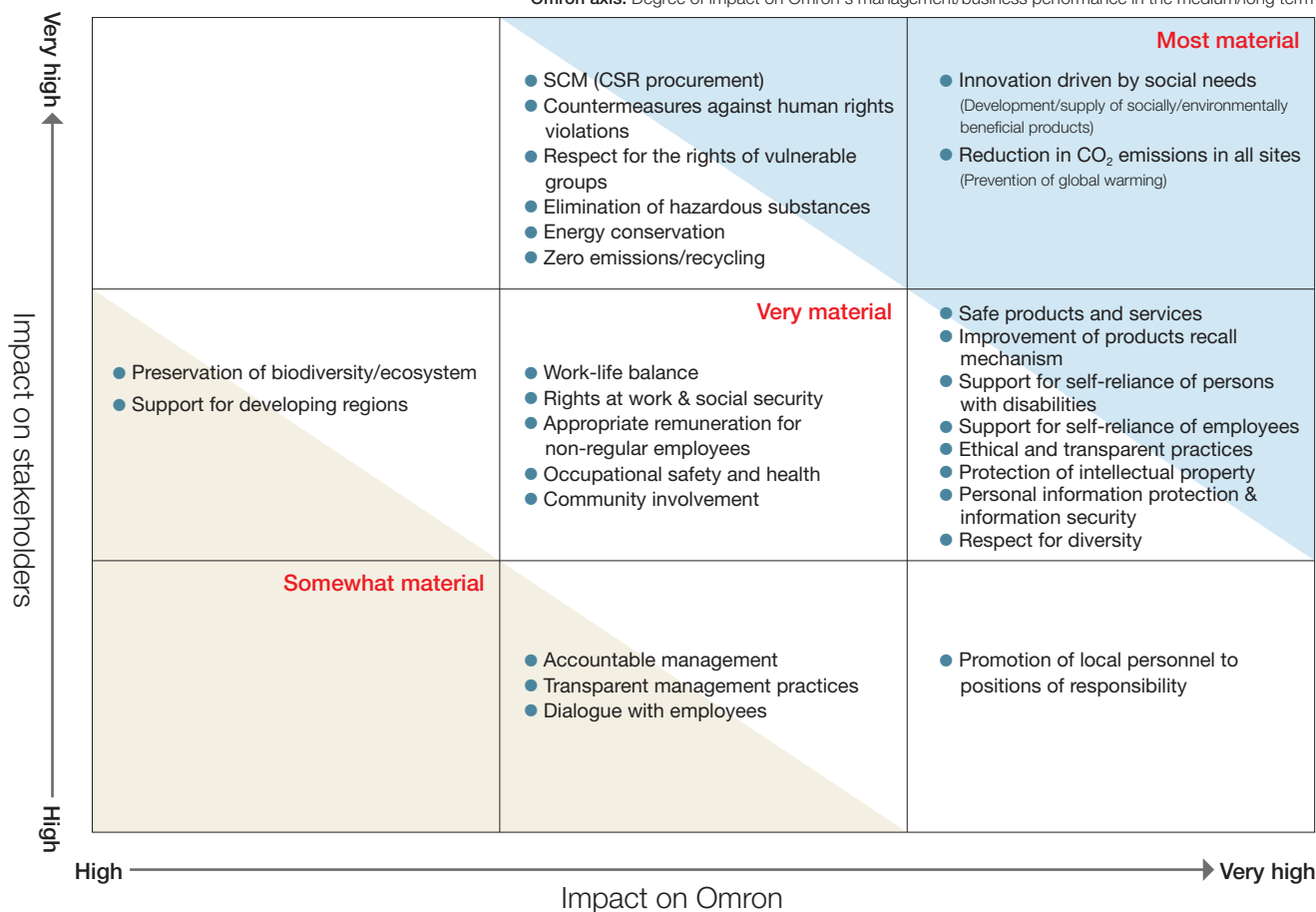# 4. Focus activities and targets for years up to 2010

The final step of strategy formulation was to determine focus activities and CSR policy for GD-III, as well as targets for 2010 (see pg. 13 and 14). To do so, Omron fully considered its vision for a decade from now and the materiality map, which the company had devised through dialogues with its stakeholders.

GD-III will start from fiscal 2008. In the upcoming three years, Omron will work with utmost effort to meet the expectations of stakeholders by repeating the PDCA cycle in conformance with the newly specified CSR strategy.

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* Stakeholders who shared their views through dialogue
  Kyoto CSR Workshop, GLN (The Global Leadership Network), AccountAbility (U.K.), Human Renaissance Institute Co., Ltd., personnel in charge of CSR from business companies and Omron Head Office, external CSR experts

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Materiality Map

Stakeholder axis: Degree of impact on stakeholders' decisions in the medium/long term
Omron axis: Degree of impact on Omron's management/business performance in the medium/long term

Most material
- Innovation driven by social needs
  (Development/supply of socially/environmentally beneficial products)
- Reduction in CO_2 emissions in all sites
  (Prevention of global warming)

- SCM (CSR procurement)
- Countermeasures against human rights violations
- Respect for the rights of vulnerable groups
- Elimination of hazardous substances
- Energy conservation
- Zero emissions/recycling

Very material
- Safe products and services
- Improvement of products recall mechanism
- Support for self-reliance of persons with disabilities
- Support for self-reliance of employees
- Ethical and transparent practices
- Protection of intellectual property
- Personal information protection & information security
- Respect for diversity

- Preservation of biodiversity/ecosystem
- Support for developing regions

- Work-life balance
- Rights at work & social security
- Appropriate remuneration for non-regular employees
- Occupational safety and health
- Community involvement

Somewhat material

- Accountable management
- Transparent management practices
- Dialogue with employees

- Promotion of local personnel to positions of responsibility

Impact on stakeholders (Very high → High)

Impact on Omron (High → Very high)

Setting new CSR targets while looking to the future

CSR issue and basic policy	FY2007 results	Degree of progress
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 healthcare, by capitalizing on Omron's core competencies of sensing and control technology. The key concept is creating the "best matching of machines to people."	Provided the following products and services to help solve social challenges: • Safety light curtain designed to support operator safety at manufacturing sites • Flow sensor, an essential component of fuel cell systems • Blood glucose self-monitor designed to support prevention and treatment of lifestyle diseases	★★
Customer issues Strive to enhance the quality of products and services for maximum customer satisfaction. A particular emphasis is placed on products and services that operate safely and can be used comfortably. Also work to fulfill accountability to customers and sincerely handle customer claims on defects or flaws related to products and services.	• MC-670-E digital thermometer selected for German iF Product Design Gold Award. • Established Omron Group voluntary action plan for product safety.	★
2. Always demonstrate fairness and integrity in the promotion of corporate activities		
Organizational governance Build and effectively operate an efficient and transparent corporate governance system by focusing on 3 concepts, namely fulfilling management accountability, achieving management transparency, and pursuing high business ethics. This is intended to promote sustained growth while earning support from stakeholders.	• Top executives gave presentations to share the Omron Principles at 23 overseas sites. • Held explanatory sessions for CSR Practice Guidelines around the world to accompany presentations.	★★
Fair operating practices As a responsible member of society, ensure fairness and integrity for action and behavior at all organizational and individual levels in order to promote highly ethical corporate activities by placing the highest priority on legal/regulatory compliance and respect for fair social rules.	• Published regional editions of CSR Practice Guidelines. Held explanatory sessions for managers. • Held compliance officer meeting in China.	★★★
3. Show a commitment to addressing societal issues as a concerned party		
Human rights Strive to raise employee awareness of human rights in the workplace and create a workplace atmosphere that values the personality and talents of individuals, thereby helping to build a pleasant society free from discrimination.	• Introduced basic human rights guidelines at explanatory sessions for CSR Practice Guidelines held at overseas sites. • Offered training on the theme of sexual harassment and helped raise consultation skills of sexual harassment advisors at Group companies in Japan.	★
Labor practices • Promote management that motivates employees to fully demonstrate their talents and support them in achieving their individual goals, so as to stimulate the development of individuals and the company. • Promote a diversity of talented people to vital positions in the workplace depending on their performance and achievements, regardless of gender, race and other non-performance related attributes. • Strictly follow laws and regulations related to occupational health and safety, creating a work environment that is both physically and mentally safe and comfortable.	• Achieved Group-wide average disabled employee ratio of 2.3% in Japan. • Introduced personnel appraisal system for managerial class, based on evaluation of their implementation and sharing of the Omron Principles. • Opened second onsite daycare center. • Launched career reentry system to support work-life balance from mid/long-term perspective. • Continued female leader training while improving training programs.	★
Environment Omron believes that addressing environmental issues is one of its most important management objectives. Based on this awareness, strive to reduce the environmental impact of business activities, while creating environmentally sound products and technologies. In this way, Omron promotes environmental management that enhances both ecology and economy.	• Collected information in preparation for the second step in China RoHS and REACH regulations and conducted worksite survey to assess the current status. • Launched resource productivity improvement initiative for selected models on a trial basis. • Conducted corporate environmental audits for 11 production sites in Japan and 2 sites abroad. • Although CO_2 emissions increased 5% overseas compared to FY2006, emissions per unit of production decreased 19%.	★★
Community involvement and development • Strive to proactively contribute to community development as a responsible corporate citizen mainly through supporting people with limitations to enhance the quality of their lives (QOL)[1]. • Show respect for local customs and culture when entering new countries/regions and consider the impact of business activities.	• Studied basic scheme of employment support for persons with disabilities. Supported their community involvement through sponsorship of sports events for disabled persons. • Approx. 10,200 employees worldwide participated in Founder's Day volunteer activities. • Launched "Omron Outreach" initiative aimed at improving living standards in underprivileged communities in Southeast Asia.	★★
Supply chain management In the spirit of partnership, and based on open and fair dealings with suppliers and associates, ask for their understanding and cooperation in Omron's CSR procurement, while cooperating extensively with them in promoting their CSR activities.	• Conducted interviews with main suppliers in Japan, asking for cooperation in CSR procurement. • Conducted questionnaire survey regarding CSR targeting 94 main suppliers (69 in Japan and 25 in China) on a trial basis. • Suppliers with whom Omron reached contracts including CSR provisions numbered 249 in China, accounting for 81% of total.	★★

1 QOL (Quality of Life) is a scale for measuring the degree to which a person enjoys a rewarding life as desired.

Degree of progress: Self-assessment was conducted to comprehensively evaluate the progress of activities, including achievement of GD-II (FY2005-07) targets, degree of global expansion of activities, external evaluation, comparison with other companies, etc.   ★★★ : Significant progress ★★ : Progress ★ : Need more efforts

GD-III (FY2008-10) focus activities/targets	FY2008 policy/targets	Omron's vision for a decade from now
Take on challenge of creating products/services that contribute to solving social issues with focus on 4 areas of safety, security, environmental conservation and healthcare.	• Continue working on developing products/services capable of solving issues related to safety, security, environmental conservation and healthcare. • Consider CO_2 reduction solutions for the business sector designed to help prevent global warming.	Omron's target image is a company with a system for collaborative innovation to produce new benefits through partnerships with internal and external stakeholders, which commercializes socially beneficial products and services. Omron will also apply collaborative innovation to social and economic development globally, offering support for healthcare, safety and security particularly for vulnerable groups. Omron will also remain proudly committed to product quality while maintaining a high global reputation.
Strive to offer high-quality products/services by promoting Monozukuri Innovation HQ's efforts, enhancing customer service and developing safe and secure products in line with voluntary action plan for product safety.	• Promote *Monozukuri*[2] innovation to further improve quality of products/services. • Develop safe and easy-to-use Universal Design products by incorporating customer feedback.	
• Continue instillation of the Omron Principles at the global level. • Develop compliance risk visualization method and model.	• Continue top executives' efforts to share the Omron Principles mainly with companies that have recently joined the Group through M&A. • Assess the degree of implementation and instillation of the Omron Principles through employee awareness surveys, and compile issues.	Omron will assume a leading role in ensuring strict conformance with globally applicable guidelines for compliance and corporate ethics. Based on mutual respect and development, Omron will promote fair dealings across the supply chain. A system of compliance and ethical behavior especially for suppliers will also be in place. Omron will maintain communication with various stakeholders so as to respond to changes in the social environment.
• Establish corporate ethics promotion systems in each region of the world and conduct promotion activities at all global sites. • Visualize compliance risk at the global level and incorporate risk control measures into business process.	• Establish a system to promote corporate ethics and compliance in each region of the world. • Continue conducting employee awareness surveys regarding corporate ethics and compliance.	
• Regularly conduct human rights education at all global sites. • Build a system to assess internal human rights-related issues and connect assessment with improvement.	• Establish a system in each region of the world to implement activities for raising awareness of human rights at the global level. • Conduct human rights education and awareness-enhancing activities more strongly connected with the Omron Principles and CSR.	Omron's vision is to provide global standards-compliant human rights education to nurture personnel who are highly conscious of human rights and support a discrimination-free workplace. In regions with human rights issues, Omron will cooperate with governments and NPOs/NGOs. As always, Omron will support persons with disabilities by community involvement and through its products/services. In business, Omron will work with its stakeholders on guidelines for technology application, showing leadership in supporting both human rights and the application of science and technology.
• Upgrade employee support by strengthening career development support initiatives, creating a motivational workplace environment and promoting work-life balance. • Promote normalization in Japan and further improve ratio of disabled employees. • Conduct activities to support community involvement of persons with disabilities in each region of the world in a way suited to social conditions and individual needs. • Continue empowering women from the perspectives of system and culture, and promote them to positions of responsibility.	• Launch global Challenge Commendation Program targeting the entire Omron Group, which commemorates and honors teams/individuals that are committed to taking on challenges. • Promote normalization at Group companies in Japan and further improve ratio of disabled employees. • Gather information on ideal ways and methodologies to support disabled persons' involvement in society. • Conduct employee awareness-enhancing activities regarding work-life balance support initiatives. • Expand female leader training program.	To create a workplace where individuals can fully show their talents, Omron will continually work to improve management and human resource development skills. A system of personnel development and evaluation/remuneration based on global standards will be implemented, realizing a "right person in the right place" policy for a diversity of people. Omron's workplace culture will help individuals reach their full potential regardless of gender, race and other non-performance attributes, while providing various support initiatives.
• Steadily implement "Green Omron 21" environmental vision to strengthen and promote CO_2 reduction measures at all sites throughout the world. • Strengthen efforts to improve resource productivity. • Encourage acquisition of globally integrated ISO 14001 certification to promote environmental conservation activities at the global level.	• Introduce an energy monitoring system to production sites in Japan to promote CO_2 reduction through visualization. • Select model sites and product models subject to resource productivity improvement and continue efforts. • Acquire integrated ISO 14001 certification for non-production sites of Omron Corporation.	Omron will show leadership in areas such as transfer of its environmental technologies, contributing as a private company via its business operations. Omron will also address environmental issues through its core technologies, for instance, by visualization of environmental issues via Omron's sensing and control technology. In addressing global warming, Omron will use such frameworks as CDM (Clean Development Mechanism) to help reduce CO_2 emissions in developing nations.
• Enhance support initiatives and programs in conformance with Omron's policy of improving QOL of persons with limitations. • Continue implementing activities of Kyoto recruitment agent network for disabled persons to help promote teleworking for physically challenged people. • Raise volunteer spirit among employees and support employee volunteer activities at the global level.	• Continue support activities/programs that conform to Omron's policy of improving QOL for people with limitations. • Continue implementing activities of Kyoto recruitment agent network for disabled persons; plan and implement support measures. • Conduct "Eco-Volun" initiative to promote social contributions and environmental conservation activities of employees at the global level, in conjunction with the company's 75th anniversary.	Regarding safety, security, environmental conservation and healthcare, Omron will promote social development based on the nature of the challenges that each region/community faces. Omron's social contributions will improve the QOL of people with limitations in a way that meets each community's needs. Employees will also be encouraged to individually take part in community activities, creating a synergy between company-level and individual-level involvement.
To realize CSR procurement in the global supply chain, build a system to assess CSR activities of worldwide suppliers, and promote and firmly establish sustained CSR procurement.	• Conduct questionnaire survey on CSR targeting all suppliers in Japan and China. • Promote closing of basic contracts including CSR provisions with suppliers in China.	All of these areas above concern supply chain management. Through partnerships with suppliers, Omron will extend CSR practices in each area to cover the entire supply chain.

2 Monozukuri is a Japanese term meaning "the art of producing things." It generally relates to craftsmanship in developing and manufacturing products.

A new system to embed CSR into corporate strategy

CSR Management System

Integrating CSR with management strategy

Omron considers it essential to embed CSR into its management strategies, and to practice CSR in all its business operations. Omron has also worked to strengthen its CSR management system and structure so as to ensure that CSR activities are steadily promoted in alignment with the PDCA cycle.

Previously, Omron's CSR-dedicated organization had been under the direct control of the President. In fiscal 2007, this organization was renamed the CSR Management Department, and was integrated into the Corporate Strategic Planning Headquarters, which is responsible for formulating Group-wide management strategies. As a result of this reorganization, Omron can integrate CSR practices more deeply into management strategies and enhance the effectiveness and thoroughness of Omron's CSR-oriented management practices.

In April 2008, the Group CSR Committee was set up to help the management team assess the overall status of CSR and define the specific issues that the Omron Group faces. The committee also helps determine the future direction of CSR activities. The committee will survey the overview of Omron's management practices from a CSR perspective, so as to integrate CSR with the company's management strategies at a higher level.

To ensure thorough implementation of the CSR strategy for the GD-III stage, efforts will concentrate on augmenting each business company's CSR promotion system and improving the CSR promotion functions of regional head offices. Combined, these measures are intended to reinforce Omron's global CSR management system.

Group CSR Committee in charge of direction-setting and promotion of CSR activities

The Group CSR Committee consists of presidents of business companies, general managers of Head Office administrative divisions, and presidents of regional group head offices. The committee's main tasks include formulating the Omron Group's CSR policy and strategies as well as promotion and monitoring of CSR activities in key areas.

In the past, specialized groups were in place to respectively deal with corporate ethics, environmental conservation, information disclosure and other areas. The Group CSR Committee will cover all of these areas and review Omron Group's management practices from an overall CSR perspective. The committee will also assume the functions of direction-setting and promotion of CSR-oriented management by incorporating the voices of Omron's diverse stakeholders. Planning and implementation of specific CSR measures in conformance with the direction specified by the committee will be dealt with by each concerned department (including business companies, environment department, legal affairs department, etc.).

Matters deliberated at the Group CSR Committee will be reported to the Board of Directors as important management information.

WEB CSR Activities in China, Respect for International Human Rights

CSR Management Structure
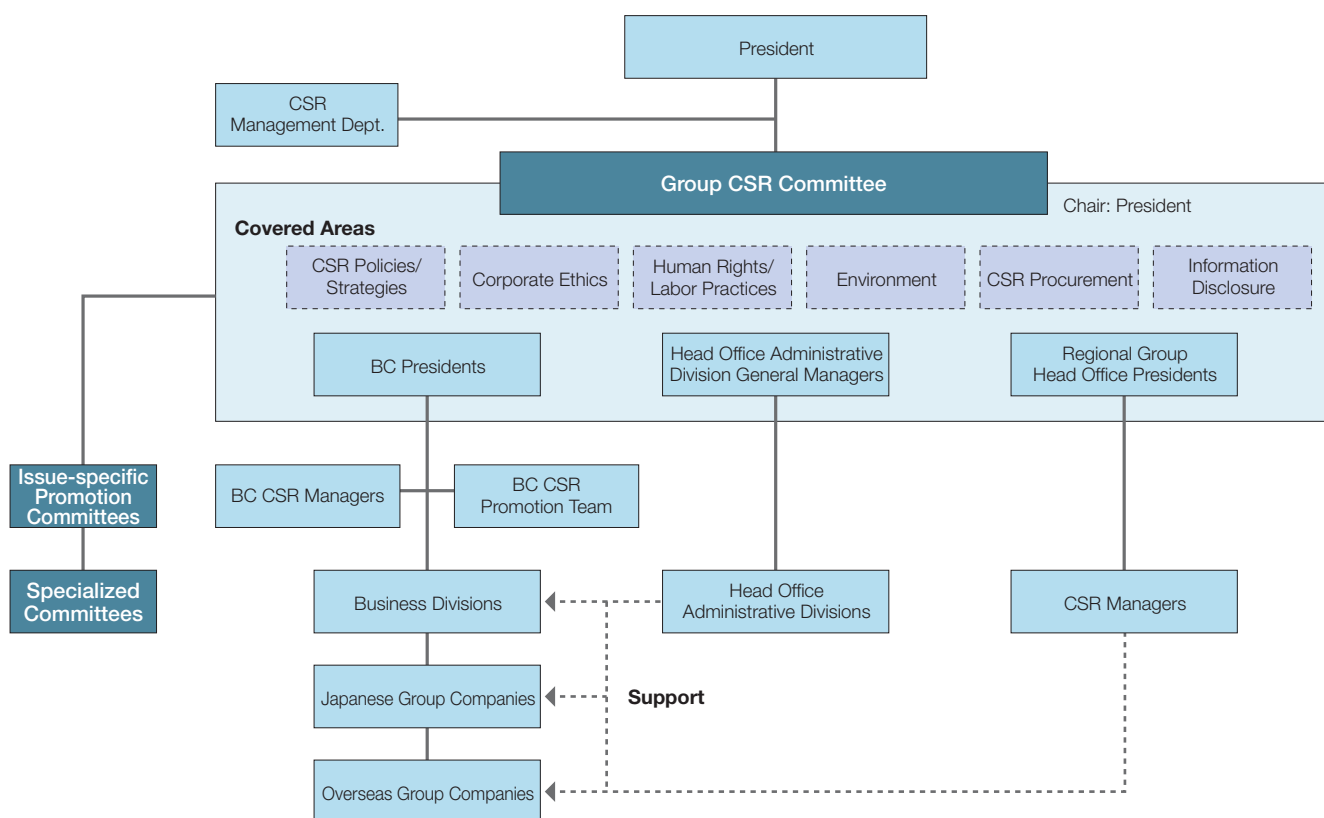
Enhancing corporate governance to fulfill CSR

Corporate Governance Policy
Aiming to meet stakeholder expectations and requirements

To respond to the expectations and demands of stakeholders, Omron is building an optimal management structure and promoting fair and appropriate business operations, with the management objective of long-term maximization of its corporate value. At the same time, Omron strives to reinforce its corporate governance system to demonstrate publicly its commitment to such management practices.

Corporate Governance System
Separation of business oversight and business execution

As a company with a board of corporate auditors, Omron has a solid governance system in place that will help it promote more transparent management practices and become more responsive to changes in the business environment.

To facilitate business operations, Omron has adopted an executive officer system, which allows clear separation of management oversight and business execution. As such, the President is the only director who is also tasked with business execution. The internal company system empowers senior executives of each business unit with more authority for quicker decision-making and more streamlined business operations. Three advisory committees (personnel, compensation and CEO selection) have been established to enhance objectiveness and transparency for nomination, promotion and compensation of directors/executive officers as well as nomination of the President.

Outside director qualifications stricter than legal requirements

To allow the Board of Directors to monitor business practices from a position that represents Omron's shareholders and other stakeholders, the number of outside directors was increased in 2003, now numbering two out of seven board members. Also, three out of four corporate auditors are outside auditors.

Emphasizing the independence of these outside directors and auditors, Omron has specified strict criteria for qualification of candidates, which are even more exacting than the regulations of Japanese Corporate Law. For example, candidates for outside directors or the organizations to which they belong must not have assumed the role of representative or employee of the independent accounting auditor for the Omron Group for five years prior to the nomination. They also may not be a principal shareholder of the Omron Group, a director of any principal partner, or have kinship with any current director of the Omron Group.

Information Disclosure
Issuing a summary report of timely disclosure system

In April 2007, Omron announced a summary report of its timely disclosure system, which outlined the company's basic attitude and implementation policy for information disclosure, and introduced the in-house structure and monitoring system.

To ensure swift and thorough gathering of information, in fiscal 2007 training was given to 22 staff members responsible for handling important information, allowing them to reaffirm the requirements of their individual duties.

Internal Controls
Self-assessment and internal auditing

Legislation termed J-SOX* came into effect in April 2008. Omron was quick to recognize the importance of enhancing internal controls to respond to the legislation, and began taking preparatory steps in November 2004. Since then, Omron has been working to establish full-fledged self-assessment and internal control systems.

* **J-SOX legislation:** Officially known as Article 24-4-4 of the Financial Instruments and Exchange Law, this legislation stipulates that all listed companies must submit a statement that assesses and verifies the proper functioning of the system for preparing financial statements and other financial information in an appropriate manner (internal control report) to the Prime Minister in conjunction with their securities report.

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.
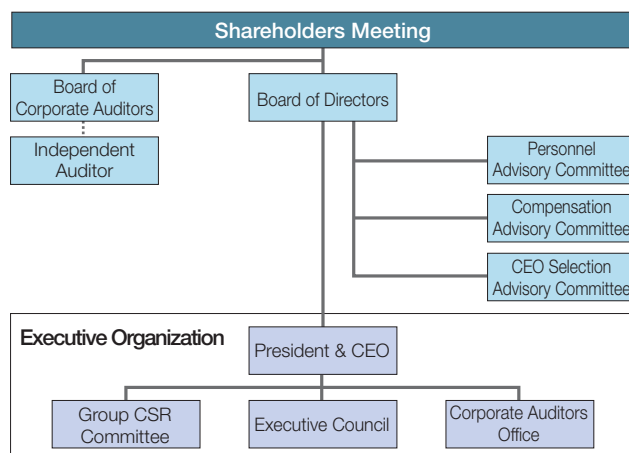
Personnel Advisory Committee

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.

Promoting ethical and legal compliance across the Group

Promotion of Compliance

Monitoring conducted at 14 Group companies worldwide

To promote ethically and legally compliant practices across the entire Group, Omron specified four key strategies—(1) monitoring, (2) PDCA cycle implementation, (3) compliance education, and (4) compliance system restructuring, encouraging autonomous activities in line with these strategies for all Group companies worldwide.

Compliance officer meetings continued during fiscal 2007 at Group companies in Japan and Greater China to upgrade activities. In addition, compliance monitoring was conducted for 14 Group companies around the world, including those that have only recently joined the Omron Group.

Plans are in place to assign compliance officers and complete a promotion structure at overseas Group companies in all regions, while also continuing regular compliance monitoring.

WEB Fair Dealings

Compliance Education/ Awareness Enhancement

Relayed messages given by Omron President and business company/Group company presidents

Besides corporate-level education and training, each business company offers compliance education in a way that suits the structure and nature of its business.

At the corporate level, compliance is included as a theme of the rank-specific training programs, covering people at various positions including new employees.

In Japan, Omron designated October as Corporate Ethics Month, during which various activities are held for directors and employees to raise compliance awareness. In fiscal 2007, external experts were invited to speak at seminars targeting directors. Also, all employees were offered opportunities for participating in worksite training and listening to "relay" style messages from the Omron President, as well as presidents of business companies and Group companies. Other activities included posting of compliance posters and distribution of compliance cards.

For daily education, a Corporate Ethics Bulletin Board is in place on company intranets, which can be accessed by all Group company employees in Japan. This bulletin board provides compliance-related information along with Q&A samples for introducing appropriate action for each anticipated case. Omron plans to expand and upgrade the information posted on intranets.

Whistle Blower Hotline

Raising awareness of the hotline and improving the skills of advisors

An in-house whistle blower hotline is in place in Japan and North America, providing telephone, email and post access to Omron Group directors, full-time employees and temporary staff as well as their families.

In fiscal 2007, hotline contact information was printed on Corporate Ethics Cards distributed to all Omron Group employees, to raise awareness of the hotline and facilitate its use. Regular training was also conducted for advisors. A total of 21 hotline contacts were made in Japan and 11 in North America.

Omron will continue promoting the hotline, taking various measures to improve response, and enhancing the skill of advisors during fiscal 2008.

List of whistle blower hotline contacts made at Japanese Group companies

- Respect for human rights ·········1
- Labor standards compliance and respect for individuality and diversity ·····································10
- Occupational health and safety ····1
- Management of information and intellectual property ···················1
- Healthy competition and fair dealings ····································· 1
- Prohibition of abuse of corporate position in personal life ·············· 1
- Prohibition of private activities that harm the company's reputation ··· 1
- Others ······································· 5

Information Security

Reinforcement of integral confidential/ personal information management

Omron's policy in enhancing information security is to fulfill its responsibilities to stakeholders by appropriately managing confidential information and personal information to protect them from leakage.

In fiscal 2007, an Information Security Management Committee was set up for the purpose of strengthening an integral management system covering both confidential information and personal information. The committee updated related regulations and procedures and reviewed and reinforced security measures, such as e-learning-based employee education at Group companies in Japan. Omron also employs the Information Security Measures Benchmark to assess its security status and promotes improvements based on the assessment results. This benchmark system is a self-assessment tool for security measures made available by the Information-Technology Promotion Agency, Japan (IPA), an incorporated administrative agency. To implement more advanced information security management, four Omron organizations acquired ISMS (Information Security Management System) certification, and four Group companies were awarded a Privacy Mark.

Provision of regulations and training programs also commenced at overseas Group companies in order to further strengthen information security at the global level.

Dialogue with Kyoto CSR Workshop Members

On March 14, 2008, Omron hosted a discussion at its Head Office with members of the Kyoto CSR Workshop.* Initiated in fiscal 2005, this dialogue is now in its third year and focused on the theme of "Omron's CSR vision for a decade from now" (around the time of 2015-2020). Through this opportunity, Omron was able to gain valuable input from participants. The following are excerpts from participants' comments. The full text of the dialogue is available on the Omron Website.

* **The Kyoto CSR Workshop** 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.

"The key is offering values that can lead to human development"

Mr. Seiichiro Shimamoto
Professor, Faculty of Human Studies
Department of Social Design Studies
Kyoto Bunkyo University

I believe that developing a CSR plan that targets a full decade from now is very meaningful. Looking at Omron's plan, my general impression is that the key to such a long-term plan is whether it incorporates value criteria related to human development. If you look at Omron's products, for example, simply making them safer, more functional and less harmful to the environment may not be enough. It would be even better if Omron's product development were more oriented toward the concept of providing extra value, in the sense of "using this product provides added benefits to humanity." I think that this is the right path for Omron, a company that has consistently been committed to innovation driven by social needs.

"Omron should extend its environmental commitment beyond in-house efforts to cover the local community"

Dr. Miho Okutani
Ph.D. in Cultural Policy Studies

Omron has selected five issues* related to the environment as core issues to be addressed in the GD-III stage. My impression is that Omron's approach is still insufficient for taking an in-depth look at the issue. Your perception of society is that the environment will face a critical situation in the next 10 years. But in reality, CO_2 emissions increased in fiscal 2007 even over the previous year. It's obvious that you should work further to reduce the environmental impact of your in-house facilities, but at the same time, perhaps you should strive to improve the environment of the community at large through corporate activities. I believe that this is the primary mission of a company.

* **The five issues are:** reduction in CO_2 emissions at all sites, elimination of hazardous substances, energy conservation, zero emissions/recycling, and preservation of biodiversity/ecosystem.

"I want to see Omron also address the issue of accepting foreign workers"

Mr. Norimasa Orii
Secretary General, Nippon International
Cooperation for Community Development (NICCO)

An aging population with a declining birthrate is one of the essential issues that we face when we envision Japanese society 10 years from now. With the population in Japan declining, it is unavoidable that we accept skilled foreigners into our workforce to a certain extent. This in turn will require serious consideration of human rights-related issues such as racial discrimination or accepting refugees. Omron has shown a long-term commitment to supporting persons with disabilities and has also emphasized CSR activities overseas. Based on that experience, I expect Omron to address this area of accepting foreign workers as well by looking ahead to the future of Japanese society.

"I hope that Omron will take on the role of facilitator in bridging disabled persons with society"

Ms. Akiko Sakurai
Doshisha University Graduate School of Policy
and Management

Regarding community involvement, which Omron has selected as a core issue, I noticed that there are only a few mentions of "education." The importance of environmental education has already been recognized by the public, and Omron has been involved in such activities within its communities. But education and experience regarding disabilities are still very limited in Japan. I think Omron, based on its experience of pioneering connections with persons with disabilities, should be able to send out a message and take leadership in this area. I hope Omron will become the number one facilitator for connecting disabled persons with society.

"Relying on resources owned by the third sector NPOs will help"

Mr. Masahiro Fujino
Chief Project Coordinator, Kyoto NPO Center

In our society 10 years from now, I project that so-called third sector organizations such as NPOs will increase in importance in addition to companies and governmental organizations. Should that happen, the corporate drive to establish initiatives that allow flexible working styles will be important so that employees can freely take part in NPO activities. It may also be a good idea to develop products in cooperation with NPOs rather than just relying on internal resources. By effectively using the resources of other sectors, Omron can further advance its efforts to stimulate innovation driven by social needs.

How should Omron identify the materiality of its CSR issues?

Pictures below (from left):

Mr. Steven A. Rochlin
Head of AccountAbility North America

Mr. Hideyuki Takano
Senior Manager
So-Tech Consulting Inc.

Mr. Fumitake Sakamoto
Director and Senior Consultant
Witan Associates Limited

Ms. Maki Naito
Manager of 3rd Group, Research Department
Human Renaissance Institute Co., Ltd.

Masatoshi Yajima
General Manager
CSR Management Department, Omron Corporation

Steven A. Rochlin | Hideyuki Takano | Fumitake Sakamoto | Maki Naito | Masatoshi Yajima

On December 20, 2007, Omron organized a dialogue with Steven A. Rochlin from the Global Leadership Network (GLN)[1] to listen to his views and seek his input regarding the materiality of CSR issues that Omron faces. Outside experts who had cooperated in the formulation of Omron's CSR strategy also participated.

[1] The Global Leadership Network (GLN) is a landmark initiative consisting of top-performing global companies, along with the Center for Corporate Citizenship at Boston College in the U.S. and AccountAbility, the international institution focused on sustainable development. The GLN has created a planning and assessment framework that helps companies align their CSR commitment and performance with their core business strategies to ensure performance excellence in CSR.

Criteria for evaluating the materiality of CSR issues

Yajima: Thank you for joining us in this dialogue today, despite your busy schedule. One of the main topics[2] of today's discussion is "the materiality of CSR issues." Regarding this matter, we have also had repeated discussions within Omron. But there were some difficulties involved, such as on what criteria we should base our materiality evaluation, what rules we should follow, and so on. So we tried to adopt the evaluation criteria that Mr. Rochlin had suggested as an idea that we should refer to. Let me first ask Mr. Rochlin to briefly explain these criteria.

Rochlin: Research conducted by many social scientists shows some consensus that issues typically follow a lifecycle. Issues mature through four stages, moving from being latent to emergent, to consolidated and,

finally, institutionalized. Generally, as an issue progresses through its lifecycle, it becomes more material for a particular business. So, when one looks at a particular issue for Omron, for example, one needs to know where it is in its lifecycle. And then one can apply a five-question test to that issue as follows:

1. Does the issue have the potential to affect Omron's short-term financial performance?
2. Will the issue affect Omron's ability to either deliver on its strategy or on its stated policies?
3. Are Omron's peers in its industries, its competitors, and its major customers beginning to adopt practices related to the issue?
4. Is the issue becoming a major concern for Omron's stakeholders?
5. Is the issue beginning to become institutionalized in regulations or standards?

And if one answers yes to more than one of these questions, the probability that it is a material issue increases.

Sakamoto: How do you determine the lifecycle of each issue? There are various ways to do it, I suppose. Is it just a matter of judgment?

Rochlin: Yes, you are correct that it's a matter of judgment in the first instance. What we try to do at each stage is to specify criteria which helps determine the stage at which an issue falls. Secondly, we talk about how companies can collect information to help them determine the issue stage with more rigor, and this includes discussing it and learning from stakeholders.

Takano: When determining the materiality of each issue, is direct discussion with your stakeholders absolutely necessary? Is it possible to use the media and public statements as a substitute for dialogue with stakeholders?

Rochlin: If you are not prepared to invest the time and money and also deal with the politics of engaging external stakeholders, you can engage in this process internally with your managers and teams. But eventually we encourage companies to begin to engage all their stakeholders in a robust dialogue.

Omron's materiality map (see p.12)

Naito: Now, I want to ask you to comment on the materiality map that Omron has created. When preparing the map, we emphasized issues discussed in the ISO 26000 Working Draft[3] based on our assumption that almost all global social issues are covered there. Do you think that the way we approached it was appropriate?

Rochlin: Your work with Omron is very good and very appropriate because Omron is in a much more difficult industry to identify material issues than, say, an oil company engaged in mining underground resources. For them, material issues are much clearer. So the analysis is, I think, very helpful. The next step is to be a little bit more precise and further granulate these issues.

Sakamoto: How often should we update this materiality map? I imagine the materiality of an issue will change depending on how society evolves, or depending on the stakeholder or each aspect of business, so I suppose revision of the materiality map will also become necessary.

Rochlin: I would say that it's useful to get on a one-year cycle but to have opportunities each quarter to do very quick reviews just to make sure that there is no emerging issue and no major changes. And I would imagine that the issues that you identify as material probably will stay largely the same for at least two years or maybe three. So, I think members of the company will be happy to hear that they don't have to go through a very, very intensive process every year. But it's useful to make sure that there is some kind of review.

Takano: In Omron's case, the CSR Management Department took the initiative in preparing a globally standardized materiality map that would be applicable for the entire Omron Group. I think it's not only that the map itself is of great value, but also the process they experienced is valuable too. In the future, it will be necessary to execute this process directly, so that people of each business company/division will be able to take the initiative in analyzing the materiality of the issue every time they face it, in whatever business or region they are dealing with.

How to use the materiality map— in reference to British Telecom as a model case

Yajima: Now, the next question is how we should apply this materiality map for our CSR-oriented management. Could you share any exemplary case of some other company, Mr. Rochlin?

Rochlin: British Telecom (BT) is one of the best in applying this process. When it first went through this process a few years ago, it identified climate change as one of its most significant material issues. There were three specific aspects related to climate change which BT identified. The first was emissions from its fleet of vans and automobiles that its service technicians use. Secondly, when the company examined its supply chain it was shocked at how big the environmental footprint was. Third, BT realized that it had neglected to see how its products could change business practices for other industries and reduce energy use. So as a result of having identified the climate change issue as material, it influenced a number of BT's business strategies and business models to actually generate new revenue opportunities and new products. It influenced the way BT designed its internal compliance policies and systems, and how the company created process innovations. It also changed how BT produced its annual CSR report, and what issues it prioritized to discuss in that report.

Naito: So in the case of BT, who within the company actually has done analysis to identify that climate change was a particularly material issue?

Rochlin: BT undertook a very detailed process. First, BT created a panel of stakeholders that advised a senior executive committee that was responsible for CSR in the company. At the same time, the CSR team went to the head of each major business unit and drafted a list of potential issues. The team then went through a very detailed process with each business unit to identify the issues which had the greatest relationship with and impact on their business operations. Finally, the company looked into media reports, news and other information sources to better understand how the issues were being discussed externally. From this BT identified what it calls its "vital few" material issues, of which there are six.

Yajima: Thank you for your very valuable information. The example of BT that you gave us inspired us to try harder ourselves. Today, we did learn a lot. I know that you, Mr. Rochlin, are a very busy person, but I hope you'll stay with us.

Rochlin: I am never too busy for Omron.

[2] The other main topic of discussion was "Omron's CSR vision for a decade from now" which is available on the Omron website.

[3] ISO 26000 Working Draft is a draft of guidance standards for social responsibility set to be established in 2010.

Addressing key issues related to safety, security, environmental conservation and healthcare to support industry, society and personal life globally

Omron has been contributing to building a better society through a diversity of business operations focusing on key areas of safety, security, environmental conservation and healthcare. By drawing on the company's core competency of sensing and control technology, Omron consistently offers new values and benefits for manufacturing sites, offices and urban environments worldwide, as well as railway stations, hospitals and the home, while also providing solutions to tackle various global issues. In this way, Omron will continue to do its part to create a more convenient and rewarding society.

IAB Industrial Automation Business

*Monozukuri** improvement solutions supporting the manufacturing process

Omron offers a full range of control components and systems equipment designed to answer various needs of the manufacturing industry, including quality enhancement and workplace safety. Through these products, and by capitalizing on the company's own production expertise, Omron assists manufacturers in solving their issues.

Recently, Omron has been focusing on providing solutions for maintaining operator safety on the factory floor and reducing the environmental impact of manufacturing operations, in addition to improving quality, product safety and cost-effectiveness.

* Monozukuri is a Japanese term meaning "the art of producing things." It generally relates to craftsmanship in developing and manufacturing products.
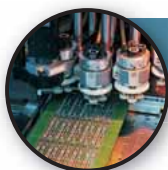
Sales by Region

Greater China 10.51%
Japan 45.63%
Asia Pacific 4.87%
Europe 28.05%
Americas 10.94%

Total sales ¥328.8 bil.

Employees by Region

Greater China 32.28%
Japan 37.33%
Asia Pacific 5.45%
Europe 15.47%
Americas 9.47%
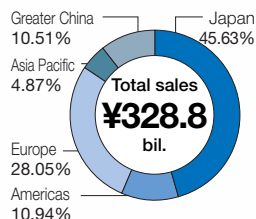
Employees 9,736
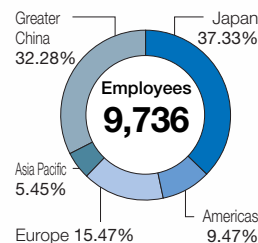
Printed circuit board inspection system
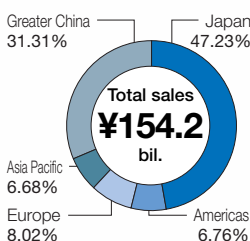
Safety components

ECB Electronic Components Business

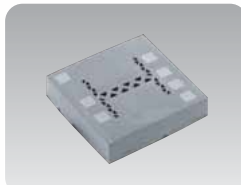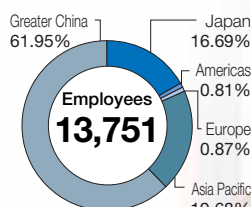### Supporting the quality of electronic products from the inside

Omron supplies a wide variety of components and modules. These include electronic components such as relays, switches and connectors that are embedded in household appliances, communications devices and industrial equipment, as well as LCD backlight units.

The areas of recent focus include MEMS accelerometer sensors employing cutting-edge ultrahigh-precision fabrication technology for automotive airbag system applications, as well as optical communications devices. Omron is also committed to development of European RoHS Directive-compliant products that are free from hazardous substances.
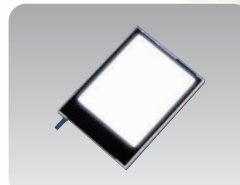
Sales by Region

Greater China 31.31%
Japan 47.23%
Asia Pacific 6.68%
Europe 8.02%
Americas 6.76%

Total sales ¥154.2 bil.

Employees by Region

Greater China 61.95%
Japan 16.69%
Americas 0.81%
Europe 0.87%
Asia Pacific 19.68%

Employees 13,751

MEMS microphone chip
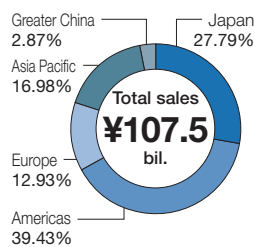
LCD backlight

AEC Automotive Electronics Business
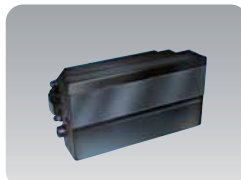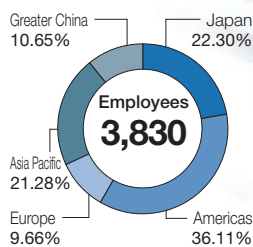
Aiming to create a collision-free car

Omron develops and produces various automotive electronic components centered on switches, relays and electric power steering controllers. These products are supplied to automakers throughout the world.

Looking to the future, Omron is concentrating on R&D for next-generation components that are essential elements for producing a collision-free car. These efforts have already led to the creation of a laser radar sensor (vehicle-to-vehicle distance sensor) and other innovative products. New technologies for automotive safety, such as driver monitor sensors to assist the driver in safe driving, are also under development.

Sales by Region

Greater China 2.87%
Japan 27.79%
Asia Pacific 16.98%
Total sales ¥107.5 bil.
Europe 12.93%
Americas 39.43%

Employees by Region

Greater China 10.65%
Japan 22.30%
Employees 3,830
Asia Pacific 21.28%
Europe 9.66%
Americas 36.11%

Laser radar sensor

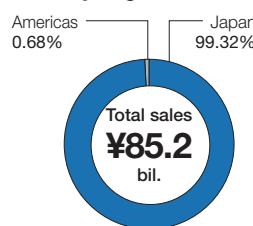Electric power steering controller

SSB Social Systems Business

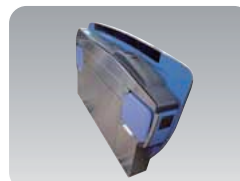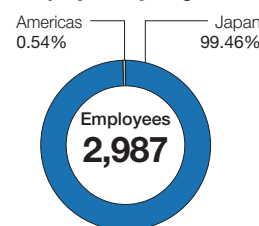## Offering social infrastructure solutions to ensure safety and security

Omron offers complete social infrastructure-related solutions that comprise individual machines, systems, software and maintenance service. Products range from automated passenger gates and ticket vending machines for railway stations, signal control and road traffic management systems, to in-store electronic funds transfer systems.

In response to recently growing social needs for safety and security, Omron is also promoting its security solutions for protecting corporate assets. These include ID card-based access control systems and information security systems that prevent unauthorized removal of corporate information from offices and factories.

Sales by Region

Americas 0.68%
Japan 99.32%
Total sales ¥85.2 bil.

Employees by Region

Americas 0.54%
Japan 99.46%
Employees 2,987

Non-contact IC card-specific automated passenger gate

Security system

HCB Healthcare Business

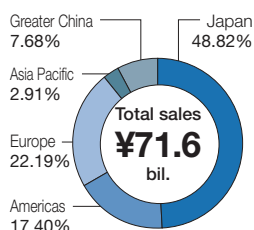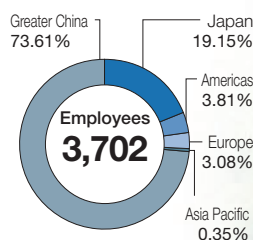## Contributing to a healthier life through products that help prevent lifestyle diseases

Omron offers a range of home-use healthcare devices useful for personal health promotion, such as blood pressure monitors, digital thermometers, pedometers and body composition monitors. Omron's mainstay home-use blood pressure monitors command a leading share in Japan at 70%. Overseas as well, Omron has earned recognition as a leading brand for home healthcare products.

Recently, Omron's healthcare business has expanded to include professional-use medical devices, with new business developments centered on the "Healthcare at Home" concept that connects patients' homes with hospitals by sharing home-monitored data with doctors. With a focus on lifestyle diseases, a critical worldwide issue today, Omron supplies products and services designed to help prevent these diseases globally.

Sales by Region

Greater China 7.68%
Japan 48.82%
Asia Pacific 2.91%
Total sales ¥71.6 bil.
Europe 22.19%
Americas 17.40%

Employees by Region

Greater China 73.61%
Japan 19.15%
Americas 3.81%
Employees 3,702
Europe 3.08%
Asia Pacific 0.35%

Home-use body composition monitor with scale

Professional-use non-invasive vascular screening device

IAB CSR Commitment of Industrial Automation Business

Supporting global manufacturing operations from the perspectives of quality, safety and the environment

Company Mission

Yoshinobu Morishita
Company President

IAB's mission is to support manufacturers worldwide in their increasingly globalized operations. This support covers a wide range of areas including quality, safety and environmental conservation, as well as conventional productivity and efficiency enhancements.

By drawing on Omron's core sensing and control technology, IAB will continue meeting the increasingly diversified requirements of the manufacturing industry, including quality stabilization, maintenance of worksite safety, and reduction of environmental impact.

Key CSR Concept — Solidifying the foundation of CSR practices at overseas sites in response to rapid business globalization

To effectively respond to growing concern for safety on the factory floor, IAB welcomed Scientific Technologies, Inc. (STI), North America's number one safety device manufacturer, to its Group in 2006. Along with increasingly globalized operations, overseas business has now exceeded 50% of IAB's total business.

In light of this situation, IAB introduced measures to enhance employee understanding of CSR and promoted its implementation mainly at Chinese bases that have seen rapid increases in their workforces. Particular emphasis has been placed on solidifying foundations for ensuring fairness and integrity in business operations through CSR/compliance education based on the Omron Principles, and regular compliance monitoring.

Moreover, IAB has been committed to boosting the quality of its products and services in order to contribute to customers' efforts to minimize defective products, increase machine operation rates, and save resources and energy.

In fiscal 2007, IAB worked to establish new rules for quality assurance, promoting production innovation programs intended to realize globally competitive manufacturing, while strengthening support functions to enhance customer satisfaction.

FY2007 Topics

With its key theme of "innovation of quality enhancement processes," IAB is working hard to improve quality from the customer's perspective. As customers' product development and manufacturing systems become more and more advanced, their needs have become increasingly sophisticated and diversified. To meet these needs, IAB changed its quality control system from integrated control for all products to product category-specific control. In this new system, a target quality level is specified for each product category from the customer's viewpoint and measures are taken to achieve the target. IAB is also promoting production innovation initiatives such as development of core production technologies, as well as on-site quality innovation and personnel development initiatives at all production sites.

IAB has launched an initiative in which the Company President visits production sites around the world to observe ongoing quality/production innovation activities. By directly sharing the Company President's ambitions and expectations, this tour is intended to raise the motivation of employees and cultivate a workplace culture that encourages employees to promote innovation on their own initiative. In fiscal 2007, a total of ten sites (six in Japan and four overseas) welcomed the Company President's tour. IAB is determined to continue fulfilling its responsibilities to customers and society at large through quality enhancements of its products.

IAB Company President visits production sites throughout the world to assess quality/production innovation efforts and the resulting achievements

23

Comprehensive solutions that bring both safety and productivity to factory floors

Offering systems capable of avoiding accidents at work without causing a drop in productivity

Industrial accidents often occur at places where people come into contact with machines. IAB's safety business provides various components and devices designed to improve these "points of contact" at clients' manufacturing facilities. IAB's safety devices draw on Omron's proprietary sensing and control technology to build systems that can automatically detect hazardous situations. This type of system could detect when a mechanical guard is fully latched, or when a person enters a hazardous area, for example. Once a danger is detected, an alarm is issued or the machine is stopped.

With such safety systems, it is important that machine operation is terminated only within the hazardous area. If machines in unrelated areas are also stopped, it will interrupt the production flow and cause problems for customers waiting for completed products.

This is why IAB seeks to create a production system that supports both safety and productivity. By making full use of its range of safety components, consulting services and global support teams, IAB is ready to provide complete solutions for the production sites of client companies.

❶ Safety light curtain

❷ Safety laser scanner

❸ Safety network controller

❹ Safety door switch

IAB's Safety Business Concept

Consulting

Total Solutions

Sensing & Control

Global Support

# Consistent service quality everywhere in the world to enhance customer satisfaction

With the growing trend among client companies toward expanding operations globally, the demand for standardized, consistent quality in customer support is on the rise. In response, IAB established a Global Service Center in fiscal 2006 to ensure that customers receive first-rate service whenever they need it, no matter where they are based.

In fiscal 2007, IAB began standardizing texts used in seminars targeting customers and repair manuals, aiming to provide a consistent level of support service at all sites throughout the world. IAB also launched a new global website to provide global clients with standardized information. By centralizing product information that had previously been prepared, owned and offered separately by each site, IAB aims to provide a higher level of customer support in a speedier manner.

In fiscal 2007, IAB conducted a customer satisfaction survey at each site in the world to measure the level of customer satisfaction regarding its products and services, and to extract issues. IAB will relay the results of the survey to marketing and product development/ planning departments at each site to encourage their efforts to enhance customer satisfaction.

Process of standardizing texts used for seminars targeting customers and website content is underway
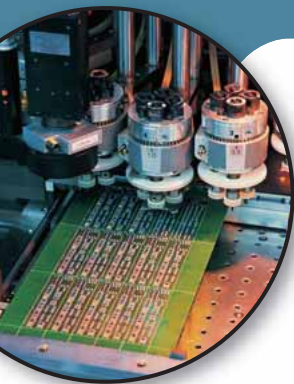
Preparing for a ubiquitous network society with high-quality, high-performance electronic devices that are reliable and less harmful to the environment

Company Mission

Soichi Yukawa
Company President

ECB's mission is to realize a ubiquitous network society in which people feel safe and comfortable and can access any information at any time, anywhere. We can achieve this by providing high-quality, high-performance electronic devices that are highly dependable and have minimal impact on the environment.

ECB makes extensive use of the latest technologies to create innovative relays, switches, connectors, LCD backlights and other electronic components that help make electronic and mobile devices and systems smaller, slimmer and lighter while incorporating more advanced functions.

Key CSR Concept
Promoting employee skills improvement, CSR education and reduction of environmental impact at the global level

With the globalization of its business operations, ECB has constructed a system whereby each product can be produced at the most ideal location in the world for global supply. To ensure that ECB products are of the same high quality regardless of the place of production, ECB has strived to strengthen the skills and expertise of its frontline production staff.

Considering the importance of raising employee awareness and implementation of CSR practices at all sites throughout the world, ECB has concentrated on sharing and instilling the Omron Principles into the workplace, while promoting CSR/compliance education. In fiscal 2007, a particular focus was on China, a region enjoying rapid expansion of business operations and increase of sites.

ECB was also quick to prepare for worldwide restrictions on the use of certain hazardous substances in electrical and electronic equipment. For example, in response to the European RoHS directive, ECB has worked hard to reduce the environmental impact of its products. At the same time, ECB is actively engaged in achieving environmentally conscious production processes. For example, its Chinese production site, Omron Electronic Components (Shenzhen) Ltd., received "Clean Producer" certification from the Guangdong provincial government in 2007 in recognition of its commitment to energy conservation and waste reduction. ECB is determined to strengthen its efforts to reduce the environmental impact of ECB products and production process.

FY2007 Topics

Sharing production skills and expertise with 107 employees from around the world

Actively engaged in overseas production, ECB has been providing a training session called the "*Monozukuri* Training School" since fiscal 2002. The school is part of its drive to enhance product quality, cost and delivery (QCD).

The training school is open every year with nearly 100 employees from around the world attending. Its main objective is to nurture core leaders essential for internationally competitive manufacturing by sharing expert skills and know-how accumulated in Japan with production sites worldwide. The training workshop is built within the Omron Relay and Devices Corporation, which is responsible for the production of relays, ECB's mainstay product. In a workshop environment that closely simulates an actual press molding factory, expert operators and technical specialists give participants detailed instructions and hands-on training. The training school provides various courses covering production management technology, productive maintenance and other fields, aiming to refine overall production capabilities.

In fiscal 2007, the *Monozukuri* Training School offered 11 courses and drew a total of 107 participants including those from overseas production sites. Through its commitment to transfer of technology and human resource development, ECB will continue holding this training session to provide quality assurance to customers.

Monozukuri Training School invites participants from sites worldwide

Omron flow sensors—supporting the proliferation of next-generation power systems that help prevent global warming

Omron MEMS flow sensor element, among the world's smallest, contributes to improved power generation efficiency of fuel cells

A fuel cell generates electricity by a chemical reaction that occurs when hydrogen from utility gas or LPG is combined with oxygen in the air. This next-generation power system is free from CO_2 emissions, and thus can help prevent global warming. ECB provides flow sensors capable of detecting the flow of fuel gas and air, a vital component for the fuel cell system.

ECB built the exceptionally small MEMS[1] element into its latest flow sensor model. This enables high-precision measurement of flow rate that is less susceptible to the influence of pressure and temperature. The result is improved efficiency in fuel cell energy conversion.
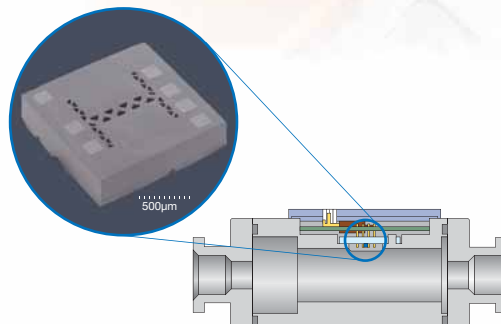
ECB will continue to provide advanced electronic devices that support the development of products capable of addressing societal challenges.

[1] MEMS (Micro Electro-Mechanical Systems) are miniature electromechanical devices produced using semiconductor fabrication technology.
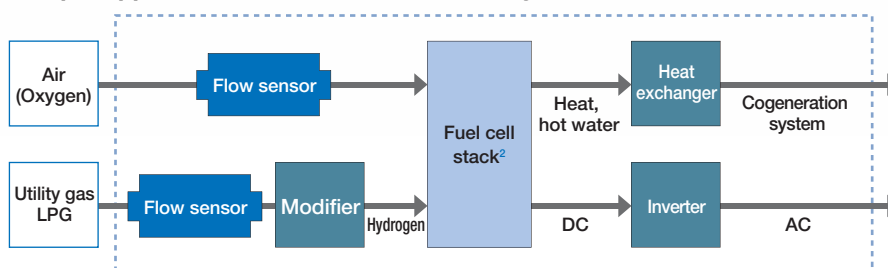
MEMS Flow Sensor

MEMS Flow Sensor Chip

500μm

Sample Application for Home-use Fuel Cell System

| Air (Oxygen) | → | Flow sensor | → | | | | Heat exchanger | Cogeneration system |
| Utility gas LPG | → | Flow sensor | Modifier | Hydrogen → | Fuel cell stack[2] | Heat, hot water → DC → | Inverter | AC |

[2] **Fuel cell stack** is a layered structure comprising fuel cells capable of generating electricity via chemical reaction.

Expanding CSR/compliance education and compliance monitoring to reach all global sites

To respond to the increase in ECB Group companies abroad along with globalized production, ECB has been aggressively promoting CSR/compliance education at a global level. As part of this drive, ECB began holding explanatory meetings targeting all sites throughout the world in 2004 for the purpose of enhancing CSR awareness and ensuring legal and ethical compliance among employees. ECB has also prepared education programs tailored to the needs of each region, such as compliance education for managerial class employees in China, and sharing of the Omron Principles and introduction of Japan-based CSR activities for the U.S. and Europe.

Besides these meetings, a team of local and Japanese employees in charge of legal affairs, together with a lawyer, visits each site to monitor compliance status through interviews with relevant persons. Beginning in fiscal 2005, compliance monitoring covered the main sites in Southeast Asia. Country-specific compliance check sheets with approximately 200 check items were prepared by local lawyers, with each country's unique items added to the globally applicable basic standard format. These were then distributed to sales bases.

In fiscal 2007, monitoring was conducted at three sites in China, with a plan to expand this activity to include sites in Hong Kong and Taiwan in fiscal 2008.

CSR/compliance explanatory meeting held in China

26

Striving to offer the highest possible quality, functionality and reliability anywhere in the world toward the goal of creating a collision-free car

Company Mission

Yoshinori Suzuki
Company President

As a specialist of automotive electronics including automotive components and systems, AEC's mission is to help build a sustainable car-oriented society by enhancing automobile performance in terms of safety, comfort and environmental conservation.

Aiming to realize the Omron founder's dream of a collision-free car, AEC seeks to meet the highest standards for quality, functionality and reliability, everywhere in the world.

Key CSR Concept — With people's lives in the balance, AEC is committed to quality assurance for safety

Because automobile safety is a life or death issue, safety is an absolute prerequisite for any product at AEC. In the development and production of automotive components and systems, even minor errors may lead to a serious accident. Aware of this, AEC works hand-in-hand with suppliers to ensure uniform high quality throughout the world and deliver constant improvements. In doing so, AEC emphasizes collaboration across all global sites in addition to individual efforts at each site.

AEC's R&D efforts revolve around the basic movements of travel, turn and stop, which form the base of automotive safety. These efforts have led to various developments for improving driving safety and comfort, including technology for detecting the car ahead and technology for detecting the condition of the driver. AEC is also active in the development of environmentally sound technologies, such as an electric power steering system that, unlike a conventional hydraulic system, operates only when necessary for improved fuel efficiency.

With a high percentage of employees working abroad, AEC's goal is to realize a single global management team. Aiming to meet this goal, AEC strives to respect and capitalize on the diversity of employees by actively instilling awareness of human rights and compliance across the Group.

FY2007 Topics

Engineers from ten countries discuss quality with the watchword of "Accept each other, compete with each other"

The assurance of uniform high quality worldwide is the highest priority at AEC, which produces electronic components essential for determining the safety of automobiles at 11 sites worldwide (2 in Japan and 9 overseas). As such, AEC aims to employ the same quality control techniques and ensure consistent high quality anywhere in the world, regardless of language, culture or difference in value perceptions. To this end, an international quality conference is held every year, in which managers can work together to unify quality-consciousness at the global level, solve common issues, and improve quality-related skills. Quality assurance managers from all sites around the world attend the conference. During fiscal 2007, participants discussed the system to share information at all sites.

To involve suppliers in AEC's efforts to ensure quality, site-specific joint quality improvement initiatives were implemented together with local suppliers in respective regions. As part of these efforts, personnel dealing with parts quality from all sites assemble to exchange views. In April and November during fiscal 2007, AEC conducted quality audits at the new production base in China, and promoted an exchange of opinions among those responsible for parts quality.

Moreover, quality assurance specialists from Japan visit various production sites in the world from time to time to teach necessary technologies and skills related to quality. With the watchword of "Accept each other, compete with each other," all AEC Group production sites are working in tandem to improve quality.

International quality conference in which quality assurance managers from all over the world discuss common quality issues

# Sensing driver eye movements to detect inattentive driving or dozing at the wheel

Proprietary 2D image analysis technology senses the face orientation and blinking patterns of the driver to assist safer driving

In October 2007, AEC developed a driver monitor sensor capable of detecting when a driver takes his eyes off the road or is likely to doze off, a situation that often leads to a car accident. Once a driver's face is prerecorded with the onboard camera, the sensor uses Omron's proprietary 2D image analysis technology to detect the driver's eye movements and blinking patterns. If the driver's eyes close or are diverted from the travel direction for a significant period of time, the system can determine that an abnormal driving situation may develop.

This technology can also provide a hands-free interface for operating the car radio, navigation system and other onboard devices without the use of the hands. It does this by determining the orientation of the driver's face or changes in eye movements, for greater driving safety and comfort.

To contribute to the creation of a sustainable car-oriented society, AEC will promote deployment of a driving-assistance system embedded with its monitor sensor to automotive manufacturers.

Driver-Fault Traffic Accidents by Type of Traffic Rule Violation
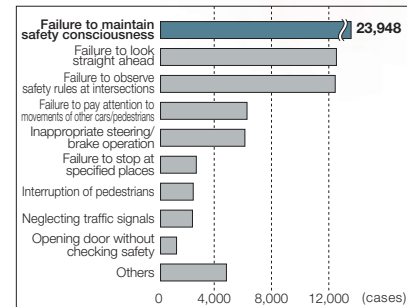
Source: Metropolitan police statistics (2006)
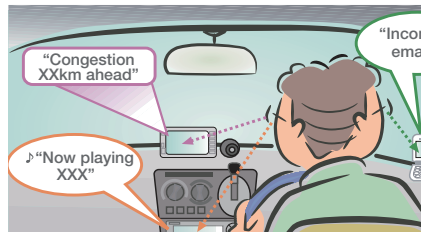
Sample Applications

Inattentive driving detection
Detects inattentive driving based on a driver's face orientation and eye movements, helping avoid accidents

Hands-free interface
Enables hands-free operation of devices by detecting the user's face orientation and eye movements

Doze detection
Detects dozing at the wheel from eye blinks

Development of cutting-edge technologies for a collision-free car

AEC has introduced a variety of electronic components and systems to contribute to safer, more comfortable and environmentally conscious driving. The 3rd generation laser radar ("LIDAR") sensor launched in 2005 is a key element for systems designed for automotive safety and comfort. Examples include the adaptive cruise control system that keeps the distance between cars at an appropriate level, and the pre-crash safety system that anticipates a potential crash and performs necessary actions to minimize damage. Another AEC development is a high-dynamic range CMOS camera that provides significantly higher dynamic range in high and low lighting conditions, for improved visibility in tunnels, intense backlight settings and after dark. The camera can sense white lane lines or obstacles even more accurately than the driver in difficult conditions. Also under study are pedestrian recognition technology and technology that can predict by a pedestrian's movement whether he or she may suddenly dart out into traffic.

AEC unveiled its driver monitor sensor and other new technologies at the Tokyo Motor Show 2007, introducing visitors to the potential of future cars.

AEC is determined to contribute to a safe and sustainable car-oriented society by providing innovative automotive components toward the ultimate goal of creating a collision-free car.

AEC new technologies for automotive safety and comfort demonstrated at Tokyo Motor Show 2007

SSB—pioneer of automated ticket gate systems found throughout the world

Automated ticket gate systems for railways have become common in cities worldwide. Omron's leadership in this development project some 40 years ago was recognized as an "IEEE Milestone."

It was 1964 when Omron embarked on the development of an automated ticket gate system. At that time, station staff had to check each ticket or commuter pass one by one, causing heavy congestion at ticket gates during rush hour. In 1967, the first automated ticket gate system was deployed, which has gradually relieved congestion in railway stations in Japan. Afterward, the system has spread throughout the world as an essential element of urban social infrastructure.

In November 2007, Omron, along with Osaka University, Kintetsu Corporation and Hankyu Corporation, received the Institute of Electrical and Electronics Engineers, Inc. (IEEE*) Milestone designation in recognition of their part in the development and deployment of automated railway ticket gates. The IEEE Milestone designation recognized the innovations achieved by the four parties, which led to the deployment of automated ticket gates capable of accepting both magnetic tickets and commuter passes.

Introduced nearly 40 years ago, this system has evolved significantly over time. For example, SSB has developed a safety system for children who commute to school via train. The system sends an email notification to a parent's mobile phone when the child passes through a ticket gate using a special IC card. SSB is determined to further refine its systems and services, so as to contribute to safety and security.

IEEE Milestone plaque

The first automated ticket gate system installed in Hankyu Kita-Senri station in 1967

Timeline of Automated Ticket Gate Systems from Development to Deployment

October 1962	Kintetsu Corporation sets up an in-house preparatory project for automating ticket-checking operations and begins work on the development of automated ticket gates.
November 1963	Development work is transferred from Kintetsu to Kinki Sharyo Co., Ltd. Research Institute as an independent research project.
February 1964	Kintetsu sets up a Cybernetics Study Workshop for the development of automated ticket gates.
August 1964	Osaka University and Kintetsu develop a calculation method for validating the applicable routes and sections of tickets.
September 1964	Kintetsu and Omron launch joint development project.
February 1965 - April 1966	Kintetsu and Omron produce automated ticket gate prototypes (No. 1 to 4) and conduct field tests.
March 1967	Hankyu and Omron develop an automated ticket gate for Hankyu Railway based on the prototypes; gates that accept punch-style commuter passes and magnetic barcode tickets are deployed at Kita-Senri station.
April 1971	Omron and Kintetsu develop an automated ticket gate machine that can accept magnetic cards for Kintetsu Railway. These gates are installed at 19 stations including Osaka-Abenobashi, a major station of the railway.

* The Institute of Electrical and Electronics Engineers, Inc. (IEEE) is the world's largest non-profit organization of electrical, electronics and telecommunications engineers, scientists and professionals.

Aiming for ISO 27001 certification at all SSB sites to enhance information security

SSB is engaged in the security solutions business, aiming to protect client assets, including information, personnel and equipment. SSB considers the establishment of a solid information security system to be one of its key challenges.

In fiscal 2007, SSB launched a project to acquire ISO 27001 certification, the international standard for information security management systems (ISMS*), at all sites. As a result, the Kusatsu Office became ISO 27001 certified in February 2008. With the Tokyo Office scheduled to earn certification during fiscal 2008, SSB aims to complete certification for all sites by the end of fiscal 2009. Even after becoming ISO 27001 certified, SSB will continually seek improvements to reinforce access control and maintain appropriate management of information assets.

SSB also aims to answer social requirements for safety and security by applying its experience and know-how accumulated through these activities to the products and services it offers.

* ISMS (Information Security Management System) is a system of management concerned with information security. The management system requires companies/organizations to set necessary security levels based on their own risk assessment, and take a PDCA cycle approach for continued improvements toward the eventual goal of reducing business risk.

An in-house poster designed to raise awareness and build a solid ISMS at all sites

Contributing to a healthier, more comfortable life anywhere in the world

Company Mission

Yoshihito Yamada
Representative Director and CEO
Omron Healthcare Co., Ltd.

Omron Healthcare's mission is to realize a healthy and comfortable life by connecting patient's homes with medical institutions through the "Healthcare at Home" approach. With Omron Healthcare products, users can monitor bio-information such as blood pressure and body fat at home.

Even behavioral data such as physical exercise can be recorded for personal health management. "Healthcare at Home" also allows this data to be shared with a doctor for prevention, treatment and management of diseases. To facilitate this concept, Omron Healthcare aims to create a wide range of healthcare and medical products and services targeting both general consumers and medical professionals.

Key CSR Concept — In pursuit of the highest possible quality and ease of use for health-supporting products

In China, the main production center for Omron Healthcare's home-use products, the company has been committed to enhancing product quality since it started business there in 1991. As a result, Omron Healthcare achieved a pass rate as high as 99.8% for the quality assurance inspection in fiscal 2007. In December 2007, a new production facility was established in Vietnam, which has since been working to improve production quality by taking advantage of production expertise developed in China.

In Japan, Omron Healthcare set up a customer support center in 2003 that serves as a one-stop support shop that integrates various customer service functions including response to inquiries, sales of spare parts and repair. Customer feedback and inquiries received by the support center serve as a valuable resource for product development. At present, the Omron Healthcare service network spreads all over the world. Because the company handles customer information, it is dedicated to protecting personal information by acquiring a Privacy Mark and taking other measures.

Aiming to develop products that allow anyone to take accurate measurements easily at home, Omron Healthcare is proactively incorporating universal design into its products. In recognition of this effort, the MC-670-E digital thermometer received the iF Product Design Gold Award of Germany in March 2007.

FY2007 Topics

Improved reputation for customer service

Omron Healthcare set up a customer support center at Omron Matsusaka Co., Ltd., its production base in Japan, to handle inquiries, opinions and requests from customers. A system is also in place for incorporating these direct voices into product development on a timely basis. The company also conducts a customer satisfaction survey by a third-party organization once every year, and strives to further enhance customer satisfaction based on the results of the survey.

In the fiscal 2007 survey, Omron Healthcare earned high marks for telephone manners, supply of information and other matters, resulting from its efforts to improve telephone skills and quality of response. This showed that customer satisfaction has been improved.

Encouragements and letters of appreciation from customers are shared across the Omron Healthcare Group, which helps all staff members reaffirm their responsibility and stimulates their efforts to improve the quality of their work. Omron Healthcare is determined to sincerely accept and positively respond to customer feedback so as to further increase the quality of support services and to better satisfy customers.
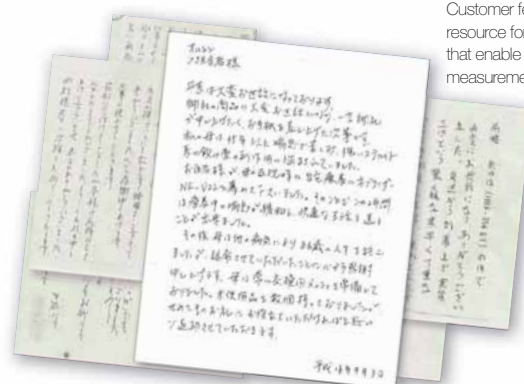
Customer feedback is a valuable resource for development of devices that enable easy and accurate measurement

Creating new products and services that support lifestyle disease prevention, treatment and management

Omron Healthcare's pedometers and activity monitors conform to MHLW's physical exercise guidelines

In recent years, metabolic syndrome has become a major social issue in Japan. To respond to this situation, Japan introduced a health check-up program in April 2008. The program requires health insurance associations to add new examination items related to metabolic syndrome to an annual mandatory health check for their insured people aged 40 or above, and provide support from health experts if they show symptoms of the syndrome.

Against this backdrop, Omron Healthcare released new products that conform to the 2006 exercise guidelines for physical fitness issued by the Ministry of Health, Labour and Welfare (MHLW). For example, the new pedometer lets users know the intensity of walking and targets they should aim at, while Omron Healthcare's activity monitor can measure the amount of physical activity in a person's general lifestyle, including household work. Health guidance tools combining Omron Healthcare monitors and lifestyle improvement programs are also available, along with IT-based applications for lifestyle improvement support. Released in April 2008, the new blood glucose monitor dubbed "Precision Exceed," enables self-measurement for diabetes sufferers and potential sufferers. These are just a few examples of the comprehensive lifestyle disease-related products available from Omron Healthcare, which help monitor and manage health at home.

The future plan is to expand products and services throughout the world by capitalizing on the know-how accumulated in Japan.

"Healthcare at Home" Concept

Home — Medical institutions

Disease prevention, treatment & management

Pedometer, Body composition monitor with scale, Blood pressure monitor, Blood glucose monitor, Portable ECG monitor, Non-invasive vascular screening device, Vital signs monitor, Central monitor, Blood pressure monitoring system

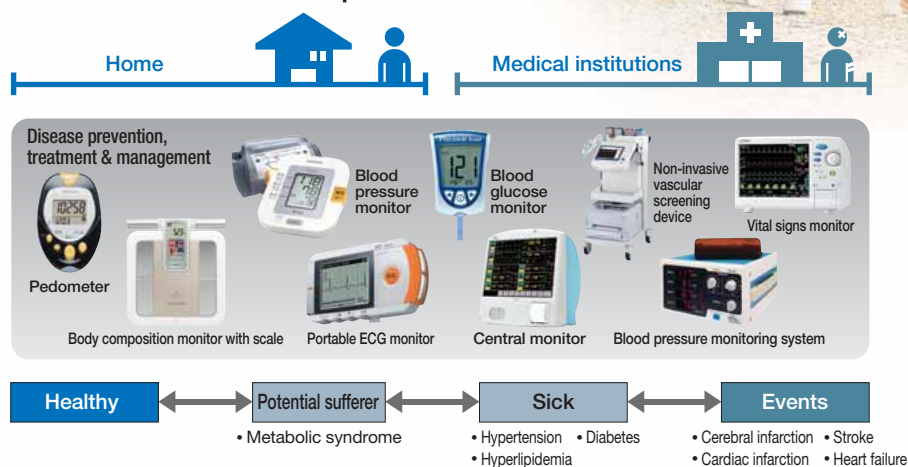| Healthy	⟷	Potential sufferer	⟷	Sick	⟷	Events
		• Metabolic syndrome		• Hypertension • Diabetes • Hyperlipidemia		• Cerebral infarction • Stroke • Cardiac infarction • Heart failure

Process of developing a disease from metabolic syndrome

Metabolic syndrome

Bad lifestyle habits → Visceral fat obesity → Poor metabolic function → High blood glucose / High cholesterol / High blood pressure → Arteriosclerosis → Progresses to stroke, heart disease, severe diabetes, etc.
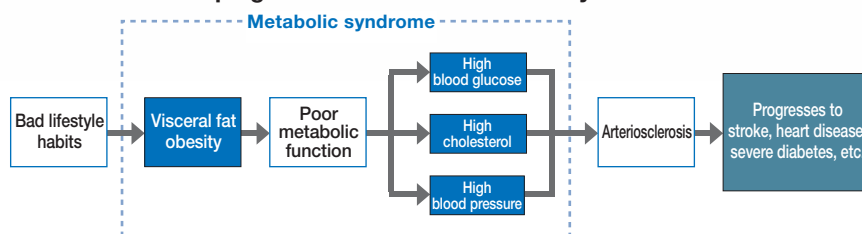
Product donations and awareness-raising initiatives for promoting health in the world

Omron Healthcare is promoting community service activities to help people around the world lead a healthy life. Every year, in commemoration of the company's foundation on July 1, Omron Healthcare donates thermometers to a children's hospital in Vietnam. In fiscal 2007, 1,000 thermometers were donated to the Vietnam National Hospital of Pediatrics No. 2. In the same year, Omron Healthcare donated blood pressure monitors to the hypertension associations in Argentina and Brazil. These products are used for research on the effectiveness of home blood pressure monitoring, which is expected to play an active role in promoting "Healthcare at Home" in these two nations.

Omron Healthcare is also active in contributing its products to victims of disasters as part of relief supplies. The company donated thermometers and blood pressure monitors to earthquake-affected areas in Niigata, Japan. In May 2008, Omron Healthcare also donated blood pressure monitors, thermometers, blood glucose self-monitors and other products to the earthquake-affected areas in Sichuan, China.

In Japan, Omron Healthcare employees lecture at local elementary schools. In fiscal 2007, employees used Omron electric toothbrushes as examples of environmentally friendly products to explain the importance of recycling and non-use of regulated chemical substances to young students. The company will continue promoting community contributions at various sites across the world.

Introducing the importance of product safety and environmental protection to elementary school students using Omron products

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

Employees

As specified in its Management Commitments, Omron values the individuality and diversity of all current and potential employees and seeks to provide all people with equal employment and promotion opportunities. Omron also believes that helping its employees provide support to future generations will not only enhance their own lives but also help build a better future for society as a whole. Based on this belief, Omron strives to augment employee support initiatives.

Society

Omron's Management Commitments emphasize awareness and practice of corporate citizenship. Guided by this philosophy, Omron has long been involved in various activities to support people with disabilities or other limitations. Our goal is to help enhance the quality of their lives and work toward building a society that allows these people to be self-sufficient and fully develop their personal strengths.

Partners/Suppliers

To continue creating products that society can rely on, Omron considers it essential to build robust partnerships with its suppliers and business associates. Accordingly, Omron strives to conduct transactions in a fair and open way.

Shareholders/Investors

Focusing on relationship-building with shareholders, as specified in its Management Commitments, Omron aims to meet the expectations of its shareholders and investors and earn their confidence by further promoting communication with them and providing them with an appropriate level of returns.

Customers

One of Omron's Management Commitments is maximum customer satisfaction. Omron believes that it is crucial to provide a stable supply of safer and better products by maintaining its commitment to quality assurance. Omron aims to fulfill its responsibility by developing products that are safe and healthy for people and the environment.
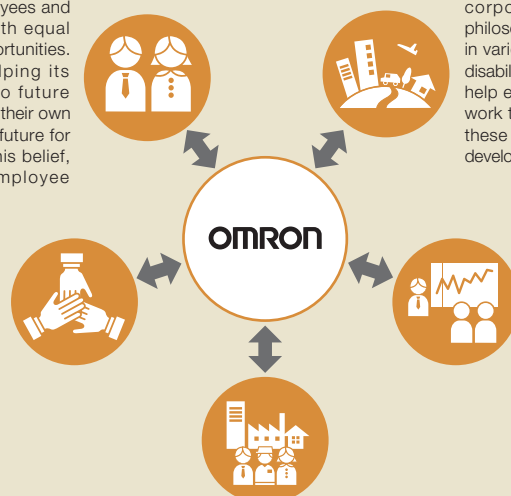
Omron Group company provides support for employment of disabled people

Omron considers extending support for people with disabilities to be a key area of its CSR activities. As such, the Omron Group as a whole promotes employment of disabled persons, while actively encouraging society to expand job opportunities for people with special needs.

For example, in April 2006 Omron Personnel Service Co., Ltd., which deals with overall human resource solutions, launched a new service to promote recruiting and employment of persons with disabilities. In August of 2007, the company began organizing events that assist university students with disabilities in their job-hunting efforts.

These activities are backed by the know-how that Omron Personnel has accumulated in its in-house efforts to provide a work environment that helps workers with disabilities fully demonstrate their capabilities. In 2004, examples include the opening of a "barrier-free" office, the availability of resident caregivers, and the establishment of a teleworking system that facilitates working at home.

Workplace tour

Staff members with disabilities serving as advisors for finding jobs

Since April 2006, Omron Personnel has been providing a two-way service that offers both job-hunting support for persons with disabilities and consultation for companies recruiting workers with disabilities.

For job-hunters, Omron Personnel's advisors introduce information on job opportunities and give advice on job-seeking for workers with disabilities. Even after they find jobs, the staff offers ongoing support and consultation. Omron staff members with disabilities themselves serve as advisors, and empathetically provide advice by drawing on their own work experience.

For client companies recruiting workers, Omron Personnel provides customized consultation services, by individually organizing seminars regarding laws related to employment of disabled persons, various subsidies and establishment of easy-to-work environments for disabled employees.

As a result of these efforts, 15 job seekers were hired by recruiting companies in 2007.

Workplace tours and job-hunting seminars for students with disabilities

Many employment assistance events have been organized for students. However, these events may lack sufficient consideration for people with disabilities. Students with disabilities have often commented on the difficulties they experience when participating in an ordinary seminar or job-hunting event. In response to these claims, Omron Personnel launched new job-hunting support events for students with disabilities in 2007.

For four days in August, Omron Personnel organized a workplace tour. Some 50 participating students visited an Omron Personnel office where they were able to observe and meet staff with disabilities who were actively involved in the company's work. The students also heard about the work experiences of Omron Personnel employees

as well as the job-hunting experience of a university student who had already received a job offer. After the event, one student remarked, "I was impressed with the attitude of Omron Personnel employees. They approach their work with a deep sense of responsibility." Another said, "I know how hard it is to get started in the workplace. But after this tour I realized that I must take on the challenge and start working." Yet another person commented, "People who work at Omron Personnel are filled with vitality, and their joy at being able to work was contagious."

In August and December, Omron Personnel also hosted job-hunting seminars, which took place for three days of each month. These seminars were intended to give advice to disabled students, such as tips for taking aptitude tests and writing entry sheets, and other important aspects of job-hunting. The company sent invitations to 48 universities for these seminars, which drew a total of 80 participating students from 19 universities.

In 2008 and onward, Omron Personnel will continue holding job-hunting support events in Osaka, Hyogo and Shiga prefectures.

Job-hunting support seminar

Aiming to create a workplace that values the individual

To build an environment that allows employees to continue working without having to choose between work and family life, Omron opened its first daycare center ("Kirara Keihanna") near the Keihanna Technology Innovation Center in April 2006. This was followed by the opening of the second daycare center ("Kirara Kyoto") in July 2007 next to the Kyoto Head Office. A total of about 25 employees are using one or the other of these centers every day. An employee using these facilities expressed pleasure that his working wife could return easily back to work. Another person praised the expertise of the teachers and their helpful child-rearing advice.

By promoting a work-life balance, Omron can address social issues while at the same time meeting employee needs.

Omron has aggressively promoted various support initiatives to help employees achieve work-life balance. For those employees raising young children in particular, Omron provides benefits such as paid childcare leave and shorter working hours that are more generous than legal requirements dictate.

Taku Arima
Human Capital
Management Center
Corporate Resources
Innovation HQ

"Our on-site daycare center supports employees who are raising young children."

Work-Life Balance

Career reentry initiative helps employees balance work and personal life from a longer-term perspective

In fiscal 2007, Omron Corporation launched a career reentry initiative intended to provide employee support for work-life balance based on a medium-/long-term viewpoint.

This initiative gives hiring preferences to former employees who want to return to work after experiencing ongoing extenuating circumstances. Such circumstances may include relocation due to marriage or job transfer of a spouse, pregnancy, giving birth, care for a child or an elderly or ill family member, etc. The reentry application period is within three years after resignation, and reentered persons are employed as regular employees.

This initiative conforms to Omron's employment policy of securing talented employees and encouraging them to fully demonstrate their capabilities, while also allowing Omron to fulfill employee needs for a career plan that balances work and personal life.

Support for Nurturing the Next Generation

Additional leave for fertility treatment

A declining birthrate has become a critical issue in Japanese society. Accordingly, Omron Corporation and 14 Group companies introduced a special leave for fertility treatment in fiscal 2005. Employees who require longer leave than annual paid holidays for advanced fertility treatment are eligible for this initiative.

Moreover, the Omron Group employee association, named "WITH," began providing subsidies for fertility treatment in fiscal 2005. Omron Corporation pledges half of the association's membership fee. Should an employee or his/her spouse receive fertility treatment, the employee association provides a subsidy of up to 200,000 yen in total, provided that the sum of the public subsidy from the respective municipality and the subsidy from the association does not exceed the actual cost paid for treatment.

Respect for Diversity in the Workplace

Disabled employee ratio of 2.82% at Omron Corp. and the Omron Group in Japan ranks highly among manufacturers at 2.3%

As of March 2008, the percentage of employees at Omron Corporation with disabilities is 2.82% which is above the legally mandated level of 1.8%. This level includes employees at special subsidiaries charged with providing particular considerations for employees with disabilities. In the future, Omron will strive to increase the employment rate for disabled persons without including special subsidiaries, as well as the rate at divisions that have not yet achieved the legally mandated level.

The average employment rate for disabled persons including 17 Group companies in Japan is 2.30% as of March 2008, which is among the highest for the Japanese manufacturing industry, as initially aimed at. However, since eight Group companies failed to meet the legal requirement of 1.8%, efforts will be concentrated on promoting employment of disabled persons at these companies, as well as companies that have recently joined the Omron Group or whose employees recently exceeded 56, which makes it necessary to meet the legally required level.

Employment of Persons with Disabilities (in Japan)

*Reported in June of each year

Legend: Omron Corporation (%) | Omron Group (in Japan) (%) | National average in Japan (%)
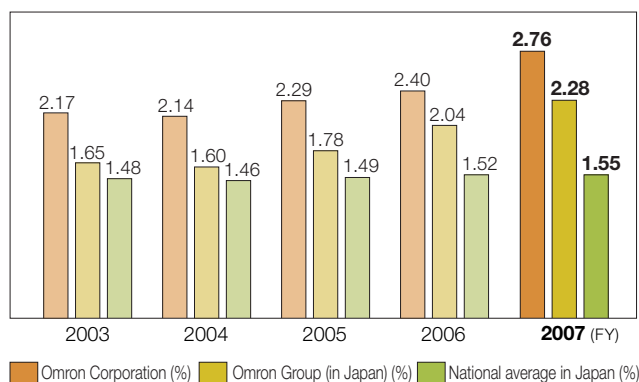
Female leader training program to promote women to positions of responsibility

Empowering women in the workplace is one of the focused areas of CSR activities for the GD-II stage. To recruit a variety of highly talented people, regardless of gender, and encourage all employees to demonstrate their capabilities to the fullest for the company's business management, Omron strives to create a more comfortable working environment for women as well as men and promote more women to managerial positions.

As part of this drive, Omron launched the female leader training program during fiscal 2001, and the fourth course was recently completed in fiscal 2007. Thanks to these efforts, the number of women in managerial or upper positions or with specialist status, as well as female leaders, has been gradually on the rise. As of March 2008, five women are in managerial positions and 69 are workplace leaders.

Respect for Human Rights

Instilling awareness of human rights at each worksite

To create a workplace that is free from discrimination and that holds the rights of individual workers in high esteem, a human rights committee has been set up at each Omron Corporation site and each Group company in Japan. These committees, revolving around the Central Human Rights Committee, work to instill and nurture a human rights-oriented mindset among employees.

The Central Human Rights Committee is responsible for formulating the Group-wide policy and awareness-enhancement projects in Japan. Based on these, each worksite's personnel in charge of human rights promotion organizes training programs and workplace discussions, solicits human rights slogans and selects the outstanding ones, and distributes posters or signboards.

In the future, aiming to raise human rights awareness at the Group companies overseas as well, Omron will review the education programs at each of four regions (China, Asia Pacific, Americas and Europe) and support training at each company.

Occupational Health and Safety

Customized advice for promoting and maintaining employee health

At Omron, no serious occupational accidents resulting in loss of workdays occurred during fiscal 2007. This was mainly attributable to Omron's commitment to promoting employee health and safety in the workplace, as well as Omron's production lines, which employ relatively few dangerous or hazardous processes.

To promote the mental and physical health of employees, Omron emphasizes the prevention of lifestyle diseases and other afflictions. As such, Omron's Health Management Center provides medical advice tailored to each employee. As for mental healthcare, a part of the company's long-term commitment, Omron has a plan to strengthen various systems.

Occupational Accident Frequency Rate (in Japan)

Legend: Omron Group (in Japan) (%) | Electric machinery manufacturing industry (%) | All industries (%)

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

Striving to enhance the quality of products and services

For some time, we at the Monozukuri Innovation Headquarters have concentrated on preventing the production of defective products by implementing a line certification system designed for assurance of suppliers' production line quality. Omron engineers inspect and evaluate each supplier's production lines throughout the world to verify that Omron's quality standards are met.

In fiscal 2007, the line certification system was expanded globally so that a total of 300 lines in 15 countries had been certified as of March 2008. As a result, we can now purchase from certified highly ranked suppliers for 65% of all parts/materials categories. In the future, we will strengthen our collaboration with the head office's centralized procurement department to build a solid partnership with suppliers and further contribute to quality improvement.

Along with the rapid globalization of its production system, Omron is working to reinforce its product quality assurance system worldwide. To strengthen productivity and product quality across the Omron Group covering all business companies, Omron set up a cross-divisional specialized organization, the Monozukuri Innovation Headquarters in September 2006. This organization implements various measures globally to maintain its quality policies of "no input, no production and no output" of defective parts or products.

Norishige Aoki
Parts Evaluation Group
Monozukuri Innovation HQ

"We are striving to expand our line certification system to ensure the highest possible product quality."

Product Liability
Safety comes before functionality, performance and cost

To realize maximum customer satisfaction, which is one of its Management Commitments, Omron has focused on improving the quality of products and services. Of the many factors that determine quality, Omron considers safety to be the most important, even before functionality, performance and cost. Omron strives to maintain and enhance the safety of its products and services at every stage of its business process from product planning and development through procurement and production, all the way up to sales, after-sales service and disposal.

In response to society's demand for maintenance and improvement of safety, as well as the steadily increasing proportion of overseas production at Omron, the Monozukuri Innovation Headquarters has established a system of strengthening its fundamental platform technology for production. This ensures that anywhere in the world, the basic requirements for product safety are met, including avoidance of purchase of defective parts, and prevention of production and supply of defective products.

Quality Assurance
Establishment of a quality management system and strict implementation of PDCA cycle

Omron has set forth a Group-wide quality policy, while also preparing quality manuals for each business division and Group company, in order to establish a solid quality assurance system. To date, five business divisions, 15 Group companies in Japan and 20 Group companies abroad have acquired ISO 9001 certification for their quality management systems. This leads to strict implementation of a PDCA cycle at each organization. In line with the PDCA cycle, each organization first formulates a yearly action plan for improvement, evaluates the degree of achievement, then drafts and implements measures for further improvements.

Well-established procedures are in place to quickly relay accurate and complete information to top executives in the event of a serious claim. Omron considers claims of this nature to be one of the most important management issues, and immediately implements necessary actions in order to minimize damage.

Quality Assurance Organization
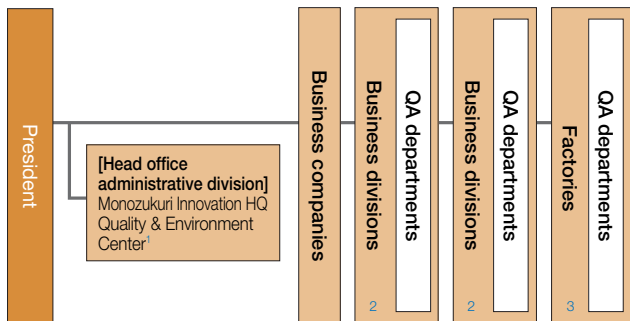
[1] Quality & Environment Center (Head Office)
This department establishes Omron's basic quality policies and strategies, and performs audits for each business unit, in order to promote corporate-wide activities to ensure quality.

[2] Quality assurance departments of business divisions
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.

Launching a quality risk audit from a customer's perspective

The Quality & Environment Center of the Monozukuri Innovation Headquarters conducts quality audits for various business divisions and Group companies. The quality audits use evidentiary documents and checklists to verify that a quality assurance system has been fully established and is being operated in conformance with Omron's quality policy.

In fiscal 2008, Omron plans to launch a new quality risk audit while continuing regular quality audits, in order to further enhance its quality assurance system. The new audit will determine whether quality assurance processes related to safety, security and reliability are properly functioning from the perspective of customers, based on actual cases in which products have become subject to customer complaints.

Based on the results of these audits, Omron aims to fully understand customer requirements and prevent a recurrence of problems that have occurred in the past. Omron will also use the audits to evaluate safety from the user's point of view, while conducting a total review of the existing quality assurance system and taking corrective/improvement measures when necessary.

WEB ISO 9001-certified Sites

Nurturing quality leaders at each business company and at the corporate level

At Omron, each business company is committed to training personnel in charge of quality management and assurance. At the corporate level, rank-specific quality training programs are available for employees, along with FMEA* training mainly targeting development, design and quality assurance personnel.

As in previous years, various quality training programs were organized in fiscal 2007, with management-class seminars attracting 179 participants and training courses for leaders drawing 49 participants. A total of 78 employees took the FMEA training course.

For fiscal 2008, a plan is under consideration to reorganize the overall quality education system, including each business company's training programs, aiming for continued personnel development. As part of this plan, Omron will further enhance quality education for new and recently promoted employees.

* FMEA (Failure Modes and Effects Analysis) is a methodology for analyzing potential failure modes within a system. Failures are classified by the materiality 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

MC-670-E digital thermometer wins iF Product Design Award

To supply products that are easy to use for anyone, Omron Healthcare Co., Ltd. conducts universal design evaluation at every stage of product development to secure a high level of usability. The company also asks about 1,200 consumers to use and monitor products that are under development, and seeks to incorporate feedback and suggestions into products.

Even after a product is released, opinions and requests from customers who actually used the product for some time are analyzed based on inquiries received by the support center, information gathered through user cards and findings from customer satisfaction surveys. Omron Healthcare staff occasionally visit customers to observe how products are actually used, in order to identify possible issues. By collecting information through various means, Omron Healthcare seeks continual improvements in usability.

Partly as a result of these efforts, the Omron MC-670-E digital thermometer won the gold award as part of the iF Product Design Awards* 2007. The product was highly regarded by iF judges for its user-friendly design that allows easy use and readings for users of all ages. Features include a flat tip that allows users to hold it comfortably under the arm, a large easy-to-read LCD, and a sleek body that fits easily in the hand.

* iF Product Design Awards are presented annually by Industrie Forum Design in Hannover, Germany. With a history dating back to 1953, awards are given to the best industrial designs selected from among products entered from all over the world in 12 categories, including healthcare and consumer electronics. Criteria for judgment include shape, performance, creativity, safety and environmental friendliness.

Omron digital thermometer recognized for outstanding user-friendliness

Building sustainable relationships with partners

Omron's production sites around the world purchase parts and materials from some 2,700 companies. In conformance with its "open, fair and global" purchasing policy, Omron is working to extend CSR activities to involve the entire supply chain.

In response to rapidly increasing purchase volume in China, Omron initiated CSR procurement there ahead of other regions. As such Omron has worked to form purchasing contracts including CSR provisions with major local suppliers since fiscal 2006.

In China we have concluded purchasing contracts including CSR provisions with a total of 249 suppliers by the end of fiscal 2007. This represents 81% of all suppliers.

In February 2008, Omron production sites in China conducted a survey on a trial basis for 25 main local suppliers, with many questions related to CSR, such as human rights, labor practices, occupational safety and health, the environment, fair dealings and corporate ethics, quality, safety and others.

We are aiming to analyze the results of the survey along with those of the preceding survey in Japan and use the data to assess the status of CSR practices across the entire supply chain.

Lin Xiao Hong
Omron (China) Co., Ltd.
Shenzhen Branch

"We conducted a questionnaire survey on a trial basis to determine the CSR status of our suppliers."

Observance of Subcontract Act

Employee education focusing on fair dealings

Omron emphasizes employee education regarding the Subcontract Act, which forms the basis for fair dealings with suppliers and subcontractors.

Staff members serving as contacts to deal with suppliers/subcontractors are encouraged to acquire the necessary knowledge by taking part in external seminars and making inquiries to regulatory authorities whenever questions arise. Omron also works to raise employee awareness regarding the Subcontract Act through the e-learning program targeting all Group employees.

In fiscal 2007, the e-learning program included an additional "Application" course that offers specific case studies. A total of 305 employees engaged in purchase/procurement from Group companies in Japan have completed e-learning courses (including the new course). To ensure strict observance of the Subcontract Act, Omron will continue enhancing the employee education program.

Promotion of CSR Procurement

Solidifying partnership with suppliers through individual interviews

In April 2007, Omron met with its main suppliers individually in Japan, during which the director in charge of purchasing explained Omron's basic attitude toward CSR procurement.

In accordance with the company's policy of fulfilling its social responsibility along with business development, and to share Omron's philosophy behind CSR, Omron forwarded a request letter to suppliers asking them to follow eight basic requirements related to quality maintenance, environmental conservation, respect for human rights and appropriate labor practices. Specific requirements included: no discrimination in recruiting and employment, no child labor or forced labor, establishment of an appropriate work environment, and other items.

In November 2007, Omron conducted a CSR-related questionnaire survey for 69 main suppliers in Japan. The results of the survey were analyzed so as to assess the status of CSR practices by suppliers. Omron aims to expand CSR procurement to include all overseas regions on a step-by-step basis.

Focusing on interactive communication

Omron Corporation's general shareholders meeting held on June 21, 2007 included a new feature—presentations by business company presidents and the CEO of Omron Healthcare Co., Ltd. The presentations highlighted businesses and products on which they are currently focusing, in addition to the conventional presentation of Omron Group's business results, given by the President.

At the 2007 shareholders meeting, we included a detailed presentation of each business company's conditions to help strengthen shareholder understanding of Omron. Shareholders reacted favorably, with one person commenting, "I like this approach because I was able to learn about Omron's business in depth." Another said, "The presentation gave me valuable insight into Omron's future business development plans."

The 2007 meeting drew 586 shareholders, the highest number ever. Shareholders who exercised their voting rights totaled 8,033, including those who did so in written form or via the Internet, representing a voting rate of 77.8%.

We plan to adopt additional measures that allow us to more thoroughly incorporate feedback from shareholders into our management strategies.

Masanori Fujimoto
Investor Relations Department
Corporate Strategic Planning HQ

> **"Presentations by business companies included detailed explanations of our focus on various businesses and products."**

IR Communications

Aiming to strengthen two-way interactive communication

With its investor relations policy emphasizing two-way interactive communication, Omron is working to expand communication opportunities with shareholders.

In fiscal 2007, Omron participated in 47 investor relations events targeting individual investors, including corporate presentations and investor fairs, communicating with some 9,000 investors. For institutional investors, Omron provided more than 670 communication opportunities. These included the President tours to personally meet investors throughout the world, presentations of business results and financial standing, teleconferences, and participation in investor relations conferences. The President also had a newly created opportunity to exchange opinions and share views on mid-/long-term management plans with analysts and investors. IR pages within the Omron Website were also upgraded as a tool for supporting two-way communication with investors.

Distribution of Profits

Goals: dividend payout ratio of at least 20% and dividends on equity of 2%

Omron considers investments in the form of R&D and capital expenditures to be essential for expansion of business. Therefore, Omron's earnings distribution policy is based on securing internal capital resources for investments to promote growth, and distributing any surplus to shareholders to the maximum extent possible.

As for annual dividends, Omron's near-term goals are to maintain a minimum dividend payout ratio of 20% and dividends on equity (DOE)* of 2%.

Omron will utilize retained earnings accumulated over a long period of time to repurchase and retire the company's stock, or in other ways to benefit shareholders.

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

WEB Dividends, Retained Earnings, Interest-bearing Liabilities, R&D Expenditure

Socially Responsible Investment (SRI)

Inclusion in internationally renowned SRI indices

Highly recognized for the company's proactive CSR practices, Omron has been included in two international SRI indices: Morningstar SRI Index and Ethibel Sustainability Index. Omron is also included in several SRI and eco-friendly funds such as the Corporate Governance Fund set up by Japan's Pension Fund Association (as of March 31, 2008).

Omron will continue promoting interactive communication with investors, with the aim of widely disseminating information on Omron's CSR activities.

Acting as a responsible corporate citizen throughout the world

In July 2007, Omron Asia Pacific Pte. Ltd. in Singapore launched "Omron Outreach," a regional initiative aimed at improving the living standards of poor communities in Southeast Asia.

The first program under the initiative consisted of a joint effort with Omron Electronics (Indonesia) for the students of the Yapendik Eirene elementary school in the northern part of Jakarta, Indonesia. In Indonesia, there are millions of out-of-school children and the country also faces problems of child labor and street children. This program therefore comprises a ten-month nutrition program and distribution of packages containing school supplies to help students from lower economic backgrounds attend school.

In our school, most of the 70 students come from poor or disadvantaged backgrounds.

The Omron Outreach initiative provides these children with nutritious meals once a week and milk and nutritious snacks five times a week. The students also receive packages of school supplies, which help motivate students to attend school. One child who had been carrying a broken bag and an old notebook said, "I was very happy when I got a bag and a textbook. I'm also very happy because I can drink milk every day."

We hope that Omron will continue to support our school.

Ms. Julien Massie
Headmistress
Yapendik Eirene Elementary School

"Providing meals and school supplies helps children from disadvantaged backgrounds."

Supporting Volunteer Activities of Employees
Encouraging employees' volunteer activities with the "Eco-Volun" initiative

Since fiscal 2006, Omron has been promoting its "Eco-Volun" initiative at its two sites in Tokyo. Under this initiative, employees receive a predetermined number of points when they participate in environmental conservation or volunteer activities, for instance, 30 points per year for keeping a household eco-accounting book. The points that employees earn are combined and converted into a monetary value. The company then pledges this amount to various corporate-level contribution activities.

In fiscal 2007, a total of 9,820 points was accumulated. These points were used to donate 150 seedlings to the NPO Morizukuri (Forestation) Forum for its tree-planting project. In fiscal 2008, as part of the celebration for the 75th anniversary of the company's founding, Omron will promote "Eco-Volun" activities that involve all employees throughout the world.

Founder's Day Activities
Some 10,200 Omron employees engage in community service throughout the world

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

In fiscal 2007, a total of 10,200 employees participated representing the Omron Group as a whole. Participants consisted of 3,700 from Omron Corporation, 1,700 from its Group companies in Japan, and 4,800 from Group companies overseas. As a new attempt for the year, Omron organized a workshop to seek the possibility of international cooperation through the new trading system (fairtrade) at its site in Osaka. Group companies' volunteer services included Omron Field Engineering employees' wheelchair cleaning at a home for the elderly, and cleanup activities by Omron Iida employees at a local welfare institution.

WEB Founder's Day Activities

Overseas Community Involvement

Greater China

In Dalian, employees continued their annual free-of-charge blood pressure measurement service in fiscal 2007. They also organized a seminar on blood pressure monitoring and obesity control for local citizens at the company's facility to help promote their health.

In Beijing and Shanghai, Omron volunteers organized cleanup and tree-planting activities for a local park, while engaging in social interaction with disabled children.

Free blood pressure measurement in Dalian

Americas

In the U.S., Omron staff pulled weeds at a nature center and local parks. Other activities included participation in charity parties at a support center for victims of sexual and domestic violence, as part of their efforts to address social issues.

Staff in Brazil visited a nursing home for the elderly and a child-care center to assist in various activities.

Pulling weeds at a U.S. nature center

Europe

In the U.K., Omron employees interacted with children with disabilities and donated specialty equipment to the home they attend.

Staff in the Netherlands took part in a fundraising drive for asthma patients and a charity event for muscular weakness sufferers.

Omron staff in the U.K. with disabled children

Asia Pacific

In Singapore, a donation was made to a Singapore foundation that offers financial assistance to heart disease sufferers.

Omron employees in Malaysia took part in a 24-hour fasting event for fundraising for underprivileged children in collaboration with World Vision, an international relief organization.

In Thailand, staff participated in a mangrove reforestation project in a region with heavily eroding coastlines.

Mangrove forestation in Thailand

Community Involvement Activities in Various Fields

Continuing support in five areas

Omron promotes community involvement in five main areas—science and technology, social welfare, arts and culture, international cooperation, and environmental activities.

As usual, Omron continued its support in the areas of science and technology and social welfare through the Tateisi Science and Technology Foundation and the Kyoto Omron Community Foundation during fiscal 2007. Omron also is a regular sponsor of sporting activities for people with disabilities, such as the Oita International Wheelchair Marathon and the All-Japan Long-distance Wheelchair Relay Race.

In the area of international cooperation, Omron participates on an ongoing basis in a knitting charity project for disadvantaged children worldwide, and supports the Foster Parents project organized by the NGO Plan Japan.

Communication with Local People and Organizations

Aiming for harmonious coexistence with local communities

With the aim of serving as a valued corporate citizen, Omron strives for harmonious coexistence with local communities. As such, Omron not only complies with all applicable laws and rules but also respects local culture and customs. Proactive communication with local people and organizations is also promoted in order to build relations of mutual trust.

In fiscal 2007, Omron participated in a dialogue with the Kyoto NPO Center and Kyoto prefectural government on the establishment of a fund for revitalizing communities in Kyoto.

Community Involvement Expenditures

Encouraging self-reliance at factories run by disabled staff results in reduced expenditures

During fiscal 2007, although expenditures in the field of social welfare increased, those related to science and technology decreased. Omron Taiyo and Omron Kyoto Taiyo, factories staffed and run by the disabled, also transformed their business structures to promote self-reliance. As a result, Omron's total community involvement expenditures declined 95 million yen from the previous year.

Breakdown of Community Involvement Expenditures by Field

Arts & culture
14,952,670

International cooperation, environmental activities, etc.
2,352,139

Disaster aid
750,000

Social welfare
74,374,575

Total
524,865,476
yen

Self-organized programs
387,662,067

Science & technology
44,774,025
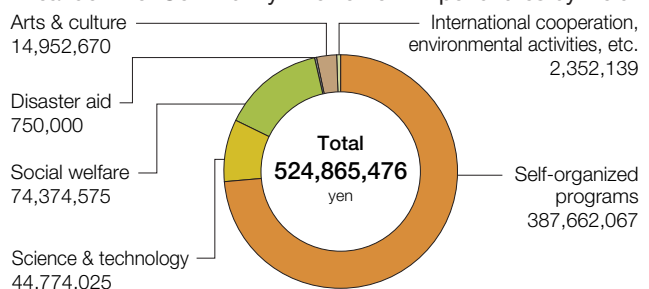
Omron's Environmental Performance

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.

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

Eco-Logistics
Environmentally friendly logistics

Eco-Communication
Disclosure of environmental information and environmental contribution activities

Eco-Factories/Laboratories/Offices
Environmentally friendly business activities

Eco-Management
Environmental efforts in corporate management

Eco-Products
Creating environmentally friendly products and products that have a positive effect on the environment

Eco-Mind
High environmental awareness of all employees

Note: When preparing Sustainability Report 2008, 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 previous year's report.

Implementation of cleanup measures for soil/groundwater where contamination is detected

In fiscal 2007, Omron's survey identified volatile organochlorine compounds that exceeded environmental standards, found in the soil and groundwater on the grounds of Omron's Kusatsu Factory. Omron estimates that this was primarily caused by the leakage of a chemical substance previously used for cleaning parts, which was discontinued 24 years ago.

Hazardous substances polluting soil and groundwater that exceeded environmental standards were also detected at the Okayama Factory. This problem is thought to be mainly caused by waste present at the waste disposal facility located on the grounds before the Okayama Factory commenced operation.

As a company committed to living up to its CSR, Omron takes these findings very seriously, and thus is promoting cleanup measures in order to ensure maximum safety and security for inhabitants in neighboring areas, at the earliest possible time.

Iron powder injection method for cleanup at Kusatsu Factory

[1] Trichloroethylene was widely used as a cleaning agent due to its high degreasing properties until the 1980s. In 1989 in Japan, this substance was designated as a Class II specified chemical substance that has the potential to cause damage to human health if continuously exposed, and a standard value has been specified by the Environment Basic Law.

[2] cis-1,2-Dichloroethylene is a decomposition product of trichloroethylene. As with trichloroethylene, a standard value has been specified by the Environment Basic Law for this substance as well.

Kusatsu Factory

Cleanup measures involving injection wells and bulkheads

Volatile organochlorine compounds detected at the Kusatsu Factory in Shiga Prefecture included: trichloroethylene[1] with a peak level 1.6 times the standard maximum value and cis-1,2-Dichloroethylene[2] with a peak level 16.3 times the standard maximum value from soil. Also from groundwater, cis-1,2-Dichloroethylene with a peak level 17 times the standard maximum value was detected. The Kusatsu Factory had used trichloroethylene for cleaning pressed parts until 1983. This substance may have leaked out into the soil for some reason, where it remained and decomposed.

As an immediately effective remedy, Omron constructed approximately 50 wells inside the boundary of the premises to decompose cis-1,2-Dichloroethylene and purify groundwater flowing out of the site. Omron also surrounded the polluted soil with bulkhead to prevent outflow of contaminated groundwater, while at the same time chemically reducing the contaminated soil inside the bulkhead using iron powder. Omron is continuing to monitor the situation, and aims to complete this cleanup process by 2010.

Okayama Factory

Implementing voluntary cleanup measures to make extra-sure

At the Okayama Factory, lead, fluorine, arsenic, cyanogen, PCB and boron, designated as hazardous substances by the Soil Contamination Countermeasures Law, were detected from soil, perched water[3] and groundwater within the factory grounds. Except for natural substances such as arsenic, fluorine and boron, the findings of all other substances are thought to be caused by waste that had been buried in landfill before the start of the factory's operation.

In the neighborhood of the factory, groundwater is not used as drinking water and no specified chemical substances have been detected. Also, as pollution levels are low, the Okayama municipal government took the position that this pollution would not impact life in the neighboring area. Even so, Omron is voluntarily implementing cleanup measures. These include purification of groundwater and perched water using a water treatment system and wells for pumping up polluted water, as well as soil replacement for contaminated areas.

[3] Perched water is a separate body of groundwater about 2m below the ground surface, lying above the main groundwater separated by an impermeable clay or rock layer.

Hazardous Substances Detected at Kusatsu Factory and Cleanup Measures

Item		Surveyed wells	Wells where surveyed values exceed standards	Peak level (mg/ℓ)	Standard value (mg/ℓ)	Max. pollution factor (times)	Cleanup measures
Ground-water	cis-1,2-Dichloro-ethylene	37	9	0.68	0.04	17	• Wastewater treatment system • Construction of injection wells
Soil	Trichloro-ethylene	21	2	0.049	0.03	1.6	• Surrounding contaminated soil area by bulkhead and cleanup
	cis-1,2-Dichloro-ethylene	21	5	0.65	0.04	16.3	

Well construction for pumping contaminated water at Okayama Factory

44

Aiming for long-term maximization of corporate value and contribution to sustainability

In addition to onsite internal audits based on the ISO 14001 environmental management system and regular external audits by ISO assessors, Omron's auditing system includes corporate audits carried out by the Head Office environmental department.

In fiscal 2007, corporate audits were conducted for eleven sites in Japan and two sites overseas. Corporate audits emphasize legal/regulatory compliance, measures for reducing environmental pollution risk, and promotion of the Group's environmental action plan, providing an overall review and inspection of the entire Group that transcends organizational barriers.

WEB Auditing Items, Results of Audits and Points Requiring Improvement

This year's corporate audit examined our company's environmental performance from a third-party viewpoint. This audit also helped us to extract several issues that we could not discover through our internal audits. We were also able to receive valuable advice regarding methods of disseminating environmental directives and a plan to introduce low-emission vehicles. The auditors also pointed out a partial incompleteness in contract documents used with waste disposal subcontractors, helping us to avoid environmental and legal risks.

Masakazu Noguchi
Manager
Systems Promotion Section
Quality & Environment Department
Omron Takeo Co., Ltd.

"Corporate audits that transcend organizational barriers are effective for ensuring achievement of corporate-wide targets."

Environmental Management Promotion System

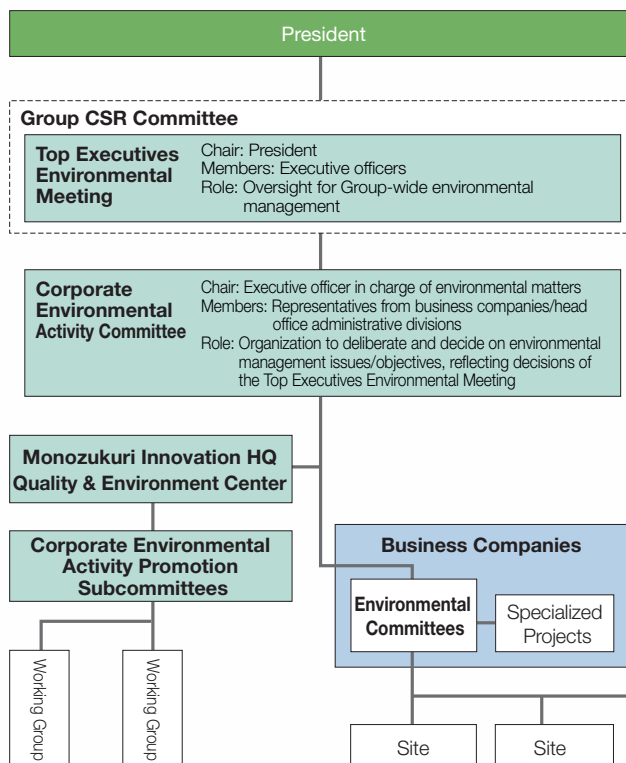### Implementing corporate-wide strategies at BCs in a way tailored to each business line

Considering environmental conservation to be an important management objective, Omron formulated its "Green Omron 21" environmental management vision in 2002. With the dual aims of long-term maximization of corporate value and contribution to the development of a sustainable resource-circulating society, the vision is designed to promote activities in six key areas including Eco-Mind and Eco-Management (see pg. 43).

At the highest level of Omron's Group-wide environmental management system is the Top Executives Environmental Meeting, which is responsible for overseeing Group-wide environmental management. Beneath it is placed the Corporate Environmental Activity Committee, which decides on Group-wide environmental measures and targets based on the Green Omron 21 vision. Environmental committees established within business companies then align these measures and targets with their business operations to individually plan specific environmental conservation activities and implement them at each site.

The Quality & Environment Center of the Monozukuri Innovation Headquarters is tasked with planning and promoting Group-wide environmental measures. The Corporate Environmental Activity Promotion Subcommittee sets up working groups as necessary to make specialized examinations of common environmental measures and issues shared across the Group. It then submits the findings to the Corporate Environmental Activity Committee.

WEB Environmental Management Assessment System

Environmental Management Structure

President

Group CSR Committee

Top Executives Environmental Meeting	Chair: President Members: Executive officers Role: Oversight for Group-wide environmental management

Corporate Environmental Activity Committee	Chair: Executive officer in charge of environmental matters Members: Representatives from business companies/head office administrative divisions Role: Organization to deliberate and decide on environmental management issues/objectives, reflecting decisions of the Top Executives Environmental Meeting

Monozukuri Innovation HQ Quality & Environment Center

Corporate Environmental Activity Promotion Subcommittees

Working Group

Working Group

Business Companies

Environmental Committees

Specialized Projects

Site

Site

Environmental Management System

Seventy ISO 14001-certified sites throughout the world

Emphasizing construction of an environmental management system as the foundation for addressing environmental issues, Omron has promoted acquisition of ISO 14001 certification across the Group.

Overseas, six sites received new ISO 14001 certifications in fiscal 2007, making a total of 25 sites ISO 14001 certified. In Japan, 12 sites were subtracted due to merger/consolidation of sites, resulting in a total of 45 ISO 14001-certified sites. As a result, 29,208 out of 35,486 employees in the Omron Group (82%) are now working in ISO 14001-certified sites.

ISO 14001-certified Sites in Each Region

Region	Number of ISO-certified sites
Japan	45
North America	3
Europe	3
Asia Pacific	5
China	14
Total	70

WEB ISO 14001-certified Sites

Employee Environmental Education

Expanding environmental education via e-learning

Mindful that enhancement of environmental awareness and knowledge is essential for environmental management, Omron emphasizes providing employees with environmental education and opportunities to raise their ecological awareness.

The environmental e-learning program, launched in fiscal 2004, offers nine courses such as "Kyoto Protocol and Global Warming Issues" and "Outline of Chemical Substance Survey Manual." In four years, more than 8,220 employees have completed the program.

To enhance employees' environmental awareness, Omron has continued to organize Environmental Month seminars in June of each year and solicit employee ideas for environmental proposals and slogans. Omron also encourages employees to use a household eco-accounting book ("Eco-Life Sheet") that keeps track of home energy use to promote energy-saving efforts at home.

In fiscal 2008, as part of the global celebratory event for its 75th anniversary, Omron will aggressively promote employees' participation in environmental conservation and volunteer activities with the "Eco-Volun" initiative (see pg. 41).

Product assessment reviewer training

FY2007 Environmental Education Program Participants (in Japan)

Category	Type of education	Participants
Rank-specific environmental education	Environmental education for new recruits (organized by Head Office)	114
	Environmental education for new recruits (organized by each site)	481
	Environmental education for general staff	9,359
	Environmental education for managerial-class employees	561
Education for qualified personnel	Internal auditor education	190
	Environmental impact assessor education	138
	Product assessment reviewer education	30
Environmental e-learning	9 courses	1,022

Environmental Accounting

Economic benefits of 1 billion yen generated by spending 5.3 billion yen

In fiscal 2007, Omron implemented environmental accounting practices at 49 sites in Japan. Environmental investments for that year amounted to approximately 200 million yen, or a decrease of 100 million yen compared to fiscal 2006. Environmental expenses were approximately 5.1 billion yen, or an increase of 800 million yen. As a result, total environmental costs increased 700 million yen from fiscal 2006.

Environmental performance benefits declined from fiscal 2006, because all environmental impact factors such as energy consumption and waste volume rose due to the increase in the number of sites. Economic benefits totaled approximately 1 billion yen, with a 100 million yen increase in the gain from the sale of usable resources compared to fiscal 2006. Cost-saving was also realized by reducing the input volume of raw materials.

WEB Environmental Costs, Environmental Performance Benefits, Economic Benefits

Environmental Risk Management

Aiming to complete PCB waste disposal

At Omron, power capacitors, transformers and fluorescent lamp ballasts, which contain polychlorinated biphenyls (PCBs), are stored and managed in compliance with the Law Concerning Special Measures for Promotion of Proper Treatment of PCB Waste. For storage of these devices, Omron implements strict leakage prevention measures and regularly checks the quantity through ledger control. Omron aims to complete disposal of PCB waste by keeping up with the progress of wide-area PCB waste treatment by the Japan Environmental Safety Corporation.

In fiscal 2007, the number of stored PCB-containing devices grew due to the increase in sites. The increase consisted of five power capacitors containing PCBs in high concentrations and one transformer containing PCBs in low concentrations.

PCB-containing Devices Stored (in Japan)

Type	Stored devices (units)	
	High-concentration content of PCB (units)	Low-concentration content of PCB (units)
Transformers	0	19
Power capacitors	70	0
Fluorescent lamp ballasts	376	0

Ongoing activities focused on six areas

	Theme	FY2007 Targets	FY2007 Results
Eco-Mind	Environmental education	• Put environmental education programs firmly in place	• Continued implementation of environmental education programs • 1,022 employees completed e-learning program
	Promotion of environmental awareness	• Continue hosting Environmental Month seminars • Continue soliciting ideas for environmental proposals and slogans • Continue Eco-Life Sheet initiative	• Conducted Environmental Month seminars (June) • Environmental proposal submission: 1,362 entries • Environmental slogan submission: 8,706 entries • Eco-Life Sheet initiative attracted 3,207 participants
Eco-Management	Environmental accounting	• Take steps for introduction to overseas Group companies	• No steps taken due to change of target
	Pollution control/ environmental risk management	• Maintain record of no legal infringement, environmental accidents, claims or complaints	• Voluntary survey revealed soil pollution sources exceeding environmental standard values at the grounds of the Kusatsu and Okayama Factories. Although these did not constitute a violation of the Soil Contamination Countermeasures Law, the findings were reported to municipal governments and voluntary information disclosure provided. • Conducted survey for grounds, buildings and records of chemical substance usage at 21 sites
	ISO 14001 certification	• Maintain and expand acquisition of ISO 14001 certification	• New certifications acquired by 6 overseas Group companies
Eco-Products	Development/supply of Eco-products	• Meet target for percentage of Eco-label products relative to new products based on new criteria	• Established new certification criteria but target-setting incomplete • Percentage of Eco-label products relevant to new products based on former criteria: 19%
	Creation of products with fewer or no hazardous chemical substances	• Maintain total elimination of hazardous chemical substances (lead, cadmium, mercury and hexavalent chromium)	• Maintained total elimination of hazardous chemical substances
	Promotion of green procurement	• Continue procurement from green suppliers	• Continued procurement from green suppliers
	Product recycling/reuse	• Initiate recycling/reuse for newly selected products	• Initiated recycling of recovered materials from rail station systems • Recycling for newly selected products not initiated
Eco-Factories/ Offices/Laboratories	Promotion of CO_2 emissions reduction	Japan • Production sites: Reduce CO_2 emissions per unit of production by 4% from FY2003 • Non-production sites: Reduce total CO_2 emissions by 2% from FY2003 Overseas • Production sites: Reduce CO_2 emissions per unit of production by 5% from FY2002	Japan • Production sites: 10% increase from FY2003 (49% increase if new sites are included) • Non-production sites: 4% increase from FY2003 (5% increase if new sites are included) Overseas • Production sites: 19% decrease from FY2002
	Waste reduction/recycling	Japan • Reduce waste volume per unit of production by 17% from FY1998 at production sites Overseas • Achieve zero emissions at production sites	Japan • 12% decrease from FY1998 for waste volume per unit of production (10% decrease if new sites are included) Overseas • Zero emissions not achieved at production sites
	Detoxification of PCB-containing waste	• Continue process to detoxify high concentrations of PCBs in devices • Consider detoxification of low concentrations of PCBs in transformers	• No relevant sites according to the processing facility's FY2007 detoxification schedule for high concentrations of PCBs • Completed survey to check for transformers containing low concentrations of PCBs
	Reduction of PRTR Law-controlled substances	• Maintain FY2005 levels per unit of production	• Released amount: 25% decrease from FY2005 (25% decrease if new sites are included) • Transferred amount: 173% increase from FY2005 (148% increase if new sites are included)
	Resource conservation at sites	• Maintain FY2005 total volume levels	• Office paper used: 9% decrease from FY2005 (8% decrease if new sites are included) • Water used: 18% decrease from FY2005 (13% increase if new sites are included)
	Air pollution prevention	• Maintain FY2005 levels per unit of production	• NOx: 76% decrease from FY2005 (78% decrease if new sites are included) • SOx: 56% decrease from FY2005 (60% decrease if new sites are included)
	Water contamination prevention	• Maintain FY2005 total volume levels	• BOD: 4% decrease from FY2005 (0.3% decrease if new sites are included) • COD: 3% decrease from FY2005 (7% increase if new sites are included)
Eco-Logistics	Promotion of CO_2 emissions reduction at logistics stage	• Japan: Meet reduction target for emissions per unit of production • Overseas: Set reduction target for emissions per unit of production	• Reduction target setting incomplete in Japan and overseas Emissions in Japan: 6,018 tons (5% decrease from FY2006) Emissions overseas: 52,757 tons (40% decrease from FY2006)
	Promotion of resource conservation at logistics stage	• Continue implementation of returnable container system and expand channels • Shift from stretch film to green band	• Completed returnable container system between logistics centers and factories • Shifted to green band on a trial basis; more time needed for full-scale introduction
Eco-Communication	Environmental communication (environmental reporting, site reporting)	• Continue publishing report and strengthen information disclosure • Expand sites covered by the report	• Published Omron Sustainability Report (June) • Released environmental information for 4 additional Group companies in Japan
	Environmental communication (public relations, exhibitions)	• Continue release of environmental information through website • Continue participating in environmental exhibitions • Continue release of environmental information using media	• Updated CSR website (July) • Participated in Enviro-Shiga (Oct.) and Eco-Products (Dec.) • Placed environment advertisement in "Nikkei Ecology" magazine (Feb. and Mar. 2008)
	Environmental/social contribution activities	• Continue contribution activities at each site in cooperation with local community • Continue giving environmental lectures for elementary school students	• Organized Kyoto ModelForest activities (Nov.) • Gave environmental lectures at 5 elementary schools targeting about 400 students

* **New sites:** Omron Precision Technology Co., Ltd.; Omron Semiconductors Co., Ltd.; TAMA Fine Opto Co., Ltd.; and FA Techno Corporation

Rating	FY2008 Targets	FY2010 Targets	Page
O	• Continue implementation of environmental education programs	• Maintain and continue implementation of environmental education programs	P46
O	• Continue hosting Environmental Month seminars • Continue soliciting ideas for environmental proposals and slogans	• Strengthen measures to raise environmental awareness among employees	P46
✕	• Review target	• Review target	P46
△	• Kusatsu Factory: Monitor post-cleanup soil conditions • Okayama Factory: Continue implementation of cleanup measures	• Continue no cases	P44
O	• Maintain and expand acquisition of ISO 14001 certification	• Maintain and expand acquisition of ISO 14001 certification	P46
△	• Percentage of new Eco-label products relative to new products: 10%	• Meet target for percentage of Eco-label products relative to new products based on new criteria	P54
O	• Maintain total elimination of hazardous chemical substances • Build structure for compliance with REACH and consider information system development	• Maintain total elimination of hazardous chemical substances • Finish establishing information system for compliance with REACH	P54
O	• Continue procurement from green suppliers	• Continue procurement from green suppliers	Web
△	• Study possibility of recycling/reuse for newly selected products	• Put recycle/reuse system in place for newly selected products	Web
△	Adjust reference year values by including new sites Japan • Production sites: Reduce CO_2 emissions per unit of production by 5% from FY2003 • Non-production sites: Reduce total CO_2 emissions by 2.5% from FY2003 Overseas • Production sites: Reduce CO_2 emissions per unit of production by 6% from FY2002	• Achieve COP3 target specified for Japan (8.6% CO_2 emissions reduction from FY1990)	P50–51
△	Japan • Reduce volume of waste per unit of production by 19% from FY1998 at production sites Overseas • Achieve zero emissions at production sites	Japan • Reduce volume of waste per unit of production by 22% from FY1998 at production sites • Achieve zero emissions at all sites	P52
O	• Conduct detoxification process according to the processing facility's schedule for detoxifying high concentrations of PCBs	• Conduct detoxification process according to the processing facility's schedule for detoxifying high concentrations of PCBs	P46
△	• Maintain FY2005 levels per unit of production	• Maintain levels per unit of production	Web
O	• Maintain FY2005 total volume levels (Sites newly added in FY2006 or later should maintain levels achieved at the time of addition)	• Maintain total volume levels	P52
O	• Maintain FY2005 levels per unit of production	• Maintain levels per unit of production	Web
O	• Maintain FY2005 total volume levels (Sites newly added in FY2006 or later should maintain levels achieved at the time of addition)	• Maintain total volume levels	Web
△	• Set emissions reduction targets	• Meet reduction targets	P51
△	• Continue use	• Continue use	Web
O	• Continue publishing report and strengthen information disclosure • Expand sites covered by the report	• Continue publishing report and strengthen information disclosure • Expand sites covered by the report	Web
O	• Continue release of environmental information through website • Continue participating in environmental exhibitions • Continue release of environmental information using media	• Hold environmental forum	Web
O	• Continue community contribution activities	• Continue community contribution activities	Web

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

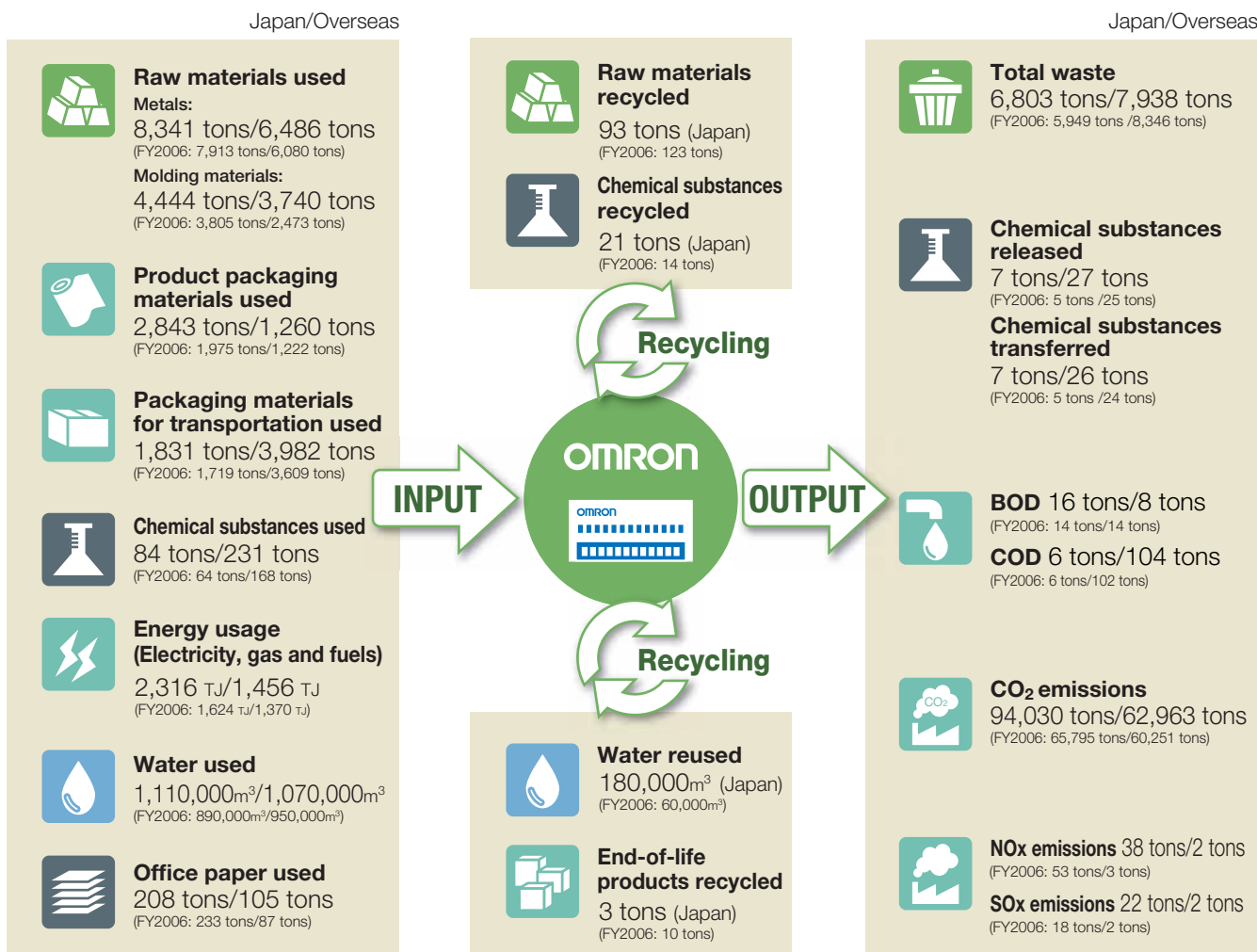## Mass Balance on Environmental Impacts

Data compilation according to new MOE guidelines

Business activities impact the environment in various ways, including the use of natural resources, emissions of hazardous chemical substances and CO_2, and other factors. To reduce the environmental impact of its business operations, Omron assesses and analyzes the amounts of energy and resources used (inputs) and the amounts of solid waste, wastewater and chemical substance emissions (outputs)

at 70 sites throughout the world. The mass balance data is compiled in conformance with the latest Environmental Reporting Guidelines 2007 issued by the Ministry of the Environment (MOE), and used to formulate measures to reduce environmental impact.

During fiscal 2007, almost all areas of environmental impact increased compared to the previous year, due to the expansion of Group companies in Japan through M&A, and the increased volume of production abroad. In fiscal 2008, Omron will review reduction targets by including newly established sites in Japan, while working to reduce environmental impact that accompanies increased production overseas.

WEB Site Reports

Japan/Overseas

Raw materials used
Metals:
8,341 tons/6,486 tons
(FY2006: 7,913 tons/6,080 tons)
Molding materials:
4,444 tons/3,740 tons
(FY2006: 3,805 tons/2,473 tons)

Product packaging materials used
2,843 tons/1,260 tons
(FY2006: 1,975 tons/1,222 tons)

Packaging materials for transportation used
1,831 tons/3,982 tons
(FY2006: 1,719 tons/3,609 tons)

Chemical substances used
84 tons/231 tons
(FY2006: 64 tons/168 tons)

Energy usage (Electricity, gas and fuels)
2,316 TJ/1,456 TJ
(FY2006: 1,624 TJ/1,370 TJ)

Water used
1,110,000m³/1,070,000m³
(FY2006: 890,000m³/950,000m³)

Office paper used
208 tons/105 tons
(FY2006: 233 tons/87 tons)

INPUT

OMRON

Recycling

Raw materials recycled
93 tons (Japan)
(FY2006: 123 tons)

Chemical substances recycled
21 tons (Japan)
(FY2006: 14 tons)

Recycling

Water reused
180,000m³ (Japan)
(FY2006: 60,000m³)

End-of-life products recycled
3 tons (Japan)
(FY2006: 10 tons)

OUTPUT

Japan/Overseas

Total waste
6,803 tons/7,938 tons
(FY2006: 5,949 tons /8,346 tons)

Chemical substances released
7 tons/27 tons
(FY2006: 5 tons /25 tons)

Chemical substances transferred
7 tons/26 tons
(FY2006: 5 tons /24 tons)

BOD 16 tons/8 tons
(FY2006: 14 tons/14 tons)
COD 6 tons/104 tons
(FY2006: 6 tons/102 tons)

CO_2 emissions
94,030 tons/62,963 tons
(FY2006: 65,795 tons/60,251 tons)

NOx emissions 38 tons/2 tons
(FY2006: 53 tons/3 tons)
SOx emissions 22 tons/2 tons
(FY2006: 18 tons/2 tons)

* Data for Japan includes newly established sites.

INPUT

Raw materials:	Molding materials and metals for product manufacture
Product packaging materials:	Paper and plastics for individual product packaging
Packaging materials for transportation:	Cardboard used for transporting products
Chemical substances:	Amount of regulated chemicals (PRTR substances) used at production facilities and laboratories
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
Office paper:	Printer/photocopy paper at production facilities and offices

OUTPUT

Waste:	Industrial waste from business activities and business-related general waste and usable resources
Chemical substances:	Chemical emissions to air, soil and public waterways Waste and amount transferred to sewage systems
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)
CO_2:	CO_2 emissions from electricity, gas and fuels
NOx:	NOx emissions from gas and fuels
SOx:	SOx emissions from gas and fuels

Promoting environmental management across the Omron Group

Omron Electronic Components (Shenzhen) Ltd., ECB's core production base in China, received the Guangdong provincial government's "Clean Producer" certification in June 2007. This certification is awarded to companies who promote sustainable business operations by implementing a production system designed to conserve energy and resources and reduce waste. In fiscal 2007, a total of 40 companies were certified, including several Japanese companies.

By increasing the efficiency of resource usage and reducing emissions of pollution-causing substances by means of an improved production system, we can meet our corporate social responsibility while enhancing the company's competitive strength.

We believe that our recent achievement of "Clean Producer" certification is recognition for the united efforts of all employees to preserve the environment.

We will continue to work on energy and resource conservation as well as prevention of pollution, while also offering eco-friendly products to the marketplace.

Replacement with environmentally sound refrigerants

System reusing heat from generators

Electroplating wastewater recycling system

Classification of waste materials into 22 categories to improve recycling rate

Huang Lihua
Manager
Quality Control Section
Quality & Environment Department
Omron Electronic Components (Shenzhen) Ltd.

"All employees' involvement in extensive environmental protection efforts was highly recognized."

Prevention of Global Warming

Planning comprehensive energy-saving measures for core equipment

In Japan, Omron has set a target for fiscal 2010 for an 8.6% reduction in CO_2 emissions compared to fiscal 1990. To meet this goal, Group-wide efforts are now concentrated on energy conservation by implementing strict controls on daily use of electricity, deploying more energy-efficient equipment and solar power generation systems, and promoting the shift to fuels that emit less CO_2.
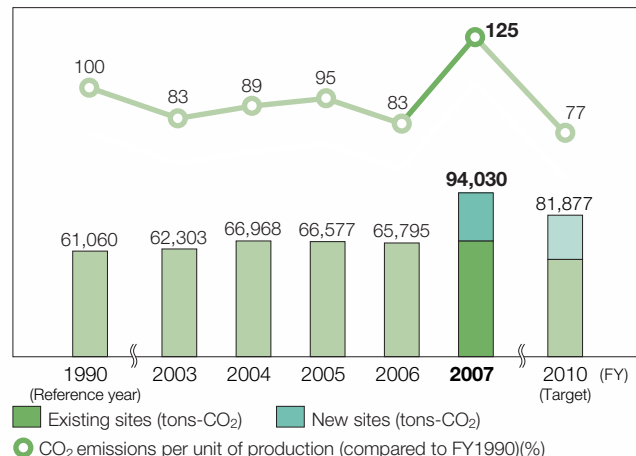
In fiscal 2007, total CO_2 emissions in Japan increased 2% from fiscal 2006 to 67,393 tons of CO_2. If the new sites that joined the Omron Group through M&A during the year are included, CO_2 emissions would become 94,030 tons of CO_2, a 43% increase from fiscal 2006. With the decreased volume of production in Japan resulting from production facilities shifted overseas, CO_2 emissions per unit of production also increased 49% compared to fiscal 2006. As a result, Omron failed to meet its targets for both total CO_2 emissions and CO_2 emissions per unit of production.

To achieve the 8.6% reduction target set for fiscal 2010, the company plans to deploy Omron energy monitoring systems at all sites in Japan during fiscal 2008 to promote visualization of energy usage. By so doing, Omron aims to take stronger comprehensive energy-saving measures for its core equipment and devices such as air conditioner systems,

heat sources and lighting equipment. Omron will also implement other measures such as employment of more energy-efficient equipment and adoption of the Kyoto clean development mechanism so as to achieve the CO_2 emissions reduction target.

WEB Energy Usage by Type

CO_2 Emissions (in Japan)

	1990 (Reference year)	2003	2004	2005	2006	**2007**	2010 (Target) (FY)
Existing sites (tons-CO_2)	61,060	62,303	66,968	66,577	65,795	94,030	81,877
CO₂ per unit (%)	100	83	89	95	83	125	77

Existing sites (tons-CO_2) | New sites (tons-CO_2)

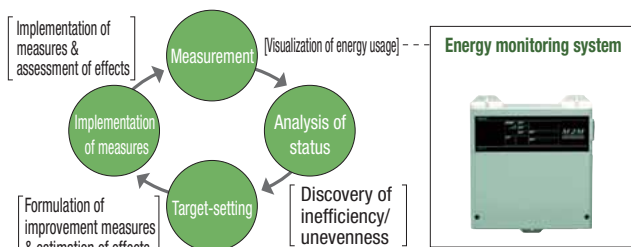CO_2 emissions per unit of production (compared to FY1990)(%)

- The Ministry of the Environment's CO_2 conversion coefficient is used to change the unit of emissions for various fuels.
- The national average power-receiving end coefficient reported by the Federation of Electric Power Companies is used for electricity.
- FY2010 target includes new sites (8.6% reduction compared to FY1990).

Visualization of energy usage

Omron has launched a measure to visualize energy usage and identify how much energy is consumed by which equipment when and where. By so doing, Omron aims to extract and eliminate inefficiency and unevenness in equipment operation, so as to improve energy use efficiency.

Omron's energy monitoring system measures the total amount of energy usage in real time and connects that data with the data in the machine ledger to create an energy-efficient equipment map. Based on this map, the ideal level of energy usage is estimated and compared with actual values to determine where inefficiency and unevenness exist in equipment operation. Based on this, measures are drafted for improvement. Omron then verifies the effectiveness of the measures, and revises or develops additional measures if necessary for further improvement. By taking this PDCA cycle approach, Omron aims to achieve an approximately 3,000-ton CO_2 reduction in Japan for fiscal 2008.

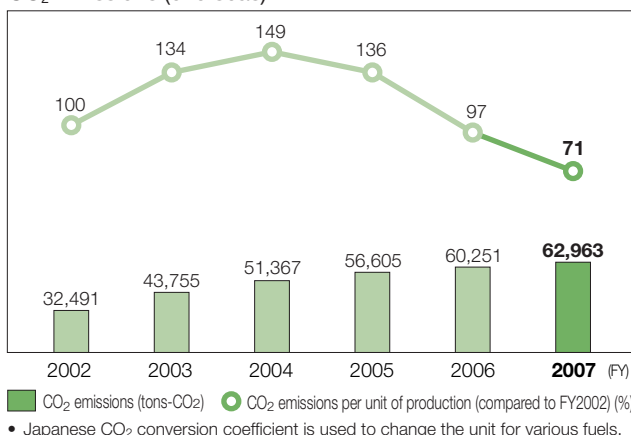PDCA Cycle for Operation Improvement through Visualization

Energy-saving efforts resulting in reduced CO_2 emissions per unit of production overseas

In fiscal 2007, Omron's overseas sites promoted energy conservation toward the goal of 5% reduction in CO_2 emissions per unit of production compared to fiscal 2002. Because of a 29% increase in production volume compared to fiscal 2006, total CO_2 emissions increased 5% to 62,963 tons of CO_2. However, emissions per unit of production (an indicator for energy usage efficiency) were down 19% compared to fiscal 2006, meeting the initial target.

As with sites in Japan, overseas sites will continue to promote day-to-day energy-saving efforts and employment of more energy-efficient equipment, in order to maintain at least a 1% reduction in CO_2 emissions per unit of production every year.

CO_2 Emissions (overseas)

Legend: CO₂ emissions (tons-CO₂) — CO₂ emissions per unit of production (compared to FY2002) (%)
• Japanese CO_2 conversion coefficient is used to change the unit for various fuels.

Non-CO₂ greenhouse gas emissions reduction

Omron uses non-CO_2 greenhouse gases for only a part of its production processes. Therefore, Omron has not set a Group-wide emissions reduction target. Still, various sites have been individually working to reduce non-CO_2 greenhouse gas emissions.

For example, PFC, HFC and SF6 are used in the semiconductor manufacturing process, resulting in emissions of 43,500 tons of CO_2 equivalent in a year. However, the deployment of a removal system allowed Omron to reduce emissions by 98.7%.

Omron will continue to accelerate the replacement of harmful gases with those that have a lower global warming potential (GWP), while working on installation of a removal system on new manufacturing lines.

PFC removal system

Environmentally Conscious Logistics

Reducing transport volume through improvements in transportation efficiency and modal shift

In Japan, Omron has reviewed circulating transportation routes and expanded consolidated cargo transportation and joint distribution with other companies for the enhancement of transportation efficiency. Inspection functions for products produced by overseas subcontractors, which used to be available separately at each factory, have been integrated into one site. This has helped Omron reduce transport volume, which contributed to a 5% reduction in CO_2 emissions at the logistic stage compared to fiscal 2006.

For overseas distribution, Omron integrated import/export points into one base, and promoted a modal shift away from air transport to high-speed ferry, resulting in a 40% drop in CO_2 emissions. In fiscal 2008, Omron will continue working to enhance transportation efficiency and execute a modal shift to further reduce CO_2 emissions.

As a shipper of goods, Omron is aware of its CO_2 reduction responsibility. Consequently, Omron also recalculated data in the logistic stage for the entire supply chain and began coordinating efforts toward setting a reduction target in terms of energy usage. But the setting of an actual target figure was put off into fiscal 2008.

CO_2 Emissions at Logistics Stage

Legend: Japan (tons-CO₂) — Overseas (tons-CO₂)
Cargo transport volume in Japan (tons) — Cargo transport volume overseas (tons)
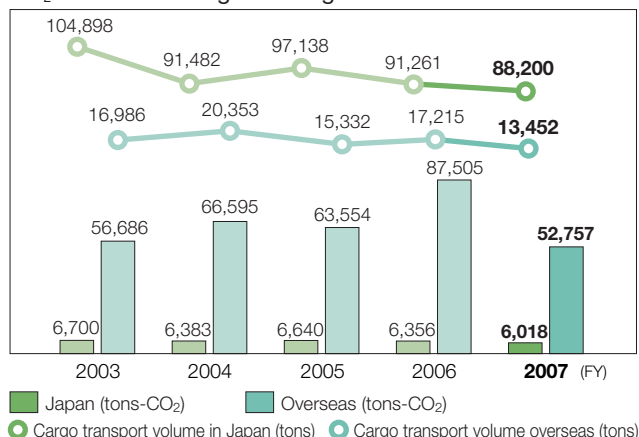
Waste Reduction

Improvement of waste volume per unit of production attained at Japanese production sites

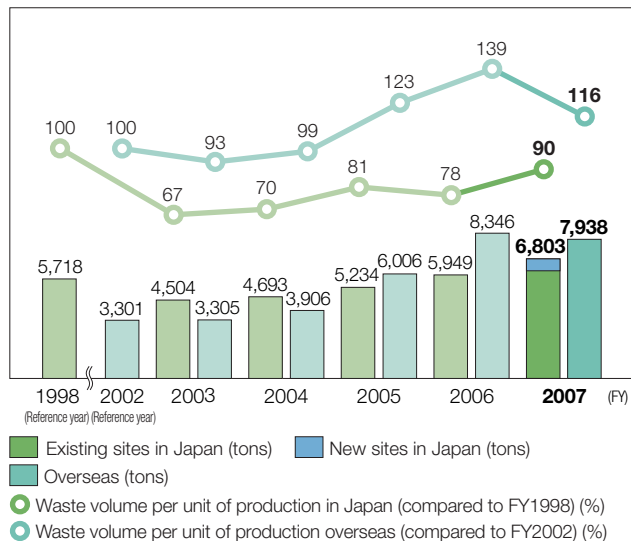In fiscal 2007, the total volume of waste in Japan was 6,803 tons, an increase of 854 tons over fiscal 2006. The main components of the increase for the production sites were 231 tons resulting from increased production and 683 tons resulting from the increase in sites included in the calculations. Non-production sites recorded a decrease of 59 tons due to proactive waste reduction efforts. Waste volume per unit of production in Japan declined 10%, which was below the reduction target of 17% compared to fiscal 1998.

Outside Japan, waste volume amounted to 7,938 tons, representing a decrease of 408 tons from a year earlier, which was mainly attributed to changes in the disposal method for nonindustrial waste.

In the future, Omron will work even harder to cut its usage of raw materials and enhance production efficiency, while also reducing waste by avoiding emissions in the upstream stage of the supply chain.

Waste Volume

Existing sites in Japan (tons)
New sites in Japan (tons)
Overseas (tons)
- ⊙ Waste volume per unit of production in Japan (compared to FY1998) (%)
- ⊙ Waste volume per unit of production overseas (compared to FY2002) (%)
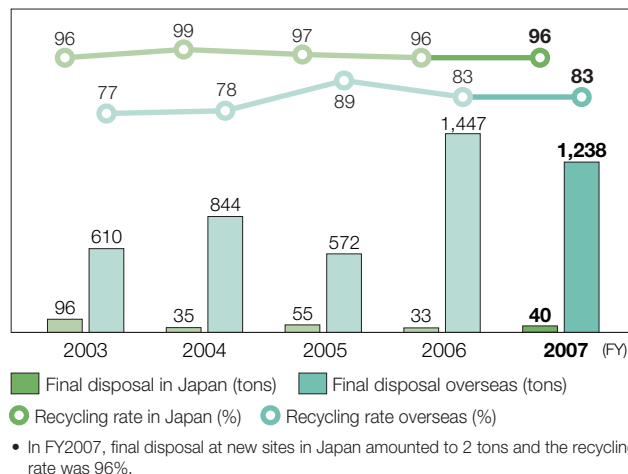
Zero emissions

At Omron, all Japanese production sites have already achieved zero emissions with 100% recycling and reuse of waste generated from business activities by fiscal 2004, and since have maintained the zero emissions status till now.

In fiscal 2007, zero emissions were achieved at eight additional non-production sites in Japan. However, the recycling rate remained the same as fiscal 2006 at 96%. Overseas production sites are now in the process of promoting zero emissions efforts.

In the future, the sites that have already achieved zero emissions will strive to more effectively re-circulate resources by promoting the use of a material recycling technique in order to further boost the recycling rate.

WEB Waste by Category

Disposed Waste Volume and Recycling Rate

Final disposal in Japan (tons)
Final disposal overseas (tons)
⊙ Recycling rate in Japan (%)
⊙ Recycling rate overseas (%)

- In FY2007, final disposal at new sites in Japan amounted to 2 tons and the recycling rate was 96%.

Effective Resource Utilization

Limiting water usage

In Japan, Omron worked to reduce water usage to meet the goal of maintaining it at the fiscal 2005 level (980,000m^3). Thanks to aggressive reduction efforts, the amount of water used in fiscal 2007 was 800,000m^3, which represents a 10% reduction from fiscal 2006 and meets the initial goal. However, the amount would increase to 1,110,000m^3 should new sites be included in the calculation. Overseas, the increased production pushed up water usage by 12% compared to fiscal 2006 to 1,070,000m^3.

Omron Semiconductors Co., Ltd., one of the new sites, uses about 600m^3 per day of 100% pure water. Used for semiconductor manufacturing, the water is virtually free from any impurities such as metal ions and microorganisms. This amount corresponds to 2,400 times the amount of water used by an average household in a day. Therefore, the company implements a high-purity water recycling system to recover 55% of the water used. It then treats it to produce ultrapure water for recycling, which in turn helps the company to reduce water usage.

In fiscal 2008, Omron plans to review the water usage reduction target in Japan including new sites, while also launching measures for water usage reduction overseas.

Ultrapure water recycling system

Water Usage

Existing sites in Japan (10,000m^3)
New sites in Japan (10,000m^3)
Overseas (10,000m^3)
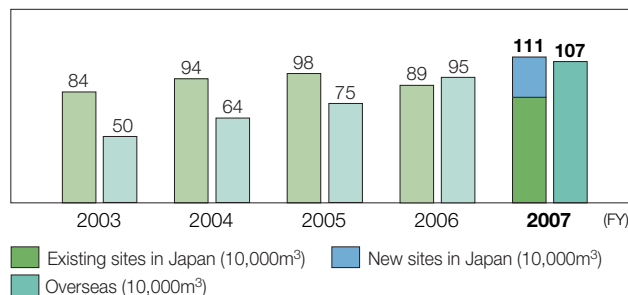
Creating Eco-products and minimizing the use of hazardous substances

Environmental Protection Use Period*

Packaging recycling mark

To meet EU's RoHS directive, Omron has already achieved total elimination of the substances banned by the directive, including lead, cadmium, mercury and hexavalent chromium, as of March 2006.

Following the EU RoHS, the China RoHS (Management Methods for the Control of Pollution from Electronic Information Products) went into effect in March 2007. Although China RoHS is almost identical to EU RoHS in terms of the types of substances covered and maximum concentration values, the Chinese version is two-phased—Phase One requires that companies disclose the presence and/or absence of the RoHS banned substances, and Phase Two requires that companies ensure that their products sold in China do not contain any of the banned substances.

* Environmental Protection Use Period (EPUP) is the time in years for which hazardous/toxic substances, under normal operating conditions, will not leak from the product, or the product will not change in a way that harms the environment or human health.

At Omron (Dalian) Co., Ltd., engaged in the production of healthcare devices such as blood pressure monitors and digital thermometers, we have conducted a detailed survey regarding substances contained in 31 products subject to the China RoHS regulation. Based on the findings of the survey, we list in the instruction manuals the names of hazardous and toxic substances contained in the products and their levels. Each product has the Environmental Protection Use Period (EPUP) marking along with a Packaging Recycling Mark on its packaging box. In preparation for the start of Phase Two, we are now examining the regulatory trends regarding the presence of hazardous substances or elements in products as well as third-party certification.

As stipulated in Omron's basic policy, we will continually provide customers with environmentally warranted products. By inspecting parts and materials used for products using a fluorescent X-ray analyzer, and through continuous evaluation of suppliers, we will aggressively pursue the development and production of products that meet all applicable regulations.

Zhang Junliang
Assistant Manager
Quality Assurance Section
Quality Assurance Department
Omron (Dalian) Co., Ltd.

"The united efforts of the production, development and sales sectors led to compliance with China RoHS."

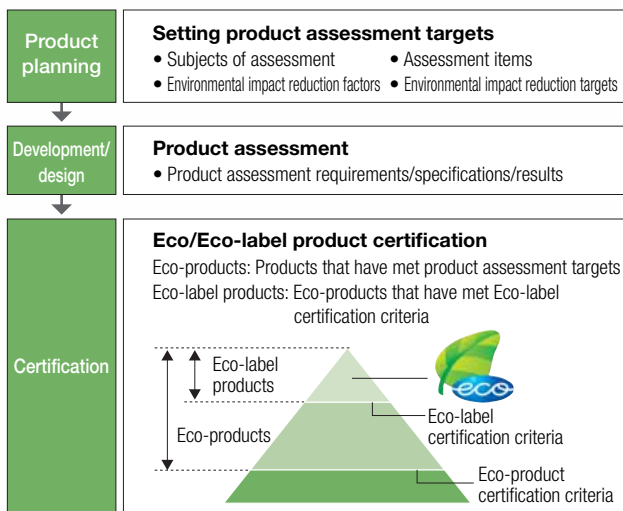## Environmentally Conscious Products/Services

Ensuring the supply of environmentally warranted products

Product assessment at Omron is intended to minimize the environmental impact of Omron products at every stage of their life span, and to assure the creation of products that fully comply with environmental laws and regulations in all relevant countries (Eco-products). Conducted at the product planning, development and design stages, product assessment involves prediction and estimation of the potential environmental impact of products. This is based on objective data and evaluation by product assessment reviewers (third-party personnel other than the developer). Since fiscal 2005, this system has been implemented at all production sites throughout the world targeting all Omron products.

In fiscal 2007, Omron continued concentrating on the cultivation of reviewers, resulting in certification for 30 additional reviewers. To meet the latest laws and regulations, China RoHS-related items have been added to the assessment criteria.

Omron will promote thorough implementation of product assessment to ensure the supply of environmentally warranted products.

Eco-product Creation Flow

Product planning	**Setting product assessment targets** • Subjects of assessment • Assessment items • Environmental impact reduction factors • Environmental impact reduction targets
Development/ design	**Product assessment** • Product assessment requirements/specifications/results
Certification	**Eco/Eco-label product certification** Eco-products: Products that have met product assessment targets Eco-label products: Eco-products that have met Eco-label certification criteria

Eco-label products

Eco-products

Eco-label certification criteria

Eco-product certification criteria

Eco-products and Eco-label products based on strict certification criteria

In 1988, Omron launched a certification program for Eco-products and Eco-label products. Products that have met environmental targets through product assessment are designated 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 certification criteria to expand applicable products to cover systems and software products. The new criteria became effective in fiscal 2007.

In fiscal 2007, a total of 31 Eco-label products were developed, accounting for 19% of new developments produced during the year. Omron Eco-label products sold in fiscal 2007 saved an estimated total of 12,010,000kWh of energy and conserved 243 tons of metal and plastic materials combined. In fiscal 2008, Omron aims to further increase its efforts to create more Eco-label products based on the new criteria.

Examples of Eco-label Product Developments in Fiscal 2007

65% less main material in use
"Thermac NEO" Digital Temperature Controller
(E5☐N-H Series)
A higher-performance version of the E5☐N series of versatile temperature controllers, the E5☐N-H series is compactly designed to reduce the use of main material (for the power transformer) by 65% compared to a conventional model.
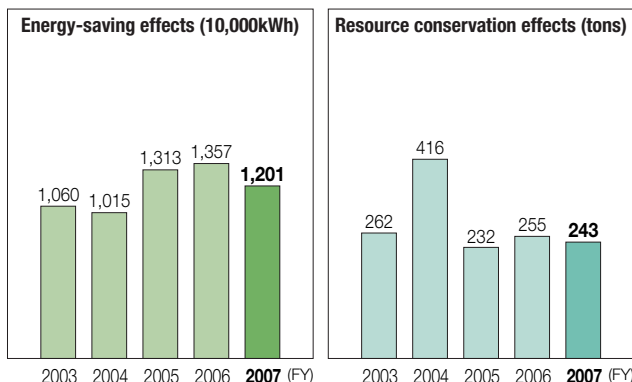
69% less power consumption
Vehicle Recognition/Imaging System
(3P5JZ-01,02)
This system combines a license plate recognition unit and a vehicle imaging unit, conventionally separate from each other, resulting in a 69% reduction in power consumption.

WEB Eco-label Products

Estimated Environmental Impact Reduction by Eco-label Products

Energy-saving effects (10,000kWh)

2003	2004	2005	2006	2007 (FY)
1,060	1,015	1,313	1,357	1,201

Resource conservation effects (tons)

2003	2004	2005	2006	2007 (FY)
262	416	232	255	243

Reduced Use of Hazardous Substances

Non-use of 16 substances warranted through Omron proprietary information systems

Based on its policy of not using any substances, raw materials, parts or equipment if concern for hazards arises, Omron has been working to reduce or eliminate hazardous chemical substances.

In December 2006, Omron reviewed and revised its own designated target substance groups to warrant non-use in products. This resulted in 16 target substance groups that conform to the electrical/electronic industry-wide guidelines issued by the Japan Green Procurement Survey Standardization Initiative (JGPSS).
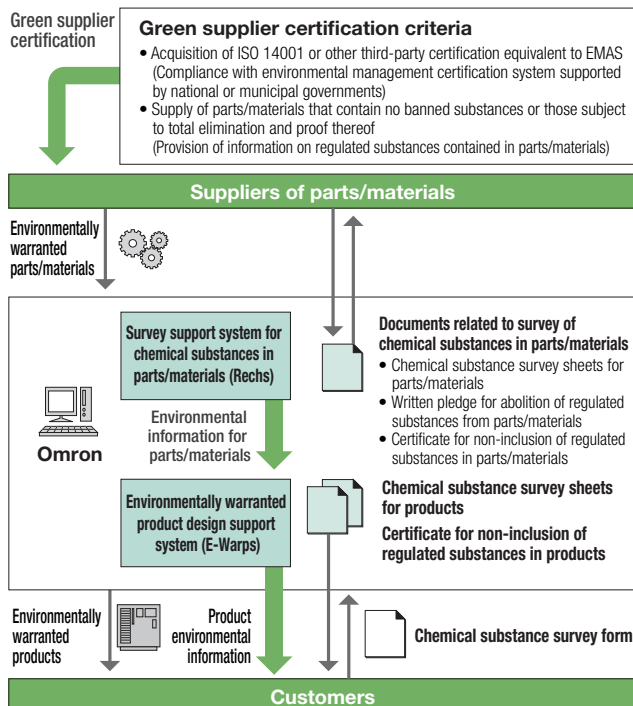
To facilitate efficient management regarding avoidance of the target substances, Omron also promotes implementation of its two support systems. Developed in 2003, the Rechs[1] system supports the survey of parts/materials for chemical substance content, while E-Warps[2] assists in the design of environmentally warranted products.

In fiscal 2007, Omron also commenced studies toward responding to EU's REACH (Registration, Evaluation, Authorization, and Restriction of Chemical substances) regulation, which came into force during the year. In fiscal 2008, Omron will strive to build a structure to promote compliance with REACH while also studying the possibility of constructing an information system.

[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.

Supply of Environmentally Warranted Products

Green supplier certification

Green supplier certification criteria
- Acquisition of ISO 14001 or other third-party certification equivalent to EMAS (Compliance with environmental management certification system supported by national or municipal governments)
- Supply of parts/materials that contain no banned substances or those subject to total elimination and proof thereof (Provision of information on regulated substances contained in parts/materials)

Suppliers of parts/materials

Environmentally warranted parts/materials

Omron

Survey support system for chemical substances in parts/materials (Rechs)

Environmental information for parts/materials

Environmentally warranted product design support system (E-Warps)

Documents related to survey of chemical substances in parts/materials
- Chemical substance survey sheets for parts/materials
- Written pledge for abolition of regulated substances from parts/materials
- Certificate for non-inclusion of regulated substances in parts/materials

Chemical substance survey sheets for products

Certificate for non-inclusion of regulated substances in products

Environmentally warranted products

Product environmental information

Chemical substance survey form

Customers

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

Each year the GLN team provides OMRON with an analysis of its CSR Strengths, Weaknesses, Opportunities and Threats (SWOT) and recommendations for action. OMRON continues to be highly responsive to our analysis and recommendations. In December 2007, I met with executives from the five business companies and from CSR and other staff functions to determine and update on its progress.

OMRON has taken a major step forward in the design, mission, and integration of its CSR function. CSR is seen as a value adding element of OMRON's Grand Design 2010. OMRON's CSR strategy has set bold goals to earn reputation as a global leader in CSR, support OMRON's vision to develop and disseminate technologies that build a better society, and to become internationally recognized for its CSR practices.

OMRON has established detailed plans and timetables to achieve this strategy. This exemplifies a deepening commitment to establish CSR as a function held to the same accountabilities and performance criteria as any other function within the company.

The CSR team is helping to drive and expand stakeholder engagement processes. This is a major step for OMRON as it expands its reach to stakeholders from communities it has not previously engaged with.

OMRON continues efforts to expand and deepen long standing commitments to green design and universal design.

All of this adds to continued, steady progress.

OMRON will over the next months take efforts to identify material environmental, social, and ethical issues. This process opens opportunities for OMRON to take a bigger leap forward in the approach and design to strategic integration of CSR into the business. I have suggested to OMRON that there may be more productive avenues for OMRON than linking CSR to brand value. As a B2B company, OMRON's understanding of societal and environmental challenges could translate into product and process innovations that help customers reduce their impact on climate change, and promote positive impact on the quality of life. OMRON has experience delivering breakthrough new technologies. It would be powerful to place greater emphasis on this approach. In addition, I have suggested to OMRON that it will be beneficial to become more specific in setting concrete goals and objectives for CSR performance and then utilizing processes and plans to achieve those objectives.

OMRON will benefit from thinking more strategically of how the adoption and use of "voluntary" standards can enhance business process performance in its operations outside of Japan. Finally, OMRON would benefit from the adoption of assurance processes that enable stakeholders to become more active partners in defining material issues, formulating strategies, and innovating processes to deliver on strategies.

I congratulate OMRON on its commitment to continuously improve its CSR performance. I encourage it to continue to seek to make greater progress over the next 12 months.

Sincerely,

Steven A. Rochlin
Head of AccountAbility North America

Results of Preliminary Examination Report by Independent Review Organization

With respect to the Omron Group's Sustainability Report 2008, Omron received a preliminary examination regarding material environmental performance data, conducted by Tohmatsu Environmental Research Institute Ltd. The purpose of the examination was to investigate development status of a data summation system, in preparation for receiving an independent review of material information to be included in its Sustainability Report in the future.

Independent Preliminary Examination Report on Omron Group's Sustainability Report 2008

June 6, 2008

To Omron Corporation:

Hiroshi Enoki
The Representative Direct
Tohmatsu Environmental Research Institute Ltd.

In preparation for an upcoming independent review of the Omron Group's Sustainability Report, Tohmatsu Environmental Research Institute Ltd. has conducted an examination (hereinafter referred to as "the Preliminary Examination") focusing on Omron's data summation system for material environmental performance data included in the Company's Sustainability Report 2008 for the period from April 1, 2007 through March 31, 2008. This Preliminary Examination was not designed to provide assurance or attestation. The following summarizes matters identified as a result of the examination for reporting.

Please note that the Preliminary Examination was not intended to provide detailed review of the Company's material environmental performance data, but was conducted as a part of the Company's drive to develop a system for accepting an independent review. As such, the examination did not cover all issues related to environmental management and disclosure of environmental information.

1. Calculation method for environmental performance data

With respect to calculation and summation of environmental performance data, standard forms are in place for each site to make a report to the Quality & Environment Center of Omron's Head Office, and calculation methods and data entry procedures are described in a relatively easy-to-understand manner. However, certain data calculation errors were identified for a part of the environmental performance calculated at a site. It is therefore desirable that the calculation methods be indicated more clearly in the forms prepared by the Quality & Environment Center. It is also desirable that improvements be made on calculation formats to ensure error-free calculation.

2. Upgrading the environmental information management system

In fiscal 2003, an environmental information management system was introduced to Omron Group companies in Japan, for use in the reporting and summation of environmental performance data. We have confirmed that this system has been used appropriately.

Additionally, a new environmental information management system is currently being built, and which can be accessed by overseas Group companies. This system is intended to help strengthen global management of environmental performance data. We expect Omron to further improve the forms to ensure correct data entry at each site, while incorporating a function in the new system that can detect potentially incorrect data.

3. Earlier summation of environmental performance data

With respect to environmental performance data reported from individual sites, including those of Group companies subject to information disclosure, the Quality & Environment Center checks the data through comparative analyses based on changes over time, and makes corrections or revisions by reconfirming the data in question with the concerned site, when deemed necessary. Checking data and reconfirming data against each site requires several weeks and substantial manpower. We therefore expect Omron to strengthen the checking function of each site regarding accuracy of data for enhanced precision of data reported by each site, so as to facilitate prompter summation of environmental performance data.

In closing, we would like to add that it is clear from the contents of the Sustainability Report 2008 that Omron has had a thorough discussion and identified important elements of Omron's CSR from the perspective of "materiality for CSR issues." In the future, we hope that Omron will develop major performance indicators related to material CSR issues that Omron has identified, in order to further promote its CSR management. As part of this drive, we also expect that Omron will confirm the development of a sufficient structure for calculating and summating social performance data to be disclosed with respect to material CSR issues, as well as environmental performance data.

OMRON
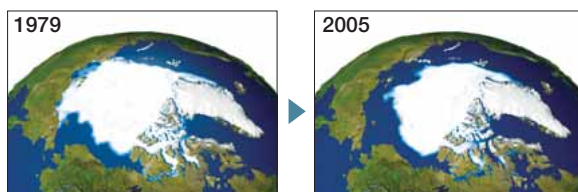
The two photos above are images of the Earth recorded by a satellite. The white sections show ice in the Arctic Circle. The photos show that the area of ice has become smaller in 2005 than it was in 1979, due to the effect of global warming. In light of this situation, Omron has specified a goal of reducing CO_2 emissions by 8.6% by 2010 compared to fiscal 1990, and has been working to prevent global warming by integrating its Group-wide efforts.