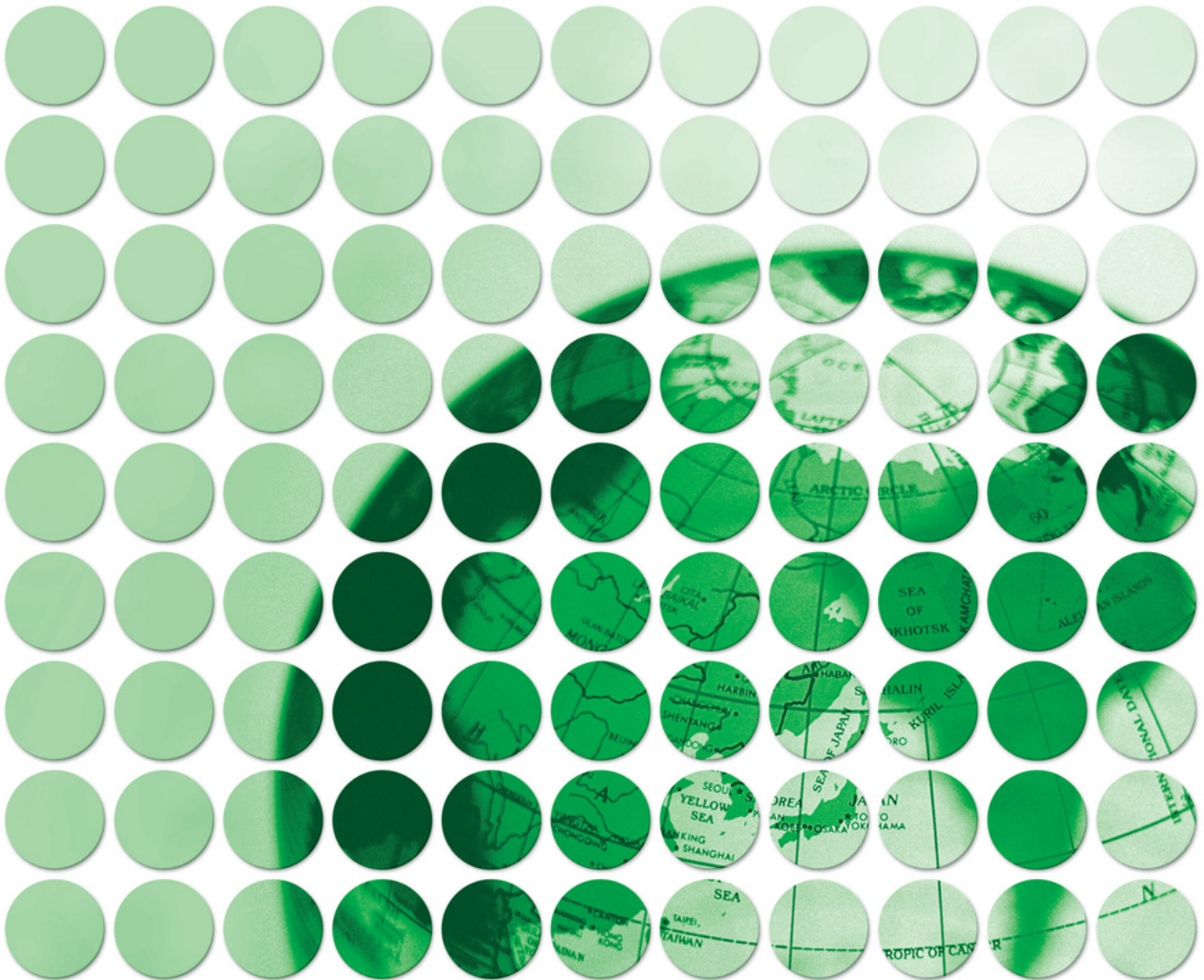


Sustainability Report 2005

OMRON

Sensing tomorrow™



Sustainability Report 2005

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Editorial Policy

Since 1998, Omron has published an environmental report every year. In 2004, we upgraded this report by including more comprehensive and detailed reporting of the social aspects of Omron's corporate activities, resulting in the publication of our first sustainability report. For the 2005 edition as well, Omron's sustainability report introduces our social activities targeting each stakeholder group, namely our employees, partners/suppliers, customers, shareholders, and regional communities or society as a whole.

This year's report also highlights our contributions to society through business activities in the five most representative areas of Omron's business, centering on the key concepts of safety, security, environmental conservation and health. This new "2004 Highlights" section was produced by interviewing Omron customers, suppliers and employees.

Detailed financial reporting is available in our Annual Report, while activities not covered by this report and other detailed performance data will be accessible via Omron's website, along with continued releases of new information.

Scope of this Report

Period: April 1, 2004 to March 31, 2005
Some items outside this period are also included.

Organizations covered:

Omron Corporation and 18 major affiliates in Japan
17 major affiliates overseas (see page 12 for details)
(3 companies in North America, 4 in Europe, 6 in China, and 4 in Asia-Pacific)

Previous publication: End of June 2004 (Japanese edition)

Next scheduled publication: End of June 2006
(Japanese edition)



Please refer to "Annual Report 2005" for financial reporting.

Information Available through Omron Website

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

<http://www.omron.com>



Guideline References

- Global Reporting Initiative (GRI) "Sustainability Reporting Guidelines 2002"
- Ministry of the Environment (MOE) "Environmental Reporting Guidelines" (2000 and 2003 editions)

Note: Comparative table with GRI and MOE guidelines is available on the Omron website.



Omron's Commitment to Sustainability

In 1959, Omron adopted the company motto, "At work for a better life, a better world for all" that stressed responsibilities and contribution to society. Since then, we have valued the spirit behind the motto and worked to fulfill it through our business operations and social activities.

- 2 Message from Top Executives
Contributing to the Sustainable Development of Society
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Maintaining Fairness and Integrity in All Corporate Activities

Contributing to the Sustainable Development of Society Striving for the “Best Matching of Machines to People”



Hisao Sakuta, President and Chief Executive Officer



Yoshio Tateisi, Chairman of the Board of Directors

Emphasizing interaction with stakeholders in conformance with the spirit behind Omron's company motto

Over the millions of years since the appearance of human beings on the Earth, people have endeavored to build a society and develop culture and economies. In recent years, however, the amazing speed of economic development has created distortions everywhere in society, widening the disparity between haves and have-nots, and causing a reckless depletion of Earth's limited resources.

We face the urgent need to solve various critical issues if we are to realize sustainable development in our society. These include depletion of energy and resources, growing industrial waste, food shortages and human rights-related issues. As a responsible corporate member of society, it is our responsibility to redress these problems, which were basically neglected during the era of rapid industrialization.

Since Omron Founder Kazuma Tateisi established Omron's motto in 1959, we have preserved and remained faithful to our philosophy of “the enterprise as a public servant,” and our belief that an enterprise exists to provide service to society. No company is worth continuing its operations unless it is positively evaluated by society. Every morning, all of us at Omron join together to recite our motto, “At work for a better life, a better world for all.” This helps us to daily renew our determination to put these underlying principles into practice. For Omron, it is essential that we maintain interactions with our stakeholders as guided by the spirit behind our company motto.

Based on this awareness, we have recently formulated Omron's basic Corporate Social Responsibility (CSR) policy. In line with our philosophy that underscores the fulfillment of our public responsibilities, this policy aims to do our part in promoting the sustainable development of society by providing solutions for the issues not sufficiently addressed in the industrialized society while

also strengthening communications with all stakeholders. Specifically, we have delineated three key elements that comprise Omron's CSR activities, which also serve as the guiding principles for our corporate activities and management practices. These are:

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

Based on this, we have determined the following four key areas that we will be focusing on between now and fiscal 2007:

1. Cultivating social needs through business operations.
2. Strengthening legal compliance and corporate ethics.
3. Addressing diversity issues by extending support to people with disabilities and encouraging women to take more active roles in the workplace.
4. Commitment to environmental conservation.

Our aim is to spread these key activities throughout the Omron Group everywhere in the world and even throughout our entire supply chain. In October 2004, a CSR Management Headquarters was established under the direct control of the President and CEO. Under the leadership of this headquarters, we are striving to clearly determine a CSR management system for Omron's internal business companies as well as affiliates in and outside Japan, and build a well-established PDCA cycle for continued improvement. We will also continue maintaining fairness and integrity not only in our management practices and business operations but also in the behavior of each employee.

Contributing to sustainable development toward the "Optimization Society"

With Omron's long-term corporate vision, "Grand Design (GD) 2010" targeting the first ten years of the present century, we seek to maximize the corporate value of the Omron Group on a long-term basis and also develop Omron into an ideal "21st century company" that can contribute to the sustainable development of society. The upcoming society we envision is one in which an optimal balance is achieved between individuals and society; between people and nature; and between people and machinery. This is what Omron refers to as the "Optimization Society." To realize such a society, we are determined to draw on our core strengths to create the "best matching of machines to people." That is, instead of people struggling to use complicated machines as in the past, we strive for machines that can understand what each person desires and perform operations to match the intentions of that person. To ensure such an ideal relationship between people and machines, we aim to refine even further Omron's core competencies of Sensing & Control technology.

As for our global business operations, we will concentrate our resources on expanding business in fast-growing China. November 2004 saw the opening of the Omron Sensing & Control Technology Fair in Shanghai, in which we were able to introduce Omron's business policy and strategies to as many as 15,000 attendees of the fair. In China as in all other regions, we are striving to promote localized management and contribute to the sound development of local society while maintaining considerations for occupational safety and health as well as concerns for human rights and the environment.

Respecting diversity in the workplace

"Diversity" is a keyword for today's society. It is everyone's responsibility to create a society in which all people appreciate differences in cultures, perceptions of value and personalities. Thus we can learn to live together by compensating for each others' weaknesses while developing individual strengths.

By strengthening our support for people with disabilities and creating more opportunities for women to demonstrate their talents to the fullest, Omron will maintain respect for diversity.

In particular, Omron has much accumulated experience in the area of support for people with disabilities. In fact, Omron was one of the first companies to promote employment and extend support to people with disabilities even before the legislation for the employment of disabled people came into force. Our efforts to create the "best matching of machines to people" should also prove effective for strengthening our support in this field. Along with providing work opportunities for people with disabilities, we also want to help them enhance the quality of their lives through support programs covering a wide range of areas.



(left) An article about the adoption of the company motto, which appeared in Omron's in-house publication
(right) A sketch of a monument design indicating Omron's motto, drawn by founder Kazuma Tateisi

Expressing determination to promote environmental management

On February 16, 2005, the Kyoto Protocol came into force. As a company headquartered in Kyoto where the protocol was adopted, Omron renews and strongly expresses our determination to promote environmental management.

In 1998, we established the Environmental Declaration, followed by the formulation of our environmental management vision, "Green Omron 21" in May 2002. In line with this credo and plan, we have worked to proactively address environmental issues so as to meet targets specified for fiscal 2005. In fiscal 2004, all Omron production sites in Japan have achieved zero emissions with 100% recycling or reuse of waste. Also to comply with the RoHS directive due to come into effect in July 2006, we have already eliminated the use of banned chemical substances in nearly 30% of all Omron products by assessing the content of regulated chemical substances in approximately 170,000 parts and materials that Omron purchases, while promoting the shift to alternative parts and materials.

We will now begin working toward reaching the targets specified with the renewed "Green Omron 21" vision for fiscal 2010. Particularly for CO₂ emissions, we have also set Omron's corporate-wide target for reduction of greenhouse gas emissions to match the reduction goal specified for Japan by the Kyoto Protocol. To meet this target, we will work even harder to promote activities for improvement of the environment, such as through continued and strengthened in-house energy conservation measures. At the same time, we will consider the adoption of clean energy sources including wind and biomass power generation systems, as well as options such as the employment of Kyoto Mechanisms that involve the purchase of emission rights.

Fulfilling accountability based on the opinions of many stakeholders

In 2004, we published our first Sustainability Report, adding social reporting to our conventional environmental reporting. Upon publication of this second issue, we have sought and referred to the opinions of many stakeholders and aimed to clarify Omron's conceptualization of CSR, while including as much as possible information regarding fiscal 2004 results and fiscal 2005 policies in a easy-to-understand manner.

We believe that fulfillment of Omron's accountability requires communicating with many stakeholders and explaining how Omron intends to meet their expectations, thereby strengthening their understanding of Omron. This Sustainability Report is one of the most useful tools for fulfilling our accountability. It will be a source of great satisfaction for us if even one person finds this report helpful in strengthening understanding of Omron.

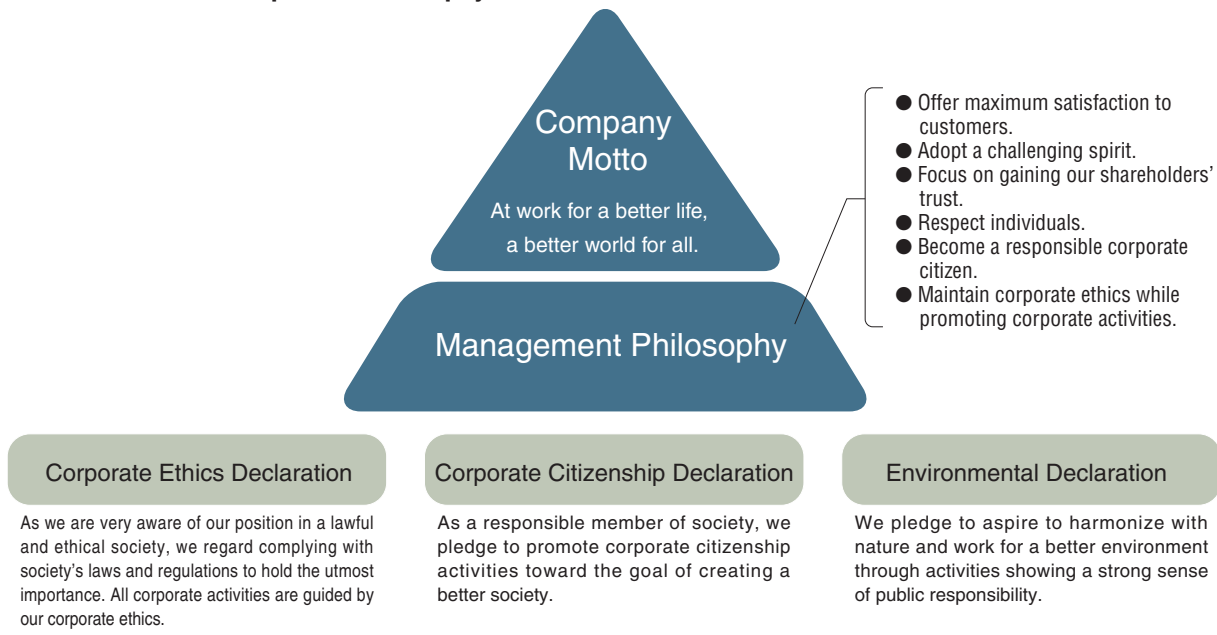
More detailed information regarding our CSR activities is also available on the Omron website, with financial information covered in our Annual Report. We sincerely welcome any and all comments about the Sustainability Report 2005 and Omron's CSR activities.

Yoshio Tateisi, Chairman of the Board of Directors, OMRON Corporation

Hisao Sakuta, President and Chief Executive Officer, OMRON Corporation

Awareness of Companies as Public Entities

Structure of the Omron Corporate Philosophy



The spirit behind Omron's company motto

Omron Founder Kazuma Tateisi had a keen awareness that companies should be thought of as public entities in the sense that the significance of a company's existence is not just its ability to earn profits but its ability to serve society. To instill this philosophy throughout Omron, the founder created in 1959 a company motto with simple and clear wording. The spirit behind this company motto conforms exactly to today's conception of Corporate Social





Responsibility.

Since the establishment of its motto, Omron has consistently maintained its commitment to contributing to society through business endeavors as well as corporate citizenship activities. This spirit has remained a guiding principle throughout Omron's corporate activities.

Embodiment of Omron's company motto

Since its inception, Omron has been committed to quickly assessing societal trends and anticipating and meeting the potential needs of society, a process which Omron calls "cultivation of social needs." These

efforts have produced a steady stream of products that contribute to society. Along with these products, Omron has pioneered the effort to address broader societal issues.

	Business activities	Corporate citizenship activities
1950s	Electronic automation control devices developed. (1953)	Community service committee established and community services started. (1957)
1960s	Meal-ticket vending machine developed. (1963) Traffic control system developed. (1964) Unmanned train station system developed. (1966)	 Electric artificial arm for thalidomide victims manufactured. (1968)
1970s	Automated banking system developed. (1971)	Omron Taiyo Co., Ltd.* established. (1972)
1980s	 Unmanned station system 	Omron Kyoto Taiyo Co., Ltd.* established. (1986) Tateisi Science and Technology Foundation established. (1991)
1990s		 Omron Day established to promote employee involvement in social contribution activities. (1991) Support given to efforts to remove antipersonnel landmines. (1998)

* See page 36.

Corporate Philosophy

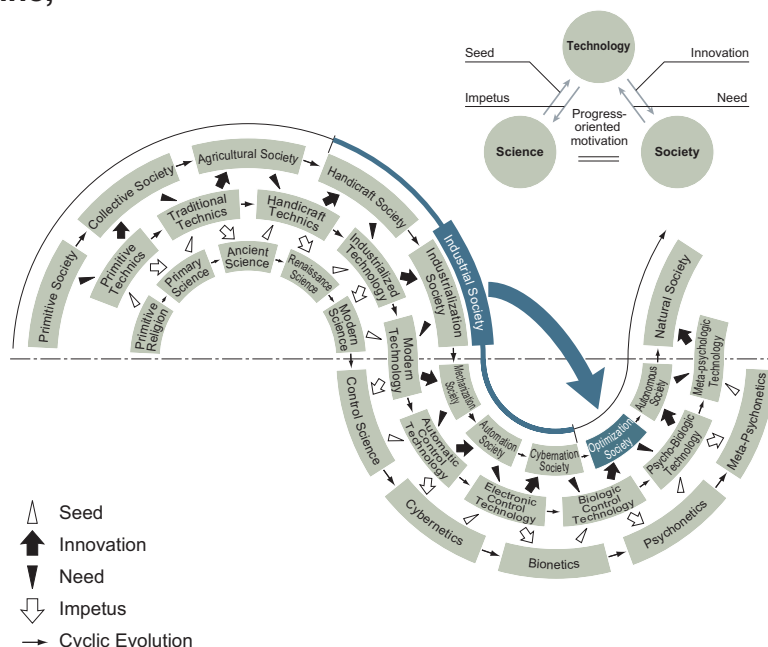
**To the machine the work of the machine,
to man the thrill of further creation.**

SINIC Theory for predicting future trends

SINIC DIAGRAM

Seed-Innovation to Need-Impetus Cyclic Evolution

According to Omron's SINIC theory, science, technology and society have a cyclical relationship, in which each area impacts and influences the others in two directions. In one direction, scientific breakthroughs yield new technologies that stimulate society to advance. In the other direction, the needs of society motivate technological developments and expectations for new scientific advancement. Both of these directions affect each other in a cyclical manner, encouraging society to evolve.



Future prediction by the SINIC Theory

The future envisioned by Omron's founder

In 1970, Omron founder Kazuma Tateisi developed a unique future prediction method called "SINIC (Seed-Innovation to Need-Impetus Cyclic Evolution) Theory" and presented it at the International Future Research Conference. Since then, this theory has served as a compass determining the direction of Omron's management.

The SINIC Theory predicted that the traditional agricultural society would be followed by an industrialized society, which in turn would be broken down into five phases (handicraft society, industrialization society, mechanization society, automation society and information society). According to the SINIC Theory, a new society, called the "Optimization Society," will follow the information society, the final phase of the industrialized society, around 2005.

While our industrialized society has brought about great material wealth, it has also left many issues unsolved. Such issues include energy and resource depletion, growing industrial waste, food shortages and human rights concerns. In the Optimization Society we envision, these issues will be redressed and psychological fulfillment and quality of life will grow in importance as fundamental desires of human beings. At the same time, the pursuit for efficiency and material affluence emphasized by the industrialized society will become relatively less important. This will in turn create a complete balance and harmonious relationship between individuals and society, between humans and the environment, and between people and machines.

Omron in the Optimization Society

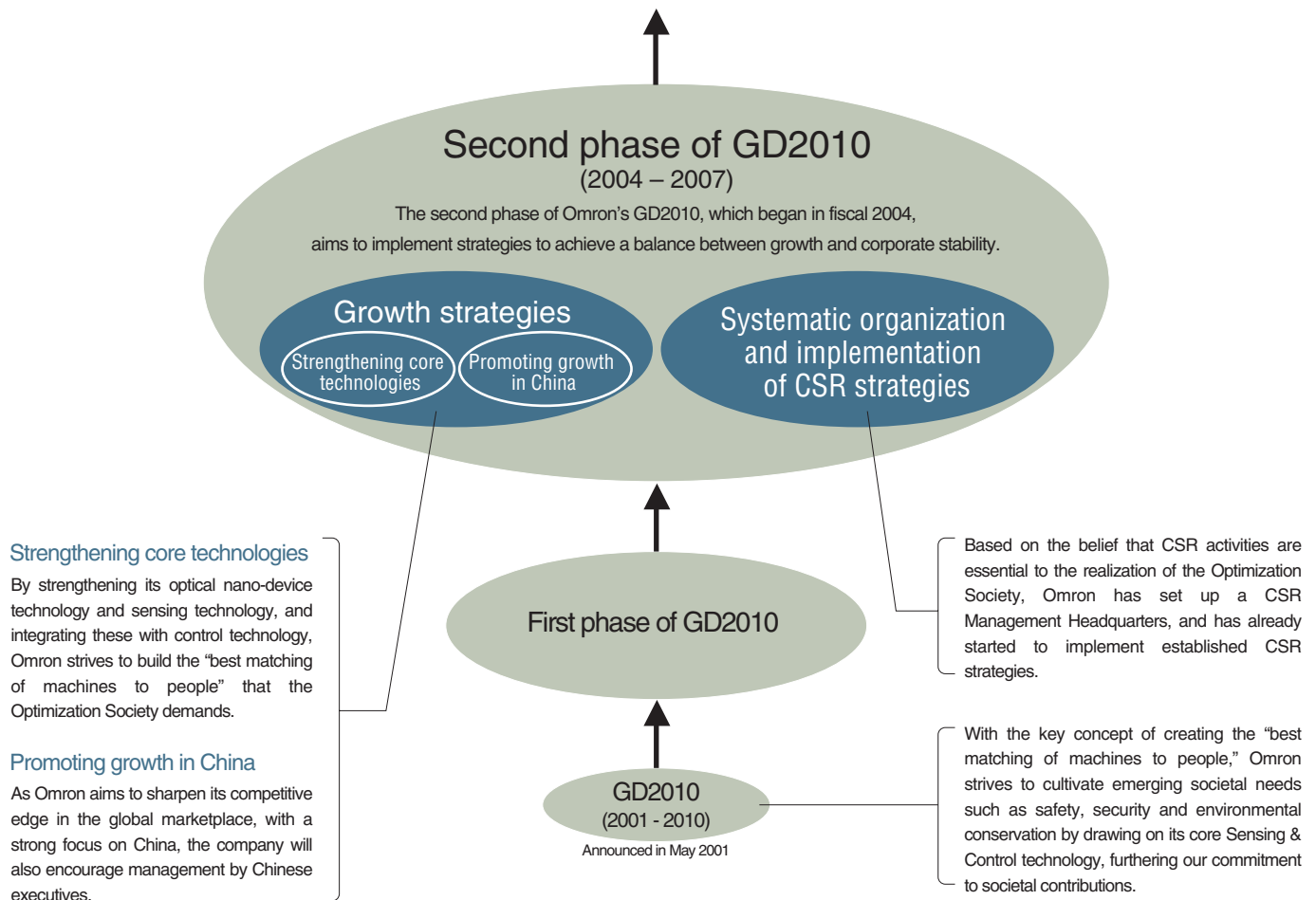
Omron has successfully anticipated and met the potential needs of society based on its SINIC Theory, and has contributed to society through its business operations by drawing on its proprietary Sensing & Control technology, and combining this with its sophisticated device technology. The most representative developments that correctly addressed the issues of each era include automation control devices as well as public information and traffic control systems. With the Optimization Society set to begin around 2005, Omron will strive to create the "best matching of machines to people" to ensure greater safety, security and environmental conservation.

For machines that involve complicated procedures and require expert knowledge to operate, for example, our goal is to create machines that can adapt to the needs of each operator. Such machines will be able to choose functions tailored to each operator's needs or detect various conditions, make expert judgments, and provide the operator with appropriate information necessary to deal with the current situation. Other examples include an automotive sensor that can detect the surrounding conditions, anticipate a potential crash, and alert the driver or automatically activate the brakes to assure driving safety.

Instead of people trying to adapt themselves to the needs of machines, as they do today, machines capable of adapting to the needs of people are soon to be realized. Through the implementation of its corporate philosophy, Omron strives to continue its role as a pioneer in contributing to society in the soon-to-be-realized Optimization Society.

Aiming for Sustainable Development Toward the Optimization Society

GD2010: Omron's Grand Design for the Future
Maximizing corporate value on a long-term basis



Creating the "best matching of machines to people"

As we stand at the threshold of the Optimization Society, it is essential that we effectively solve problems that were neglected during the age of rapid industrialization. Mindful of this need, Omron in 2001 introduced its long-term vision for the year 2010: "Grand Design (GD) 2010." Targeting the initial ten years of the present century, this grand design portrays the ideal image for the Omron Group that we envision and specifies the management strategies required to achieve that image. GD2010's prime management objective is to maximize the corporate value of the Omron Group on a long-term basis. This combines with Omron's aim of developing into a company that can make a meaningful contribution to the sustainable development of society, which perfectly describes the ideal image of the "21st century company."

In the second phase of GD2010, which covers 2004 to 2007, Omron will implement strategies intended to balance growth and corporate stability, aiming for the long-term maximization of its corporate value.

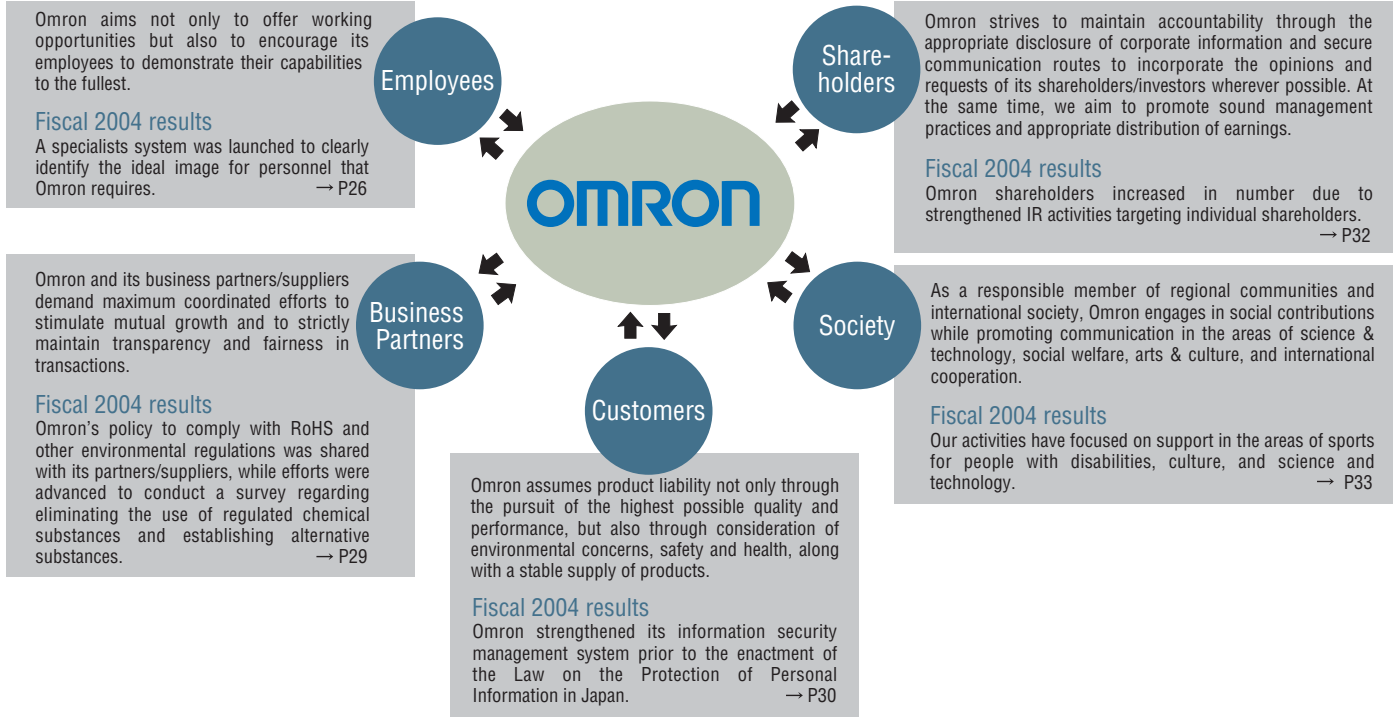
One growth strategy involves strengthening Omron's core optical nano-device technology and sensing technology, and integrating these with Omron's control technology to build the "best matching of machines to people," which the Optimization Society requires. Another growth strategy aims to sharpen Omron's competitive edge in the global marketplace, with a focus on China. This strategy also involves appointing Chinese employees to important posts and encouraging management by Chinese executives.

To enable Omron to achieve long-term growth, we believe that fulfillment of its responsibilities to various stakeholders is essential. Strengthening business operations alone is not sufficient to enhance our corporate value. We must fulfill our public responsibilities through all of our corporate activities, so as to earn Omron a high reputation from all stakeholders and enhance their trust in the Omron brand.

Stakeholder engagement

The main stakeholders of Omron are considered to comprise its employees, customers, shareholders/investors, business partners/suppliers and society as a whole (including local communities, international society, governmental offices, municipalities, NGOs and NPOs). As such, we

place prime importance on communication with our stakeholders in order to meet the expectations of each stakeholder group and fulfill our obligations.



Basic Policy for Fulfilling Corporate Social Responsibility

Based on the belief that contribution to social and environmental issues, rather than simply pursuing financial growth, is the very reason for a company's existence, Omron specified three key elements that comprise Omron's basic policy for Corporate Social Responsibility.

With the basic CSR policy founded on the commitment to the three main pillars, we are determined to fulfill our social responsibilities and promote sustainable development toward the Optimization Society, while earning respect and maintaining the trust of our stakeholders.

Three pillars of Omron's CSR activities

(1) Contribute to a better society through business operations.

In addition to contributing to the betterment of society by providing employment opportunities, tax contributions and shareholder dividends, we are determined to continuously offer advanced technologies, high-quality products and services through the cultivation of social needs.

(2) Always demonstrate fairness and integrity in the promotion of corporate activities.

By addressing a broad range of issues including legal compliance, corporate ethics, accountability and disclosure, we will promote more transparent corporate activities that maintain fairness and integrity.

(3) Show a commitment to addressing societal issues as a concerned party.

We aim to address various issues such as those related to human rights, the environment, diversity and community relations in a way that draws on Omron's distinctive strengths.

Focused areas for CSR

(1) Cultivating social needs through business operations.

We will continue to cultivate new social needs related to safety, security and environmental conservation, by capitalizing on Omron's core competencies of Sensing & Control technology. The key concept for this endeavor is creating the "best matching of machines to people."

(2) Strengthening legal compliance and corporate ethics.

As for fairness and integrity of business activities, uniform approaches will be taken throughout the Omron Group at a global level.

(3) Addressing diversity issues.

We will respect diversity in the workforce, especially by extending support to people with disabilities and encouraging women to take more active roles in the workplace. As for employment and support of people with disabilities, an area in which Omron has extensive experience, we will take the lead in society by upgrading and expanding our activities globally.

(4) Commitment to environmental conservation.

One of the most important management objectives for Omron is our contribution to building a sustainable, material circulation-oriented society through the realization of our environmental vision, "Green Omron 21," formulated in May 2002.

Establishment of a governance system capable of quickly responding to changes in the business environment

Since 1999, Omron has worked to reform its corporate governance system with the main objectives of building a system for auditing and monitoring corporate management, and maintaining its operational effectiveness so as to boost and attest to Omron's competitive strengths. By so doing, Omron aims to ensure the sustainable growth of the company by gaining the trust and confidence of all of our stakeholders.

To achieve more efficient and competitive management, we are concentrating on creating an optimal management system and promoting adequate corporate operations while also building a system intended to monitor and attest to their effectiveness. Our eventual goal is the long-term maximization of Omron's corporate value, which is connected to the expectations of all stakeholders.

Specifically, Omron adopted an executive officer system to oversee business operations. An internal company system designed to strengthen operations of each business area was also introduced, with more authority given to the president of each internal business company for quicker decision-making and more streamlined operations. Through

strict commitment-based management, all internal business companies are working hard to enhance their value for shareholders.

Aiming for greater efficiency in the board of directors and more substantive discussions, board members were reduced to seven, as Omron clearly separated the duties of the board of directors from day-to-day business tasks, and in the process strengthened monitoring functions over business operations. In fact, the President and CEO is the only director who is also tasked with overseeing business operations. For more objective corporate management, the number of outside directors was increased to two, and the number of outside auditors to three (including one executive auditor) in 2003. The chairman of the board and chief executive officer positions are also separated to reinforce management monitoring functions. For the appointment, promotion and compensation concerning all directors, auditors and executive officers, a Personnel Advisory Committee and a Compensation Advisory Committee, each chaired by an outside director, were set up within the board of directors for increased transparency and more objective evaluation.

Corporate Governance Structure

Board of Directors

This board decides important business matters such as company objectives and management strategy while monitoring the business management practices of the president and CEO. The chairman of the board represents stakeholders, overseeing management without holding an executive position.

Board of Auditors

This board consists of four corporate auditors, three of which are outside auditors. The board checks to ensure compliance with required governance and management conditions, and it monitors the daily activities of management, including the board of directors.

Executive Council

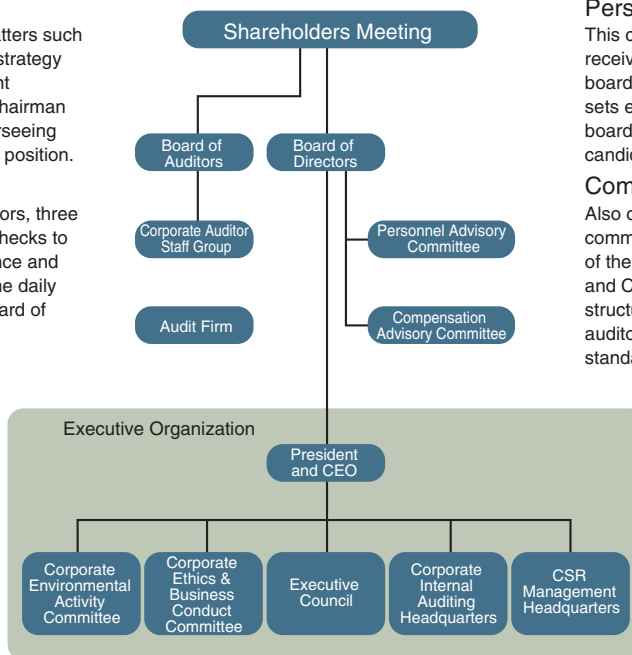
This council determines and reviews important business operation matters that are within the scope of authority of the president and CEO. Under the internal company system, decision-making is streamlined and operations are made more efficient by transferring more authority to the presidents of internal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

Corporate Environmental Activity Committee

* See page 9.

Corporate Ethics & Business Conduct Committee

* See page 10.



Personnel Advisory Committee

This committee, chaired by an outside director, receives guidance from the chairman of the board of directors and the president and CEO; sets election standards for the board of directors, board of auditors and executive officers; selects candidates; and evaluates current executives.

Compensation Advisory Committee

Also chaired by an outside director, this committee receives guidance from the chairman of the board of directors and from the president and CEO; determines the compensation structure for the board of directors, board of auditors and executive officers; sets evaluation standards; and evaluates current executives.

Corporate Internal Auditing Headquarters

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

CSR Management Headquarters

* See page 9.

CSR management promotion system

Omron has traditionally concentrated on compliance with laws and regulations, meeting product liability requirements, practicing social contributions and reducing the environmental impact of its corporate activities. To more accurately meet the expectations of our stakeholders, a CSR Management Headquarters was established under the direct control of the President and CEO, where Omron's basic CSR policy was formulated and key issues identified.

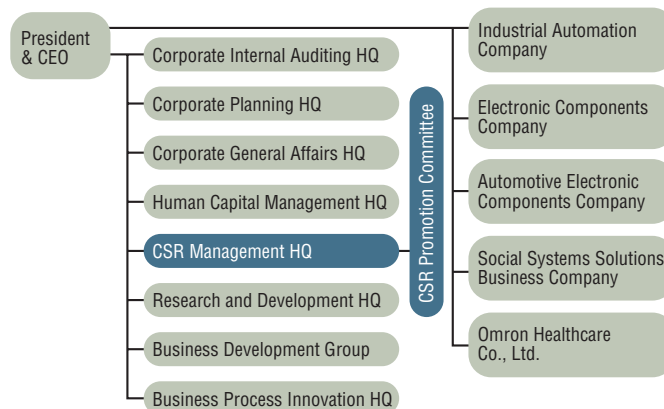
Established in October of 2004, the CSR Management Headquarters is tasked with planning, overall supervision, and representation of

Main functions of the CSR Management Headquarters

- CSR planning and development of strategies
 - (1) Gathering information to assess societal needs and stakeholder demands
 - (2) Developing Omron's distinctive CSR strategies and policy
 - (3) Planning communication opportunities with stakeholders
 - (4) Organizing Omron's corporate philosophy structure
- Overall management of CSR promotion
 - (1) Overall management of CSR activities within the Omron Group
 - (2) Raising awareness of Omron Group employees concerning CSR
- Representation of Omron regarding CSR matters
 - (1) External point of contact
 - (2) Support for external activities related to CSR

Omron as relates to CSR matters. Actual implementation of CSR activities in such fields as business integrity, human rights, environmental conservation, diversity and community relations is the responsibility of each specialized-function administrative division or internal business company. Therefore, in taking measures to solve key issues, the CSR Management Headquarters will coordinate and integrate strategies with each department/business company through the CSR Promotion Committee, while monitoring the progress of activities.

CSR management structure

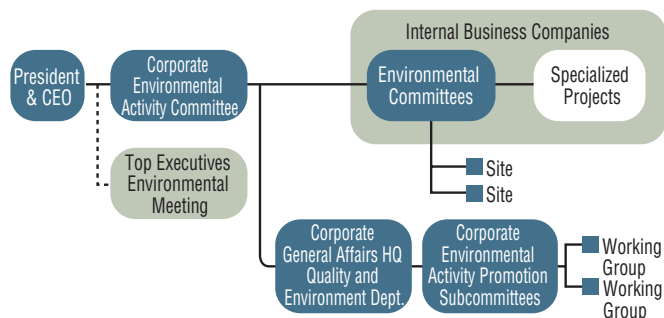


Environmental management promotion system

Considering it to be an important management objective to effectively address environmental issues, Omron has implemented environmental management practices that enhance both ecology and efficiency. Its group-wide environmental management system centers on the Corporate Environmental Activity Committee, which is chaired by the executive officer in charge of environmental matters and consists of members representing internal companies and head office administrative divisions. Under the committee are working groups in charge of actually promoting environmental conservation activities.

The Corporate Environmental Activity Committee is tasked with drafting environmental strategies and policy, and identifying issues and determining and promoting measures to address them, in accordance with decisions reached at the Top Executives Environmental Meeting. The Committee is also responsible for coordinating strategies among head office administrative divisions and internal business companies.

Environmental management structure



Participation in the Global Leadership Network (GLN)

The GLN is a landmark team consisting of nine of the world's top-performing companies, along with the Center for Corporate Citizenship at Boston College in the U.S., and AccountAbility in the U.K. As the first Japanese company to commit to being part of the Steering Committee for The Network, Omron is cooperating with other GLN members to determine the core elements of world-class performance in CSR and how to align CSR with core business strategies. Other ongoing projects include the development of indicators to measure CSR performance, and management tools and frameworks to enable companies to embed and effectively manage CSR goals with business strategy and operations.

Through its involvement in the GLN, Omron can adopt the management tools and framework for its own CSR practices and benchmark exemplary CSR activities of other participating companies to identify and establish CSR activities that are accepted globally. Omron also seeks to demonstrate to the world those superior points of the CSR concept and measures implemented by the Japanese business community, so as to positively influence the practices of others. At Omron, we believe that this is one important way of fulfilling our social responsibility.

GLN Steering Committee members

IBM (U.S.), GE (U.S.), FedEx (U.S.), Cargill (U.S.), 3M (U.S.), Diageo (U.K.), Manpower (U.S.), General Motors (U.S.), Omron (Japan)

Maintaining Fairness and Integrity in All Corporate Activities

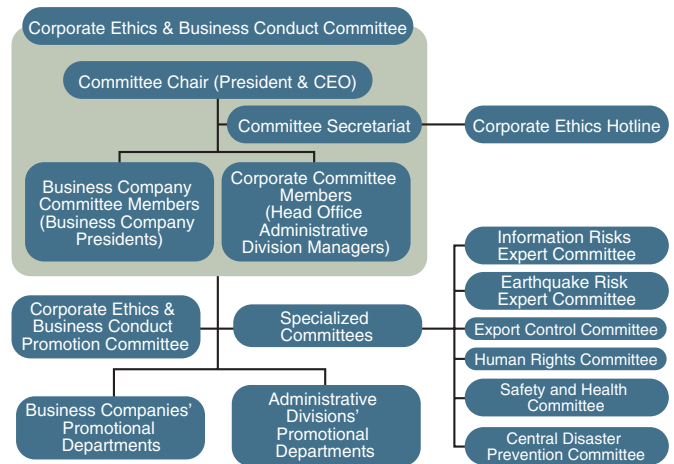
Stronger corporate ethics and compliance

Along with the establishment of its Corporate Ethics Declaration in 1998, Omron issued Corporate Ethics Guidelines that stipulate actions that can be taken to maintain corporate ethics. Since then, Omron has concentrated on promoting corporate ethics and legal compliance at a global level through more extensive employee education programs and the establishment of a whistle blower hotline.

With the arrival of a risk-dominated society that makes conventional value perceptions, rules and customs no longer applicable, Omron since 2003 has worked on identifying material risks for Omron and taking improvement measures by integrating risk management with compliance-related activities so that we can manage risk more effectively. Accordingly, Omron's basic CSR policy, established during fiscal 2004, focuses on strengthening corporate ethics and legal compliance as one of the key elements that comprise our CSR activities.

As a corporate citizen seeking the sustainable development of society, Omron places the highest priority on corporate ethics. To assure strict maintenance of fairness and integrity in all corporate activities and in the behavior of all employees, Omron aims to further solidify its structure to assure adherence to corporate ethics. Employees may sometimes question or have difficulty judging whether or not their activities are ethically acceptable as they promote their respective tasks or pursue improvement of performance. To help them make more appropriate decisions, we are planning to create a guidebook containing case studies to present more practical criteria for making appropriate judgments, and periodically monitor workplaces to prevent misconduct and encourage employees to more proactively implement a PDCA cycle of risk management for continued improvements.

Structure of Omron Corporate Ethics



Corporate Ethics Declaration

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

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

Corporate Ethics & Business Conduct Committee

At Omron, risk management is considered to be a strategic investment, and thus it is absolutely essential to inspire employees to transform their mindset through the establishment of an organizational system and the promotion of improvement activities. Omron also considers that timely disclosure of such activities and results is equally important for earning a reputation from stakeholders and enhancing Omron's corporate value.

The biggest corporate risk we experience is violation of laws and regulations. To avoid this risk, we have decided to further reinforce risk management by integrating it with activities related to compliance/corporate ethics. Accordingly, we have reorganized existing committees to formulate a new Corporate Ethics & Business Conduct Committee in April of 2003. The Committee studied and explored appropriate measures to take for promoting compliance, which resulted in the determination of the following four key strategies in December of 2004.

- (1) Conducting monitoring to locate and improve issues in the workplace

- (2) Taking a systematic approach to the implementation of a PDCA cycle so as to promote collaborative efforts with internal business companies
- (3) Strengthening compliance education intended to enhance employee awareness, knowledge and sensitivity
- (4) Restructuring the compliance system so as to support Omron's competitive strength

In fiscal 2005, based on these strategies, Omron will focus on identifying potential risks related to its affiliated companies. In particular, affiliates engaged in external sales, which are staffed by limited employees, and faced with intense competition, are assumed to have relatively high business risks. These will be given preference in receiving monitoring and manager training to promote compliance and risk management throughout the Omron Group. As many affiliates have not yet been equipped with a well-established autonomous PDCA cycle system, promotion leaders will be appointed and trained for each affiliate, so as to build a group-wide promotion system.

Activities of the Compliance Expert Committee

Following its Corporate Ethics Declaration and Corporate Ethics Guidelines established in 1998, Omron requires all directors and employees to maintain high ethical standards in their activities. However, in February of 2003, Omron Corporation received a recommendation to cease participation in the tender for traffic signal construction from the Japan Fair Trade Commission due to violation of the Antimonopoly Law. Omron took this matter very seriously, and established a Compliance Expert Committee in April of the same year. The Committee created a checklist and conducted a corporate-wide survey, which identified three key issues related to outsourcing by production sites, management of confidential information, and human rights. As human rights issues are a concern to all personnel management operations, the Committee requested that concerned departments strengthen measures in this area. As for the other two issues, task forces were formulated to establish in-house regulations and checklists, conduct corporate-wide training, and promote improvement activities. The Committee was dissolved as of March 2005, with its tasks assumed on a continuous basis by the Corporate Ethics & Business Conduct Promotion Committee.



Activities of the Earthquake Risk Expert Committee

In March 2004, Omron set up an Earthquake Risk Expert Committee chaired by the senior general manager of the Corporate General Affairs Headquarters. The Committee investigated earthquake risks facing Omron Group sites throughout Japan and business activities, and drafted and implemented the necessary measures.

The Earthquake Risk Expert Committee will continue promoting various activities during fiscal 2005. These include education and training of employees, establishment of connections with the Disaster Countermeasures Headquarters, cultivation of core staff, monitoring of workplaces and promotion of improvements, analyses of risks and implementation of countermeasures. From fiscal 2006, the Committee's tasks will be taken over by the permanent Disaster Prevention Committee.

Activities of the Information Risks Expert Committee

To take more comprehensive measures regarding information security, Omron established an Information Risks Expert Committee in April 2004. The Committee had mainly concentrated on taking measures in preparation for the enactment of the Law on the Protection of Personal Information in April 2005. This effort had allowed Omron to establish absolutely necessary in-house regulations and revise security policy for its website prior to the law's enactment. However, this law demands radical transformation of corporate thinking regarding information management, making it necessary to shift our former convenience-oriented way of thinking to emphasize security. The Committee will continue to focus on protection of personal information, and promote more effective information management by identifying important personal information and providing strict guidance for departments handling that information.



Promotion of compliance program on a global basis

To promote its compliance program on a global basis, Omron issued region-specific versions of Corporate Ethics Guidelines tailored to the laws and regulations of each region, successively for North America, Europe, China and Asia-Pacific (in that order). In particular, China saw a rising momentum toward compliance due mainly to our efforts at promoting adherence to the confidential information management rules in that region in 2002. This resulted in the publication of the Chinese language version of the guidelines in December 2003. By the end of fiscal 2004, all sites in the China region had completed manager training. Also in the Asia-Pacific region, a local version of guidelines was completed in fiscal 2004 after being verified by a local lawyer.

For North America and Europe, we will take measures and create programs to deal with individual legal requirements and minimize compliance risks, while continually promoting monitoring and education. We will also continue to address common issues for all regions, such as the establishment of a solid compliance system, cultivation of leaders, creation of educational tools, and identification of potential risk factors.

Global promotion of compliance

Region	Fiscal 2004 results	Points needing improvement
North America	<ul style="list-style-type: none"> ● Compliance review for production sites ● Setup of corporate ethics consultation service ● Appointment of compliance officers 	<ul style="list-style-type: none"> ● Incomplete review for OED-C*, Canada and Brazil ● Notification and promoted use of consultation service
Europe	<ul style="list-style-type: none"> ● Fully established compliance audits ● Establishment of risk management committee at OEE* ● Corporate ethics training for managers 	<ul style="list-style-type: none"> ● Expanding compliance audits and training to non-OEE* companies ● Examining possibility of consultation service setup
China	<ul style="list-style-type: none"> ● Spreading Chinese corporate ethics guidelines ● Corporate ethics training at all sites in China ● On-site compliance audits together with auditing department 	<ul style="list-style-type: none"> ● Monitoring of compliance status ● Continuing education (targeting an increased number of employees along with business growth)
Asia-Pacific	<ul style="list-style-type: none"> ● Completion of AP-version corporate ethics guidelines ● Corporate ethics training at OEP, OCB-AP, OMB, OMI and OHS* 	<ul style="list-style-type: none"> ● Preparation/dissemination of guidelines in different languages and employee education ● Identifying compliance risks

* Abbreviations of overseas Omron affiliates

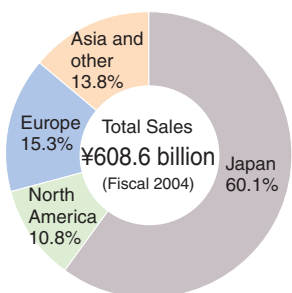
Overview of Reported Organization

Fiscal 2004 Business Overview

Corporate Data (March 31, 2005)

Company Name: OMRON Corporation
 Established: May 10, 1933
 Incorporated: May 19, 1948
 Capital: ¥64,100 million
 Net Sales: ¥608,588 million (consolidated)

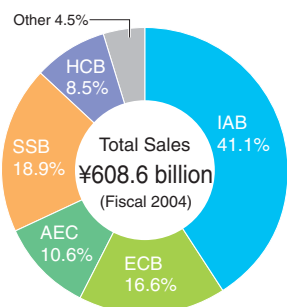
Employees: 4,670 (Group total: 24,904)
 Subsidiaries: 142 companies
 (45 in Japan, 97 overseas)
 Affiliates: 17 companies
 (12 in Japan, 5 overseas)



Sales by Region



Omron Group Major Subsidiaries and Affiliates (as of March 31, 2005) For details, refer to "Annual Report 2005."

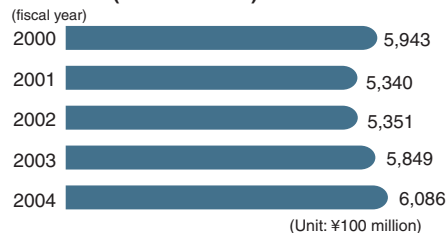


Sales by Segment

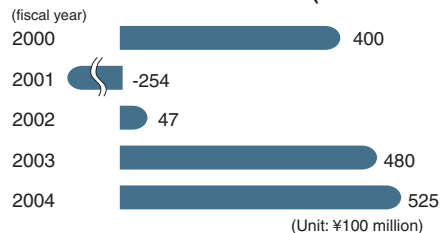
<p>Industrial Automation Business Employees: 7,004</p> <p>OMRON Okayama Co., Ltd. OMRON Takeo Co., Ltd. OMRON Kyoto Taiyo Co., Ltd. OMRON Manufacturing of America, Inc. (U.S.A.) OMRON Manufacturing of The Netherlands B.V. (The Netherlands) OMRON Electronics Manufacturing of Germany G.m.b.H. (Germany) Shanghai OMRON Automation System Co., Ltd. (China) OTE Engineering Inc. (Taiwan) OMRON (Shanghai) Co., Ltd. (China) OMRON (Shanghai) Control System Engineering Co., Ltd. (China)</p>	<p>Automotive Electronics Business Employees: 2,161</p> <p>OMRON Iida Co., Ltd. OMRON Automotive Electronics, Inc. (U.S.A.) OMRON Dualtec Automotive Electronics Inc. (Canada) OMRON Automotive Electronics UK Ltd. (U.K.) OMRON Bitron Automotive Components S.r.l. (Italy) OMRON Automotive Electronics Korea Co., Ltd. (Korea)</p>
<p>Electronic Components Business Employees: 8,405</p> <p>OMRON Kurayoshi Co., Ltd. OMRON Amusement Co., Ltd. OMRON Taiyo Co., Ltd. OMRON Malaysia Sdn. Bhd. (Malaysia) P.T. OMRON Manufacturing of Indonesia (Indonesia) Shanghai OMRON Control Components Co., Ltd. (China) OMRON Electronic Components (Shenzhen) Ltd. (China)</p>	<p>Social Systems Business Employees: 3,132</p> <p>OMRON Software Corporation OMRON Field Engineering Co., Ltd.</p>
	<p>Healthcare Business Employees: 2,646</p> <p>OMRON Healthcare Co., Ltd. OMRON (Dalian) Co., Ltd. (China)</p>
	<p>Others Employees: 1,556</p> <p>OMRON Nohgata Co., Ltd. OMRON Entertainment Co., Ltd.</p>

Financial Conditions

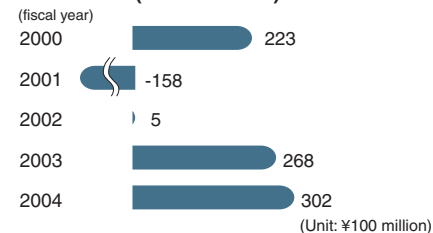
Net Sales (consolidated)



Income Before Income Taxes (consolidated)



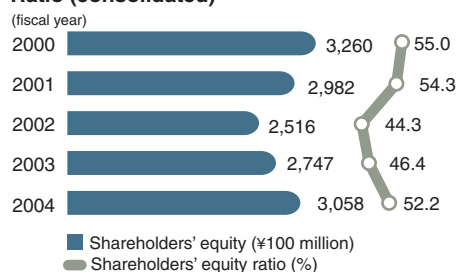
Net Income (consolidated)



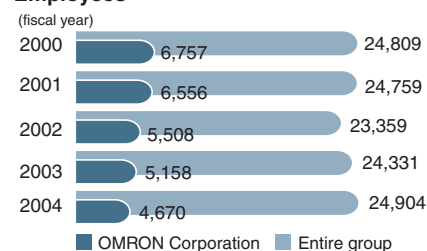
Total Assets (consolidated)



Shareholders' Equity, Shareholders' Equity Ratio (consolidated)



Employees





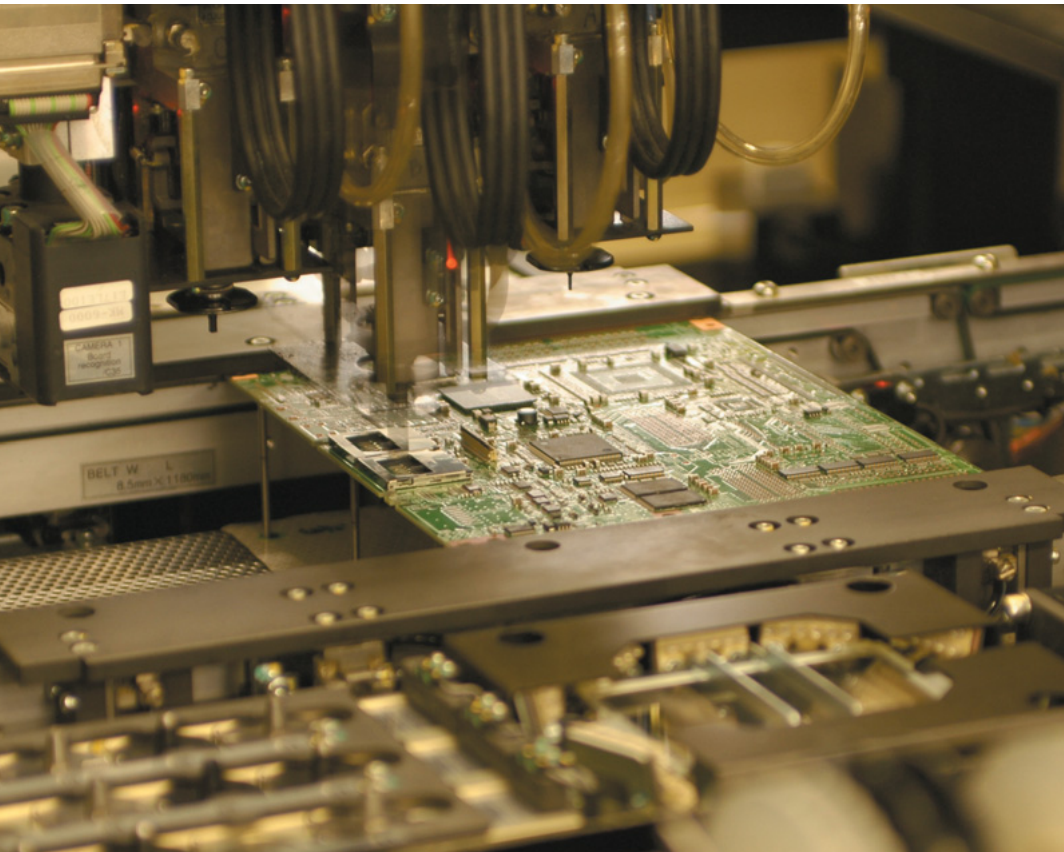
2004 Highlights

Since its inception, Omron has consistently developed innovative technologies and products through the quick anticipation of potential societal needs. We will continue to contribute to society through our business activities, while fulfilling our responsibilities for all of Omron's stakeholders.

- 14 Ensuring High Quality
- 16 Preserving the Global Environment
- 18 Enhancing Driving Safety
- 20 Building a Safe and Secure Society
- 22 Supporting Healthy Lifestyles
- 24 Topics

1

IAB Industrial Automation Business Ensuring High Quality



IAB

Industrial Automation Business

The Industrial Automation Company (IAB) has consistently supported innovations in the manufacturing industry from the standpoints of quality, safety and environmental conservation. By combining a wide range of Omron components and systems as well as extensive expertise, IAB effectively addresses and offers solutions to counteract any issues that may arise in manufacturing sites, covering not only production processes but also R&D and post-delivery support.

Proprietary Omron Solutions Enable Further Improvements in Quality

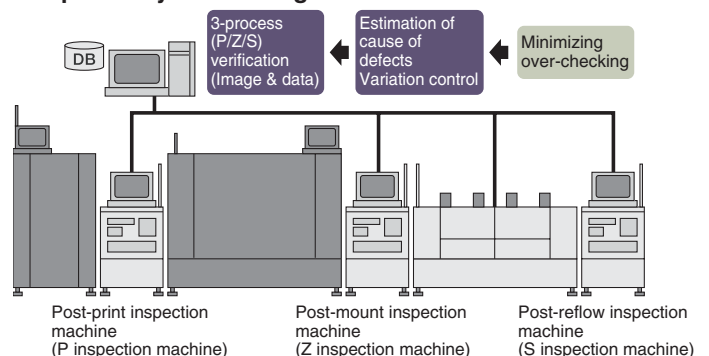
Responding to issues in the steadily advancing printed circuit board assembly/packaging industry

In recent years, there has been an accelerating shift in the style of manufacturing from high-mix, low-volume production to a style that allows varied volume production of a diverse mix of products to correspond to customer demand. Accordingly, there is an increased need for high-efficiency, high-quality systems that enable just-in-time production without accumulating inventory. This trend is also stimulating innovations in the printed circuit board assembly and packaging industry. Examples include the full-scale employment of chip size packages (CSPs), further improvements in packaging density and miniaturization, lead-free soldering, enhancement of production efficiency and others. To meet such industry trends and help clients improve and maintain their product quality, Omron has been dedicated to refining the capabilities of its printed circuit board inspection systems.

Ricoh Microelectronics (RME) is a company engaged in design, production and sales of electronic circuit component units (printed circuit boards) for office automation and communications equipment. The company has had an association with Omron since the company first employed Omron's appearance inspection machine in 1990. Along with increasingly compact design and high performance of office automation and communications equipment, RME is also striving to raise the level of quality control for the printed circuit board assembly/packaging process. To meet this need, Omron suggested its "Q-up Navi" system

designed to assist the improvement of the surface-mount technology (SMT) process, which in turn led to RME's decision to put it into use on a trial basis from June of 2004.

Q-up Navi System Configuration



On the SMT line, results from inspection of printing (P), mounting (Z) and reflow-soldering (S) processes are linked with each other and three-process verification is performed for manufacturing process improvements.

2004 Highlights

Omron's Social Reporting

Omron's Environmental Reporting

Third-Party Comments

Test run of the system proves successful

"Q-up Navi" is an appearance inspection/quality improvement system developed with a new concept of "linking" inspection machines used for printing, mounting and printed circuit board soldering processes. These machines formerly functioned individually and separately from each other. Inspection results at each process (image and numerical data) are linked for three-process verification. This enables detailed analysis of defects along with optimization of in-process quality and trend control, leading to more effective enhancement of quality without relying on human operators. Besides simply rejecting defective products, inspection systems can make direct contributions to boosting productivity through process improvements.

Identification of defect-causing factors, improvement and stabilization of processes and prevention of defects all are time-consuming, labor-intensive tasks. With "Q-up Navi," RME can now perform these tasks more speedily and effortlessly. As a result, RME succeeded in reducing the percent defective rate down to 35 PPM* while also cutting man-hour requirements for visual inspection by 92%. By reducing inspection costs, it also enabled the company to offer high-quality products to its customers at more attractive prices. Fewer defective products also means reduced waste, thus providing an additional benefit in respect to environmental considerations.

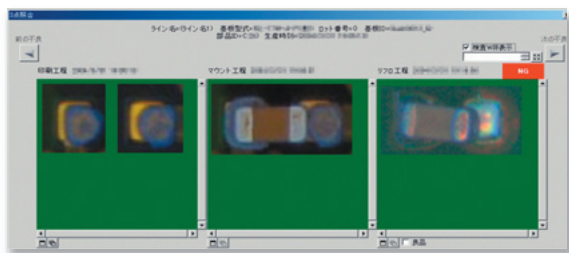
* 35 PPM: Probability that 35 defective products appear out of 1 million printed circuit boards produced.



Not just a purchaser of Omron equipment but a collaborative partner

In the course of using Omron's inspection machine, RME customized its software programs to make the system even more easy to use. For example, customization involved on-screen notification of abnormal sections rather than via printouts, as well as integration of check points for reduced inspection steps. In view of this, Omron decided to purchase the software and bundle it with equipment for sale to other clients. With RME now serving as a collaborative partner for Omron besides being its client, a new business association was launched.

Responding to Omron's request, RME is continuously working to verify the effectiveness of "Q-up Navi" for minimizing the percent defective rate, eliminating production loss and freeing the manufacturing process from dependence on human operators. This is being done by using the system to ensure that defective products will not be transferred to the next process, or the assembly process, and for gathering process information. The eventual goal is to create a process that guarantees that no defective products will be produced from the very beginning. After this trial period, RME has decided to officially adopt "Q-up Navi" during fiscal 2005. This innovative circuit board assembly/packaging solution should make a sizable contribution to achieving RME's goal of building a streamlined production system and lines that ensure the manufacturing of excellent quality products.



Screen showing inspection results for three-process verification

A comment from a valued customer/partner



Kenichi Nakamura
 Manufacturing Section-1
 Production Department
 RICOH MICROELECTRONICS
 CO., LTD.

When we bought Omron's inspection machines we made additional adjustments to the software provided with the appearance inspection system, so as to make it even easier to use. In recognition of this software's quality, Omron decided to purchase the software, which in turn led to the formation of a valuable win-win partnership between us, with full considerations for intellectual property rights and protection of confidential information. It is our wish to maintain this solid relationship to create even more attractive products in the future.

It is a great honor for us that Omron's inspection machines are useful for RME, a company with a reputation for high standards of quality in the printed circuit board assembly/packaging industry. Thanks to the latest technological information available from an industry leader like RME, our machines and systems are constantly advancing to enable higher-precision inspection and greater ease of operation. It is our sincere hope that RME will make extensive use of Omron's "Q-up Navi" to produce higher-quality products at lower costs, and by so doing, we both can build an even more solid partnership.

Yasunori Yuguchi
 Supervisor
 SMT Solution Business
 Department
 Sales & Marketing Division HQ
 INDUSTRIAL AUTOMATION
 COMPANY



A comment from an IAB employee

Preserving the Global Environment



ECB

Electronic Components Business

The Electronic Components Company develops electronic devices drawing on Omron's advanced nano-precision technology, which will help improve the functionality of digital and mobile equipment as well as spur the further evolution of optical communications networks. These devices often go unnoticed in our daily lives but make a sizable contribution to the building of a ubiquitous network society in which anyone can access the information they need – any time, and from anywhere.

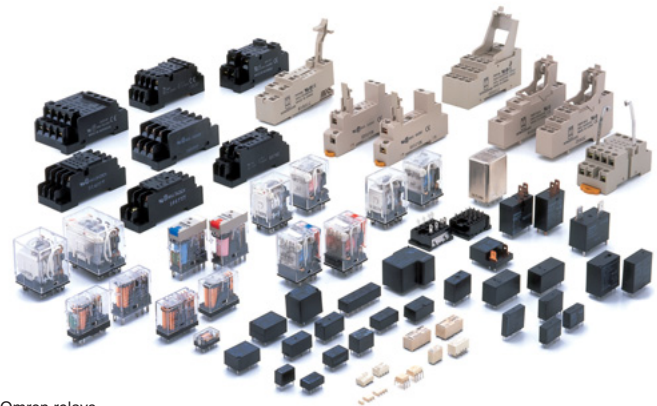
Eliminating the Use of Cadmium, a Substance Harmful to the Environment

Moving toward the elimination of hazardous chemical substances

In Europe the RoHS Directive (EU Directive on the Restriction of certain Hazardous Substances in electrical and electronic equipment) will be put into effect in July 2006. To comply with this directive, Omron has already been advancing efforts to eliminate six substances from all its products. These substances are lead, cadmium, hexavalent chromium, mercury, polybrominated biphenyls (PBB) and polybrominated diphenyl ethers (PBDE).

Omron's Electronic Components Company (ECB) has concentrated its efforts in this area. Engaged in the development and manufacture of electronic devices embedded in electrical household appliances and mobile terminals, ECB is aiming to contribute to quality enhancement for customers' products as well as reducing harm to the environment.

Matsushita Electric, a long-standing customer who has been using Omron relays for its induction heating (IH) cooking heaters, has established its voluntary Green Plan. One of its key measures is an initiative called "No Hazardous Substances in Products." In response to this plan, ECB launched a development project intended to eliminate cadmium from its relays, while still maintaining equal or even higher performance levels using an alternative substance.



Omron relays

Discovery of a new substance that clears the hurdle of durability

Although ECB accepted the challenge of developing a new cadmium-free relay to meet the RoHS directive and conform with Matsushita's environmental policy, it was by no means an easy task to discover a replacement for cadmium.

Relays typically suffer from the formation of a resistive element at the roughened contact after repeated on/off switching operations. Once this occurs, heat will gradually build up inside the relay, causing contact deposition, which in turn leads to a shorter life. Cadmium has excellent thermal resistance, and thus was considered to be an ideal material. This made the discovery of an alternative substance extremely difficult.

Facing this very challenging hurdle, Omron's development team finally identified an optimum alternative substance – a silver-tin-indium alloy. The team made a relay using this alternative substance and conducted a durability test. Matsushita's demand was to guarantee 500,000 switching operations, so that their appliances would not experience failure over 10 years of use. In fact, the test Omron conducted was even more successful – delivering 1.5 times the switching operations demanded by Matsushita. Thus the test results proved the high reliability of Omron's newly developed relay.

After undergoing a series of rigorous tests, Omron's first cadmium-free relay was employed by Matsushita in October 2003. This relay was also confirmed to have no problems by Matsushita's own tests, and was incorporated into their new IH cooking heater model released in January of the following year.



Omron relay embedded in a cooking heater

Meeting its goal 2.5 years ahead of enforcement of the RoHS directive

Since the release of the new heater, Omron's cadmium-free relay has become a standard device incorporated into Matsushita's IH cooking heaters, not only in Japan but also for export models, thereby steadily expanding its market as an environmentally sound product.

With its Green Plan, Matsushita had demonstrated its determination to totally ban the use of regulated substances in products shipped after April 2005. This was more than one year ahead of the scheduled date for RoHS to come into effect. Moreover, products such as IH cooking heaters typically have a development cycle of 1.5 years. This means that to make Matsushita's shipment of RoHS-compliant products possible from April 2005, Omron had to complete a cadmium-free relay as early as October 2003, two and a half years before the enforcement date for the RoHS directive.

In addition, Omron's quick response with its voluntary plan to develop a cadmium-free relay enabled Omron to satisfy the needs of an important client.

A relay can be considered to be a product with performance levels that have already reached their limit. Yet if environmental aspects are taken into account, there still remain many non-addressed areas and unexplored technological possibilities. By further promoting R&D efforts to address environmental considerations, ECB is determined at the same time to drive innovation in its customers' products.



Relay manufacturing line

A comment from a valued customer

When I first heard from Mr. Yamaguchi of Omron that they had already begun seeking ways to eliminate the use of cadmium from their relays for use in our IH cooking heater even before we expressed our request, we thought, "Why not develop a relay that can increase the heater capacity as well?" This was the real start of the development of this cadmium-free relay. Eliminating cadmium from relays was probably one of the most challenging tasks in complying with the RoHS directive. But Omron succeeded, meeting our standards not only for durability but also for performance levels. For this we are very grateful.



Tadaaki Ito

Staff Engineer
Engineering Group
Cooking Systems Division Kobe
Business Unit
Matsushita Home Appliances
Company
MATSUSHITA ELECTRIC
INDUSTRIAL CO., LTD.

Kazuhiro Yamaguchi

Sales Representative
Sales & Marketing Division
Sales Division HQ
ELECTRONIC COMPONENTS
COMPANY



I think the key to the success of our project was that we had voluntarily launched our efforts early, so as to keep up with Matsushita's quick declaration of its environmental policy. During the course of development, we tried to respond to whatever was requested by Mr. Ito as quickly and as thoroughly as possible. We also placed importance on facilitating close communications with him by giving detailed reports on the progress of our durability tests. Based on our experience with a cadmium-free relay, we hope to contribute to the success of Matsushita's business through other developments as well.

A comment from an ECB employee

3

AEC Automotive Electronics Business Enhancing Driving Safety



AEC Automotive Electronics Business

Specializing in automotive electronics, the Automotive Electronic Components Company (AEC) develops various controllers, sensors, switches, relays and other components to be incorporated into vehicles together with its clients. In this extremely high-paced industry producing consistent technological breakthroughs, AEC is committed to creating innovative products with greater safety and security, along with more compact and lightweight designs. This supports the goal of making driving safer and more comfortable.

Contributing to the Evolution of Cruise Control Technology

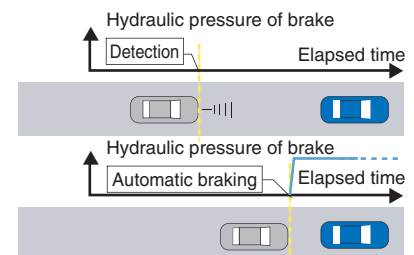
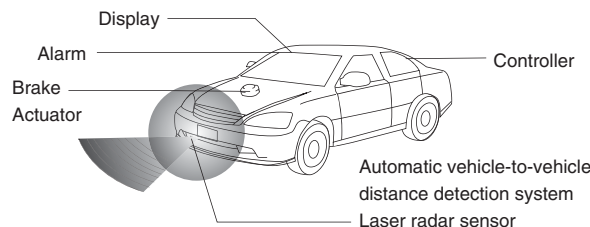
Development of a laser radar capable of detecting car-to-car distances

In October 2004, Nissan Motor released its luxury sports sedan “Fuga” into the Japanese market. Recognized as the “2005 RJC Car of the Year,” this car features an optional Intelligent Cruise Control (ICC) with low-speed following capability,* in addition to a conventional cruise control function that maintains driving speed at a constant level without the need for accelerator manipulation. Omron’s laser radar has been adopted for this ICC system to measure car-to-car distance.

It was 1991 when Omron first launched its move to develop a laser radar. Our desire to help reduce car accidents by making use of laser radar technology was in the background of this attempt. After repeated trial and error, Omron finally succeeded in the completion of its first

laser radar for commercial applications in 1998. Around that time, ICC began to appear in the marketplace, but only as an optional feature for luxury models. Most systems at that time used millimeter wave radar, which excelled in its capability to withstand adverse weather conditions. Although it offered high precision, the millimeter wave radar was costly, which was a major factor that prevented the penetration of ICC. Obviously, the best way to promote the use of ICC not only for luxury cars but also compact class cars as well was to improve the performance of the relatively less costly laser radar to a level comparable to that of millimeter wave radar.

* Intelligent Cruise Control (ICC) system with low-speed following capability: This system detects the distance to the car ahead and automatically adjusts speed to maintain a preset distance. Fuga’s ICC system comes with a new low-speed following capability, which was not available on former models.





Nissan Fuga

High performance compatible with ordinary roads

After the commercialization of its first-generation product, Omron worked diligently to further refine the performance of its laser radar, which in turn resulted in the development of a second-generation model with improved sensitivity in 2001. But as with other companies' products, Nissan's ICC system at that time only allowed for high-speed following, in other words, it was effective for highway driving only. Realizing that rapid penetration of ICC would be impossible with this limited capability alone, Omron ventured into the development of a third-generation laser radar usable for ordinary roads as well.

Ordinary roads generally have bumpier surfaces than expressways. The possibility of a car suddenly squeezing into the adjacent lane must also be taken into consideration. Therefore, the laser's viewing range had to be expanded both vertically and horizontally. Another big challenge was the improvement of its detection capability in rain or fog, a drawback of conventional laser radars. So Omron worked closely with Nissan to advance development and perform repeated tests to clear all hurdles in achieving its third-generation laser radar. Fitted with this new laser radar, Fuga's ICC system has been able to offer the added benefit of low-speed following capability. This new ICC attracted a great deal of attention not only from the automotive industry but also from the media even before it was introduced into the market.

A comment from a valued customer



Yasuhiro Shiraishi
Senior Manager
ITS Chassis Control Systems
Advanced Vehicle Engineering
Promotion Group
Advanced Vehicle Engineering
Department
Advanced Vehicle Engineering
Division
NISSAN MOTOR CO., LTD.

The CIMA that we introduced in 1999 adopted a millimeter wave radar-based ICC system as an option. But when we saw Omron's technology, we realized that it was the best solution as the sensor for our ICC that we had been looking for. In fact, our new ICC with low-speed following capability amazed everyone at a test drive with its outstanding performance. It is our wish that Omron will continue upgrading the performance of its laser radar and reducing costs as they promote its application in many other models including those from other makers.

Stimulating the spread of ICC to enhance driving safety

Currently, Nissan is aiming to reduce deaths and serious injuries related to Nissan vehicles by half in 2015 compared to the 1995 level. To this end, the company is working on upgrading driving assist functions with the aim of lessening the driver's workload and reducing traffic accident hazards to an absolute minimum. When the Fuga was first launched, Nissan's goal was to install an optional ICC system in 10% of Fuga cars. This figure was very high if we consider the fact that only a few percent of cars were actually fitted with an ICC before that time. According to a newspaper report of November 2004, this percentage in fact has reached an amazing level of 23%. Significant cost reduction and upgraded functions of the Nissan ICC system when compared to other companies' systems were key factors in stimulating its penetration.

While striving to promote the use of Omron laser radar for an expanded range of models from Nissan, the most enthusiastic supporter for our laser radar, we are also seeking to expand its applications for other automakers both in and outside Japan. Our goal is to ensure driving safety for more and more people. To this end, we will continue to take on the challenges of creating laser radars with higher functions at lower costs to offer optimal solutions for the car-oriented society of the 21st century.



Omron laser radar

The Omron Group's basic policy puts safety before functionality and costs. However, in the case of automotive safety-enhancing products, increased market penetration is necessary if we are to offer improved safety for a wide range of drivers. Based on optical technology, our laser radar can keep costs significantly lower than that of millimeter wave technology while delivering more than satisfactory levels of performance. Therefore, it should be able to serve as a trigger for promoting the spread of the ICC system. We are also aiming to develop high-performance chips and vision sensors to help ensure safe driving, and promote the use of these technologies throughout the world.

Naganori Inoue
Manager
Laser Radar MBU
Development Division
AUTOMOTIVE ELECTRONIC
COMPONENTS COMPANY



A comment from an AEC employee

4

SSB Social Systems Business

Building a Safe and Secure Society



SSB Social Systems Business

To help build a society that is safe and comfortable to live in, the Social Systems Solutions Business Company (SSB) has contributed to the development of social infrastructures in various areas such as railway station management (ticket vending machines, automated ticket gates, etc.) and traffic management (road management systems, traffic control systems, etc.). SSB recently entered a new field of security control intended to protect valuable corporate assets such as people, products and information. In this field as well, SSB is devoted to helping enhance security and safety at home, in offices and on the street.

Contributing to the Improvement of Security at Home and in Business

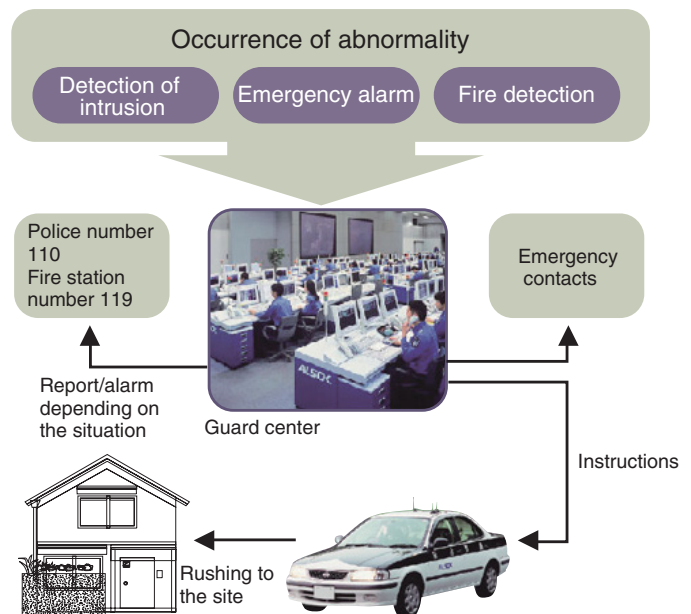
Meeting the increasing need for security maintenance

With the recent increase in crimes such as burglary, robberies and home invasions as well as decreasing arrest ratios, there has been a corresponding interest in home security systems. Largely because of high costs, these systems have still penetrated less than 1% of all households in Japan.

To answer the societal demand for easy-to-use home security systems available at a lower cost, Omron embarked on the development of a controller which is the heart of "Home Security 7," a system put into the market by Sohgo Security Services Co., Ltd. (ALSOK) in November of 2004.

Home security systems are designed to provide individual consumers with safety and security. Even though false alarms are a big problem, an even more critical problem would be if no alarm was sounded during a real emergency.

As an OEM supplier for ALSOK, whose equipment comes with a 10-year warranty, it was absolutely necessary that Omron's controller be made to deliver reliable operation over a long period of time so as to maintain customer confidence in ALSOK.



2004 Highlights

Omron's Social Reporting

Omron's Environmental Reporting

Third-Party Comments

A comment from a valued customer



Hideo Nakajima
Executive Officer &
General Manager
Home Marketing Business
Division
SOHGO SECURITY
SERVICES CO., LTD.

In the past, Japan was known as the safest country in the world. But even in Japan there has been a deterioration in public security, and a corresponding increase in the need for security controls. Still, the household penetration of home security services in Japan is only one-tenth that of the United States. Increasing this rate can lead to a society in which people can enjoy living without anxiety. "Home Security 7" is one of the most important products for ALSOK's business strategy. With the support of Omron's technological prowess, we will work to develop new security functionality and further reduce costs so as to promote the deployment of this service.

The role assumed by Omron to ensure stable, long-term operation

To meet the strict requirements of security products, Omron capitalized on advanced control technology that it has developed and refined through factory automation since the company's foundation, as well as its reliable production engineering and quality control techniques that can minimize defective products even during mass-production. This has led to the successful completion of a home security controller featuring superb quality and stable long-term operability.

As wireless technology was used for communications between the controller and various sensors, it was no longer necessary to use wiring and piping. Consequently, equipment installations took just 2 to 3 hours – much faster than the full day that it used to take. The result was an easy-to-install system ready for immediate use.

Soon after it was launched, "Home Security 7" drew an overwhelming response – much greater than initially expected – by precisely meeting the societal need of the time. The system was favorably accepted by a wide range of users and quickly disseminated throughout society. In fact, it met its initial annual sales volume target a mere 5 months after market release. It is the belief of both ALSOK and Omron that safety and security must be available equally to everyone. "Home Security 7" in fact was a product that suggested a new way to ensure safety and security for the whole of society by enabling easy deployment for anyone, including seniors, single young people, and two-income families.

Still, it will take more time to determine whether the quality of the system can truly satisfy the discerning requirements of consumers. Thus it remains a challenge to Omron's technological strength. Omron must continue to assume an important role to thoroughly meet the expectations of not only ALSOK but also individual subscribers of the service, while ensuring reliable long-term use.

Despite initial projected sales of 10,000 units in two years, "Home Security 7" production exceeded this figure a mere five months after its market launch, and is still enjoying a steady expansion in subscribers. Because of this rapid sales growth, we had to struggle to adjust our production plan for controllers, but were finally able to meet their requirements. At present, we are aiming to cut communications costs through the use of the Internet. Development of additional functions is urgently required. We will continue to exert maximum efforts to make this ALSOK strategic product a great success and help build a safer and more secure society.

Fumio Udagawa
Deputy General Manager
Sales & Marketing
Department
Security Solution Business
Development Division
SOCIAL SYSTEMS
SOLUTIONS BUSINESS
COMPANY



A comment from an SSB employee

Providing safety and security for the business community

In addition to helping protect security and maintain safety for general consumers through the production of "Home Security 7" controllers, Omron is also ready to respond to a broad range of safety and security requirements for the business community.

In the manufacturing industry in particular, employment patterns have changed, including temporary workers and outsourcing. The rapid progress of information technology has also created new concerns, with a growing risk to important factory assets, including human, product, financial and information resources. Omron is determined to promote security solutions in response to these issues.

The quick assessment of changes taking place in the social environment and meeting the resultant needs as swiftly as possible is the very embodiment of Omron's corporate DNA, or so-called "cultivation of social needs." By enhancing safety and security through rapid anticipation and meeting of potential needs related to individuals and business, Omron strives to continue making a meaningful contribution to society.



"Home Security 7" controller

5

HC B Healthcare Business

Supporting Healthy Lifestyles



HC B Healthcare Business

With the concept of “home medical care,” Omron Healthcare is developing products and services that can connect the home with medical institutions. This will enable people to measure personal health data on a daily basis, which can then be used by medical professionals for diagnosis and treatment. Omron Healthcare’s goal is to promote the prevention and management of lifestyle-induced health problems. We will strive to offer new values so as to help all people lead healthier lives.

World’s Leading Healthcare Products Created through Partnerships

● The latest blood pressure monitors developed with Universal Design

Hypertension, the most typical example of lifestyle diseases, increases the risk of developing cancers, strokes and cardiac diseases – the three major causes of death in Japan. To prevent hypertension and maintain health, everyday monitoring and control of blood pressure at home is essential. Omron’s user survey revealed that approximately 55% of people who use Omron blood pressure monitors measure their blood pressure every day, and of those, 65% measured their blood pressure twice a day or more.

Omron home-use blood pressure monitors command the highest share of the international market. In fact, Omron sells as many as 7 million units every year throughout the world. Because these products deal with such an important issue related to human health, it is crucial that they be easy to use, and especially that they provide the highest possible accuracy of measurements so as to ensure their usefulness for medical treatment. To meet these requirements, Omron incorporated an ergonomic Universal Design into its newly developed blood pressure monitors, offering improved visibility of readings and user-friendly operation, which are among the features that are most important to users. A number of detailed factors were taken into account, including a large display with enlarged text, single-button operation for

measurement start/stop, and a cuff that fits snugly around the arm. With these advantages, Omron’s latest digital blood pressure models, the HEM-6000 (wrist type) and the HEM-7000 (upper arm type), were put on sale in March of 2005.

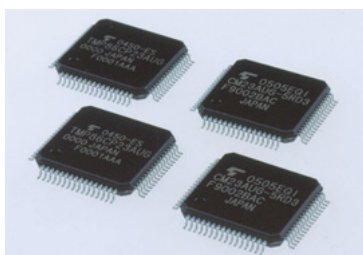


HEM-6000 digital blood pressure monitor

TOLS microcomputer chips – key to determining the functionality and quality of products

There is a reason why the HEM-6000 and HEM-7000 could maintain prices comparable to those of former models, although they were designed with more user-friendly features and a higher accuracy of readings. The reason is that with the previous models HEM-650 and HEM-780 launched in the spring of 2004, Omron worked on standardizing the parts and materials that were used. In addition, unified software standards were employed along with common microcomputer chips in order to sharpen our competitive edge in the marketplace. These efforts led to the development of a platform that serves as a model for future developments. By adopting a development style based on this platform that adds new functional parts, development speed could be increased, while reducing purchase costs.

In addition to these efforts as a manufacturer, cooperation from our suppliers was also essential. Particularly for the supply of microcomputer chips, the heart of blood pressure monitors, Toshiba LSI System Support Co., Ltd. (TOLS) and Toshiba Corporation made crucial contributions. Microcomputer chips are core components for our products, and we purchase millions of units per year. As such, their quality can never be compromised as they assume a key function in correctly measuring blood pressure, which must be performed without even minor errors. TOLS is capable of completely fulfilling our demand for no cost increases while maintaining high quality standards. As such, they are a supplier that we can totally rely on. This strong relationship of mutual trust is the foundation of our business association lasting more than 10 years.



Microcomputer chips for blood pressure monitors

Maintaining awareness of a manufacturer's responsibility for suppliers

For accurate measurement of blood pressure, microcomputer chips must have the ability to process complex operations. Conventionally, functions dedicated to blood pressure monitors have been added to Toshiba's 8-bit microcomputer chips before building them into Omron products. As current microcomputer chips have already reached a limit in terms of processing capacity, we are currently in the process of considering a higher performance microcomputer chip for next-generation blood pressure monitors that can meet user expectations of further function enhancement.

In order to adopt a new high-performance microcomputer chip for our products, continued cooperation from TOLS is vital. TOLS has already begun research into a higher-performance microcomputer chip for use in blood pressure monitors while also studying ways to keep costs as low as possible. As we ask tremendous cooperation from suppliers and rely on them to supply a huge number of microcomputer chips, it is our responsibility to develop products that can earn favorable support in the marketplace. It is our belief that if both Omron and TOLS exert maximum efforts in their respective areas of specialization to create the best possible products, it will eventually lead to benefits for people around the world in the form of healthier lifestyles.



Microcomputer chip programming



HEM-7000 digital blood pressure monitor

A comment from a valued supplier

Omron is a company capable of creating highly innovative products and we are given many opportunities to consistently seek newer technologies. It is also a great pleasure for us to take part in the development of world-leading products like Omron blood pressure monitors. Thanks to the clear instructions given by Omron, we can realize low costs and high performance for our 8-bit microcomputer chips by focusing on functions that are specifically dedicated to blood pressure monitors. While maintaining a friendly rivalry, we want to continue cooperating with Omron in creating products that help promote healthcare.



Takao Masuda
Team Manager
Microcomputer Technical
Marketing Team 1
Microcomputer Technical
Marketing Department
TOSHIBA LSI SYSTEM
SUPPORT CO., LTD.



Yukiya Sawanoi
Supervisor
Blood Pressure Monitor Group
Bio-Information System Division
Product Strategy HQ
OMRON HEALTHCARE CO.,
LTD.

As it is my responsibility to develop software for home-use digital blood pressure monitors, the determination of specifications for microcomputer chips is an especially important process. When selecting suppliers, we ask them to bid each time in conformance with Omron's procurement guidelines. TOLS is always very supportive, even though we sometimes must engage in serious cost negotiations. I believe that this is possible because of our relationship of mutual trust. We have built a strong partnership by developing Omron's mainstay blood pressure monitors and have enjoyed mutual success in this endeavor, so I think it's very important that we work hard to maintain this valuable relationship.

A comment from an Omron Healthcare employee

● Paving the way for building a “Second Omron” in China

Along with the amazingly fast growth of the Chinese economy, the Chinese market is growing in importance for Omron. In view of our success in reaching our fiscal 2004 target of doubling business in China in three years from fiscal 2001, we have specified a new and even more challenging goal for the second phase of Omron’s GD2010. The goal is to achieve 150 billion yen in sales in China for fiscal 2007, which is four times the amount recorded in fiscal 2003. To reach this goal, we have a plan to invest a total of 30 billion yen in China covering the three years from 2004 to 2007. In line with this plan, Omron (China) Co., Ltd., Omron’s Chinese Group Head Office, received “Regional Headquarters” status from the Ministry of Commerce of the People’s Republic of China in June 2004. The following month, Omron made a decision to integrate and further augment design, development and production functions for our industrial automation business in China. These functions are currently dispersed over different locations within the Shanghai region. Omron aims to perform this integration by establishing a new facility related to control components and systems in Shanghai, which also incorporates an additional customer support center function. In September, Omron signed a comprehensive strategic alliance agreement with Peking University Founder Group Corporation, a leading high-tech enterprise in China, mainly in the area of automatic fare collection (AFC) systems for rail services. A new design center was also established in Hong Kong Science Park for cell phone backlights destined for Greater China. In November, Omron presented its own exhibition called the “Omron Sensing & Control Technology Fair,” by using the largest booth space among all exhibitors in the Shanghai International Industry Fair 2004. Along with the steady expansion of Omron’s business operations in China, we will also promote our efforts in addressing both environmental and societal issues.



A conceptual drawing of a new control components/systems facility in Shanghai

● Identifying current status and issues through onsite surveys

To investigate environmental activities underway in China, we visited three production bases in Dalian, Shanghai and Shenzhen in March 2005. Interviews were held with staff in each location regarding activities and issues in the fields of compliance with local environmental laws/regulations, progress of green procurement, and acquisition of ISO 14001 certification. The results of the survey revealed that suppliers who are not in the economic development zone were still slow in their efforts in acquiring ISO 14001 certification and that employee education and provision of information regarding compliance with RoHS and other regulations are insufficient. This resulted in a delay in the survey of regulated chemical substances present in parts/materials purchased by Omron. One of the related environmental commitment was insufficient awareness of “5S”^{*} among employees, which prevented them from maintaining a heightened awareness of water and electricity conservation. We will work to solve these issues while taking local conditions into consideration by encouraging each site to specify individual targets in conformance with the “Green Omron 21” action plan.

^{*} Sort, Straighten, Scrub, Stabilize and Sustain

Omron facilities in China



● Development of local personnel and promotion of localized management

In strengthening its business in China, Omron’s basic policy is to develop local personnel and promote localized management. This involves appointing Chinese employees to important posts and encouraging management by Chinese executives. To meet these aims, we conducted management seminars for executives during fiscal 2004. In September 2004, a China Advisory Committee was set up in accordance with suggestions from local personnel. The goal is to facilitate discussions and exchange of views between local executives and CEO Sakuta as well as presidents of internal business companies. As part of our drive to establish a localized personnel management system, a project was formulated for local managers to examine for themselves the ideal personnel management strategies and programs. The project is ready for launch in fiscal 2005.

● Centralizing purchasing activities in China

Omron’s goal for Greater China is to generate sales of 150 billion yen, a fourfold increase in four years from fiscal 2003. Omron also aims to take the lead in the target markets, and to make this happen, the company has drafted a proactive investment plan amounting to 30 billion yen in total.

To support business expansion in the region, Omron established a China Centralized Purchasing Center in Shenzhen in April 2003. This enables centralized control over purchasing operations that formerly were controlled individually at each site. Starting with the healthcare business, the center is mainly tasked with evaluating and selecting optimal parts/materials and suppliers based on locally established objective criteria. In the past two years, 65 suppliers underwent the center’s quality certification process and Omron actually made transactions with 35 of them. In fiscal 2005, we are aiming to strengthen the supplier certification process and expand it to include other industry sectors.

Along with the planned establishment of a new facility in Shanghai to integrate design, development and production functions for Omron’s mainstay industrial automation business, the formation of a similar centralized purchasing system is also being planned for this region. Our eventual goal is to expand centralized purchasing to cover the whole of China by fiscal 2007. The center is determined to strengthen partnerships with selected suppliers and expand business dealings with them throughout China, while coordinating efforts with Omron’s internal business companies.



Omron's Social Reporting

Omron is committed not only to providing benefits for customers, employees, business partners/suppliers and shareholders through its business activities, but also to responding positively to the expectations of all stakeholders by tackling societal issues as a concerned party.

- 26 For Our Employees
- 29 For Our Partners/Suppliers
- 30 For Our Customers
- 32 For Our Shareholders
- 33 For Society
- 36 Topics

Promoting Management Built on the Philosophy of Respecting Individuals

Omron's management philosophy emphasizes respect for individuals. That means valuing the diversity of employees and respecting each and every employee who works for Omron throughout the world. At the same time, the company fairly evaluates employees' performance and remunerates them based on their achievements. These attitudes are based on our belief that human resources are an essential driving force for Omron's competitive strength and improvement of its corporate value. In order for Omron to satisfy all stakeholders, it is crucial that our employees have the ability to effectively implement corporate strategies.

Employment

Basic policy

Omron's basic employment policy is to ensure stable employment, establish a sound relationship between management and employees, and provide them with remuneration that strictly observes the laws and regulations of their respective countries and regions. Based on the philosophy of respecting individuals, Omron values diversity in the workplace and always maintains people-centered attitudes toward its employees. While requiring employees to strive for greater achievements, Omron aims to build a relationship of mutual trust with employees through objective and fair evaluation and remuneration. By so doing, we seek to stimulate the growth and development of individual employees as well as the company itself.

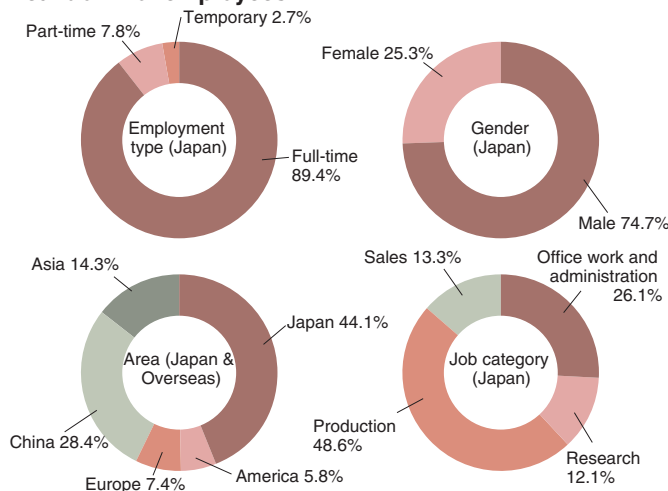
Recruiting

Omron's recruiting policy makes sure to provide equal employment opportunities that are free from discrimination according to race, religion, nationality, age and gender. Our employment plans call for the sustained employment of a relatively fixed number of employees. These plans are devised from a medium- to long-term perspective so as not to be significantly affected by the company's financial results.

In strict conformance with the Equal Employment Opportunity Law, our employment process is governed by a set of detailed regulations requiring that information be provided at orientations or mailed to prospective employees in a gender-neutral manner, and that there be no gender-based treatment differences in examinations and interviews. We also publicize employment opportunities widely using the Omron website and a variety of other media to attract a large base of prospective recruits.

As of March 31, 2005, employees (including temporary and part-time workers) at Omron Corp. and its domestic affiliates numbered 11,645 and those at overseas affiliates totaled 15,021.

Breakdown of employees



Labor-management relations based on mutual consultation

With emphasis placed on communication between management and employees, Omron Corporation has concluded a labor agreement with the Omron Labor Union. The agreement requires both sides to act in good faith and to strictly observe contract provisions in order to establish and develop labor-management relations based on mutual sincerity and trust. Management policies, business plans, and management and business measures are fully explained to union members at meetings, which are held as necessary at the Central Management Council and Site Management Council. Exchange of views between the company and the labor union is also encouraged to strengthen mutual understanding and ensure that necessary measures can be implemented more effectively and thoroughly. Decisions on working conditions are made only after thorough discussions are held and a mutual agreement reached between management and employees at the Labor-Management Council. To deal with important issues, a Labor-Management Review Committee was established to discuss and reach a consensus regarding issues facing Omron and activities necessary to solve them.



Total union membership

Adopting a Specialists System

In working to achieve GD2010 goals, Omron's ideal image for personnel is that of highly talented specialists. These specialists are required to contribute to the enhancement of Omron's value and business performance by completely fulfilling their own missions and those of their organizations through demonstration and application of their expertise. To clearly identify the desired personnel and provide such personnel with appropriate remuneration, Omron Corporation established a specialists system for launch in fiscal 2005.

As specialists are always expected to develop and demonstrate the highest possible levels of technological skills, the system aims to motivate individuals to work on the refinement of their capabilities conscientiously and proactively. To this end, Omron Corporation aims to provide promotion opportunities that correspond to increasing levels of professionalism and expertise, as well as remunerations that reflect the performance of individual employees more flexibly. Specialists are given special benefits such as vacations for self-development of up to one year, and they are allowed to continue working past the retirement age of 60 by drawing on their expertise. Omron Corporation expects that these specialists will assume an increasingly important role in supporting the greater corporate strength and competitiveness of the company.



Specialists certificate and name plate

Commitment to intellectual property

Omron considers its intellectual property strategy to be an essential tool for realizing its objective of long-term maximization of corporate value. Two important goals in this area are (1) create strong patents to support the company's growth and profitability; and (2) strengthen intellectual properties at a global level. In line with this strategy, Omron Corporation launched a "Super Patents" initiative in 1999, with a reward of up to 100 million yen per patent based on its own evaluation system. In response to the amendment to the Patent Law in Japan, this initiative was revised from a reward-based system to one based on compensation with an expanded scope of evaluation and the removal of the upper limit for the amount of compensation. The new system will be put into operation during fiscal 2005.

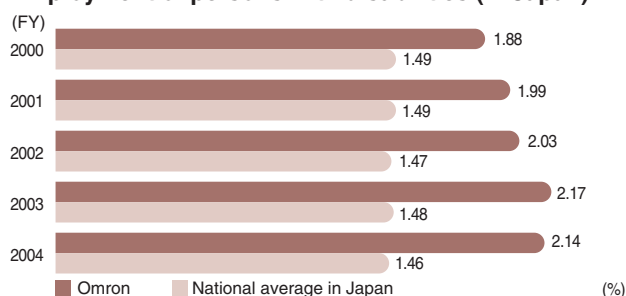
Respecting diversity in the workplace

Employment of persons with disabilities

In addition to strictly observing legal requirements for hiring persons with disabilities, Omron is dedicated to creating expanded opportunities for them to leverage their skills and abilities while seeking normalization.

At Omron Corporation the percentage of persons with disabilities was 2.14% in fiscal 2004, down 0.03 points from the previous year. Even so, this level is still 0.34 points above the legally mandated level (1.8%), and ranks high among Japanese manufacturers. This is largely attributable to the two special subsidiaries charged with providing special considerations for employees with disabilities, namely Omron Taiyo Co., Ltd. and Omron Kyoto Taiyo Co., Ltd. The percentage of disabled employees is still under 1.8% at some group companies in Japan, which pushed the domestic group-wide percentage down to 1.6%. For the future, Omron will continue to develop job opportunities that meet the needs of people with disabilities throughout the group. This will help ensure the achievement of 1.8% at all group companies by fiscal 2007, and raise the domestic group-wide percentage above the legally mandated level.

Employment of persons with disabilities (in Japan)



Human resource development

Basic policy

With the aim of cultivating personnel who can contribute to the long-term maximization of Omron's corporate value, our human resource development policy emphasizes both stimulation of corporate growth and self-development of individual employees. In line with this policy, Omron has established various education and training programs essential to achieving Omron's goals. Employees are also given various opportunities and support to encourage their self-development efforts.

Support initiatives for employees to achieve a balance between work and personal life

Omron has traditionally sought to create a working environment that helps highly motivated employees, regardless of gender, work in comfortable conditions that are conducive to mental and physical health. As part of this drive, Omron has introduced a flexible working system that helps employees achieve a balance between their work and personal lives. The working system also provides various employee support initiatives such as maternity leave that extends beyond the legally mandated time, as well as leave and shorter working hours for those who need to care for children, elderly or ill family members. In fiscal 2004, a total of 28 employees at Omron Corporation took childcare leave and 13 used the shorter working hours system for childcare. By facilitating the use of these systems, Omron is determined to help employees strike a balance between work and an enjoyable personal life.

Appointment of women to positions of responsibility

Omron places great importance on recruiting a variety of highly talented people, regardless of gender or other attributes, and encourages them to demonstrate their capabilities to the fullest. Accordingly, Omron Corporation is actively promoting women to positions of responsibility, while encouraging them to assume vital roles in the workplace. Toward this end, Omron Corporation has expanded support for them to achieve a balance between work and personal life as well as providing female leader training programs. The company is committed to continuously promoting effective strategies to provide women with greater opportunities.

Skill development system: future focus on training upcoming local executives overseas

Omron's employee skill development system centers on on-the-job training, which is complemented by in-house training and self-education support programs. In fiscal 2004 at Omron Corporation, efforts were concentrated on three areas of activities: (1) promotion of employee self-reliance in career development; (2) development of upcoming executives; and (3) cultivation of female leaders.

From fiscal 2005 on, Omron will actively extend its efforts to develop local management personnel and foster local executives at worldwide sites.



Skill development programs

Launching an e-learning program for environmental education

In 2004-2005, Omron Corporation aggressively promoted the application of its e-learning self-education program using the Internet and corporate intranets. In particular, the e-learning program for environmental education (related to regulated chemical substances) was put into full-scale launch in 2004, with more than 500 employees currently taking courses. We also plan to expand the e-learning program throughout the Omron Group in Japan to further expand learning opportunities for employees.

Human rights education

Promoting employee awareness of human rights

Omron is working to establish a cheerful work environment that respects individual employees, and in the process, help build a positive, discrimination-free society. Each site at Omron Corporation has set up a committee to raise awareness of human rights among all employees by providing well-planned educational and training programs and encouraging their continued participation in these programs.

In fiscal 2004, Omron aggressively promoted awareness of human

rights by also involving domestic affiliates. Along with the establishment of a full-fledged promotion system with committees set up at 30 affiliates, the scope of the training programs was extended to cover part-timers and temporary workers as well.

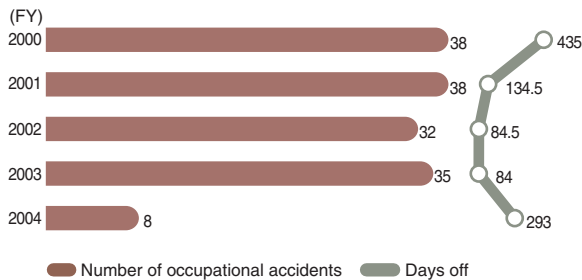
In fiscal 2005, we will strive to encourage more participation in the training courses targeting all employees, while also furthering educational programs and systems for Omron affiliates.

Occupational health and safety

Health and safety management system

In Japan, each production site takes an initiative in the management of health and safety, individually promoting activities toward the goal of zero accidents. At each worksite, production line managers take the responsibility and are given the authority for the management of health and safety, with support from health and safety supervisors appointed at each office/facility. The corporate-wide occupational safety and health management committee monitors accidents that occur at each site, and that information is shared with other sites to help each facility take preventive measures to minimize future occupational accidents and reduce potential worksite hazards.

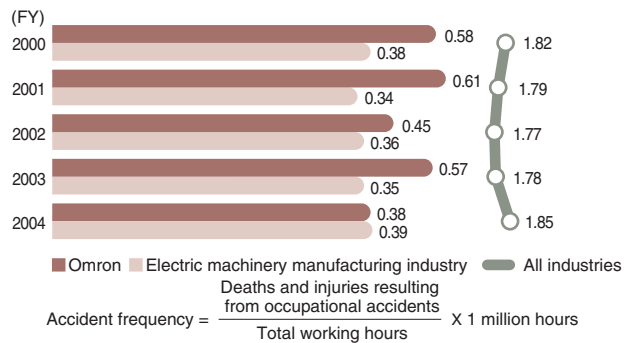
Number of occupational accidents and resulting days off (in Japan)



Occurrence of occupational accidents

As Omron Group's manufacturing lines involve relatively few dangerous or hazardous processes, occupational accidents that are serious enough to warrant time off from work are extremely rare. No serious occupational accidents occurred in fiscal 2004. However, minor injuries such as pinched fingers or cuts due to carelessness occasionally do occur. These accidents are usually found among relatively inexperienced employees and during unscheduled work such as repair or adjustment of machinery. We will continue to promote employee education regarding safety issues.

Occupational accident frequency (in Japan)



Healthcare management

Health Management Center

Staffed by twelve industrial physicians, eleven nurses and three counselors, Omron Corporation's Health Management Center (established in April 2000) provides physical fitness checkups for preventing lifestyle-induced diseases or other afflictions. With the key concept of encouraging self-protection of health, the Center also offers medical advice tailored to each employee, including both mental and physical health. Future plans are to expand the staff and strengthen support for employees.

Mental healthcare

Omron Corporation began conducting mental health training for managers in fiscal 1997, with the goal of avoiding mental health problems of their staff through sufficient oversight. Managers are also encouraged to seek early discovery and treatment by paying close attention to behavioral changes in their staff members. In fiscal 2001, this training program was extended to include middle-rank managers and leaders. By fiscal 2004, approximately 1,170 of them had participated in the program. As part of our commitment to employees' mental health, Omron has been conducting a Mental Health Diagnosis survey for all employees since fiscal 1991. The surveys are conducted once every two years for each employee to promote self-checking and awareness of mental health.



Employee welfare exceeding legal requirements

For Our Partners/
Suppliers

Ensuring Fair Transactions with Business Partners

A robust, global partnership is what Omron seeks to build with its suppliers and other partners who cooperate in creating products that customers can rely on. Omron believes that purchasing must be conducted in a fair and open way to make this happen. We have introduced regulations governing the purchasing process into Omron's Corporate Ethics Guidelines, along with purchasing policies that emphasize open, fair and global transactions. By so doing, we are dedicated to providing our suppliers with open access to our purchasing process at a global level.

Expanding network of partners

Purchase management by the Centralized Purchasing Department and each business division

Since the early 1980s, the Centralized Purchasing Department has been in charge of overseeing and managing the start of transactions with new suppliers in Japan. Purchasing specialists are active in learning about fair transactions and appropriate dealings with suppliers. They do this by participating in seminars and in-house study meetings to respond to revisions in the Subcontract Act, and by exchanging information with governmental agencies and industry organizations. Also, purchase operations are regularly reviewed using purchase checklists during Corporate Ethics Month.

Overseas, the Centralized Purchasing Center was established in China in April 2003, to practice centralized control over purchase of parts/materials and processed items used by all group companies in China. Procurement of other items and purchases in other areas are managed by overseas group companies under the umbrella of the respective internal business company.

Communications with suppliers

Sharing Omron's policies regarding human rights and labor with suppliers in fiscal 2005

To create a win-win relationship with our suppliers, the Centralized Purchasing Department hosts annual meetings to present Omron's business conditions and purchasing policies to its suppliers and partners.

In fiscal 2004, a meeting was held in June with approximately 100 suppliers, for the purpose of thoroughly disseminating Omron's green procurement standards revised in May 2004. At the meeting, Omron also presented its environmental policies regarding the survey for the elimination of regulated chemical substances and establishment of alternative substances in response to the RoHS directive, which comes into force next year. As a result, approximately 390 suppliers have become certified as Omron's "green suppliers."

In fiscal 2005, we plan to hold a similar policy meeting in which we will share our views regarding human rights and labor from a CSR viewpoint, as well as presenting Omron's purchasing and environmental policies for the year.

Our purchasing specialists meetings serve to coordinate Omron's purchasing policies with internal business companies. Here too, we are planning to share Omron's policies regarding human rights and labor issues, and reach a consensus with internal business companies during fiscal 2005. For overseas sites and group companies in and outside Japan, under the control of each internal business company as well, we are aiming to give guidance through the respective business company to ensure strict conformance with Omron policies.



Policy presentation meeting

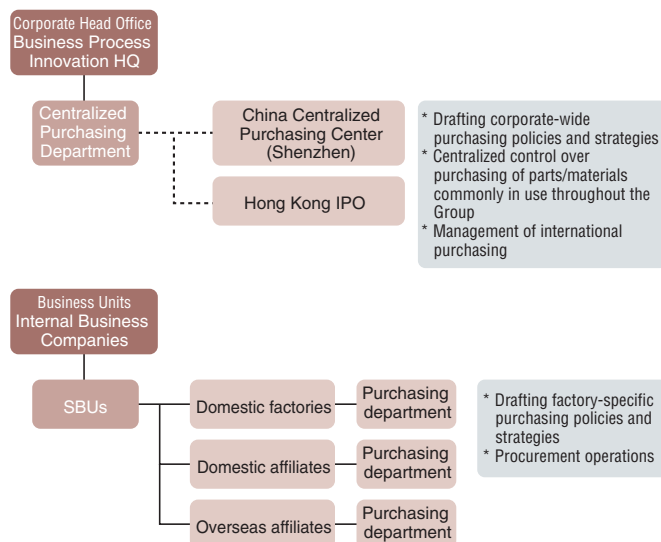


Green procurement standards

Purchasing policies

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

Purchasing organization



Strict observance of the Subcontract Act

Ensuring strict observance in Japan and reviewing basic transaction contracts overseas

Omron Group companies in Japan had no instances of infringement of the Subcontract Act. Outside Japan, all transactions with suppliers, in principle, are based on the basic contracts. We will continue reviewing and revising basic contracts if necessary, by closely checking local legislation. Conformance with Omron's purchasing guidelines will also be reconfirmed throughout all group companies for more strict management of purchasing.

Policy of prohibiting child labor and forced labor

Advancing compliance to include the entire supply chain

Conventionally, Omron has selected its suppliers based on quality, price, delivery schedule and environmental commitment. Along with accelerated globalization of business operations, however, we now consider legal compliance of suppliers to be a significant part of our own CSR practice. Accordingly, we are in the process of revising our basic supplier contracts to include the establishment and operation of assessment and monitoring systems for human rights-related performance. These would be stated as provisions requiring strict observance. The provisions would address core labor standards advocated by the International Labour Organization (ILO), including the forbiddance of child labor and forced labor and working conditions of overseas suppliers or manufacturers. Omron has already added the prohibition of child labor and forced labor into Omron's Corporate Ethics Guidelines as a new provision.

Aiming to Offer Maximum Satisfaction to Customers

Omron's management philosophy is based on our commitment to "offering maximum satisfaction to customers," and "adopting a challenging spirit." With our "quality first" policy, we not only provide a stable supply of safe, high-quality products but also aim to offer new added value that provides greater benefits to society, so as to maximize the satisfaction of our customers. Toward this end, we are determined to take on the challenge of creating future innovations by capitalizing on Omron's corporate DNA, preserved since its founding, while paying keen attention to what our customers demand.

Quality assurance policies

To offer maximum satisfaction to customers, Omron has specified the following quality policies:

- 1) Achieve a quality level that fully satisfies customers.
- 2) Establish a quality system based on related ISO standards to maintain and improve quality.
- 3) Involve all employees and seek their cooperation in promoting quality assurance activities.

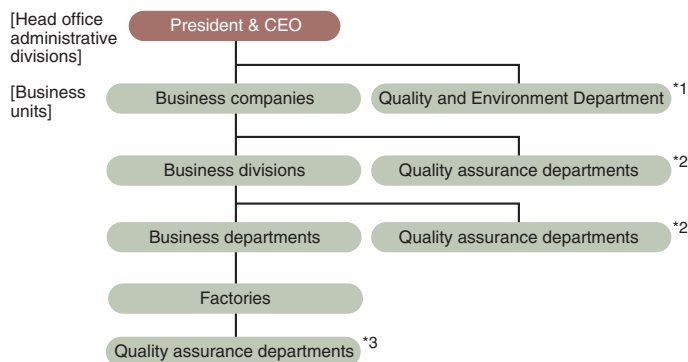
Product liability

Commitment to quality assurance

Omron implements activities to ensure quality in every stage of its business process from product planning and development through procurement and manufacturing, all the way up to sales and after-sales service. In addition, we have implemented the PDCA cycle and "Qup," accompanied by other quality enhancement programs to continue improvements toward reaching our quality targets.

Along with periodic audits carried out for product quality, well-established procedures have been in place to quickly report accurate and complete information to top executives in the event of a serious claim, so as to minimize damage to customers and speed up quality improvements.

Quality assurance organization



*1 Quality and Environment Department (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 companies/divisions

These departments are tasked with building a quality system for its respective company/division 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 produced at each respective factory. They also monitor quality status at the respective factory or in the marketplace and promote improvements of quality.

Commitment to product safety

Product liability (PL) is a very important issue for Omron, and PL activities have been promoted at the corporate level since the 1970s. The basis for Omron's PL activities are three safe design rules: (1) eliminate or minimize potential risks as much as possible at the product design stage; (2) take protective measures for risks that cannot be eliminated entirely; and (3) notify the user of inherent risks that may remain in a certain product. To further enhance the

safety and reliability of Omron products, we use the Failure Mode and Effects Analysis (FMEA) method to list all foreseeable troubles in advance, identifying those with a high impact on customers, and devising necessary countermeasures.

Enhanced information security

Omron's Social Systems Solutions Business Company (SSB) always pays utmost attention to the protection of important information that it accesses due to the nature of its business dealings with governmental offices, railroad companies and other public service-related clients. In October 2004, SSB set up a Security Solution Business Development Division (SS Division) to more proactively promote security solutions businesses related to the management of information and other corporate assets, by drawing on its accumulated experience in this field. Along with the expansion of information-related new businesses, SSB has been strengthening its approaches to information management to further enhance security. In fiscal 2004, a working group was founded to address the issue of personal information protection toward the aim of building a system ideally suited for the SSB business. As the foundation to launch a new security solutions business, the SS Division acquired Information Security Management System (ISMS) certification during

fiscal 2004. SSB's affiliates, Omron Software Corporation* and Omron Field Engineering Co., Ltd., also became ISMS certified in fiscal 2004, in order to enhance the reliability of its data center operations and ensure adequate information management in its call center business, respectively.

Beginning in fiscal 2005, SSB will focus on the implementation of its system for protecting confidential information and its management system for personal information based on the recent revision to the related law. At the same time, SSB, centering on the ISMS certified business units, will work on solidifying its company-wide information security system.

* Omron Software Corporation also acquired JISQ15001 certification (P-Mark) in 2002.

Customer support in maintenance service

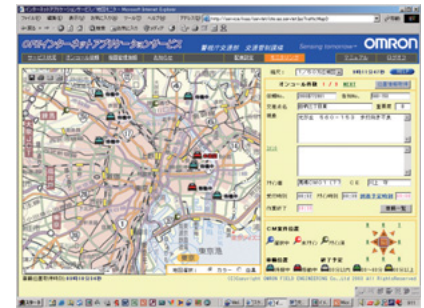
Omron Field Engineering Co., Ltd. is engaged in maintenance and servicing for systems and equipment in various fields such as banking, train station management, traffic control and retailing. To swiftly respond to the failure of customers' equipment and client demands, the company has 150 offices throughout Japan and has set up a call center at Sapporo, Tokyo, Osaka and Fukuoka with specialized staff providing support around the clock.

As part of its business process innovation project aimed at enhancing the level of service, the company developed a new on-call business process in 1999. This process is intended to enhance the quality of service by making intangible services visible using information technology. For example, to make its service visible to customers, the company introduced a system to display the locations of customer engineers (CEs) and servicing vehicles, as well as a CE's position/status on the web in real time. For in-house use, a system was built to allow the call centers and managers to confirm the progress of service being conducted by each CE, and to give an overview of transportation and servicing time required by each CE.

As a result, a call response rate of over 95% was achieved in fiscal 2004, resulting in very few complaints regarding difficulty in making calls. Moreover, over 60% of problems were solved just via telephone. By correctly notifying customers with the estimated arrival and current

status of each CE, the company succeeded in reducing reminder calls from customers to 1/20th the former level.

Recognized for a series of activities to make its service process visible, Omron Field Engineering received the Gold Prize in the management category of the Contact Center Awards 2004 (sponsored by Ric Telecom Co., Ltd.) and became a winner of the Best Practices Awards (sponsored by CRM Association, Japan). The company was also honored with commendations from Tokai Rolling Stock & Machinery Co., Ltd. (a division of the JR Tokai Group) and Resona Bank – just a few examples of the high acclaim the company has earned from many customers for its overall excellence of customer support.

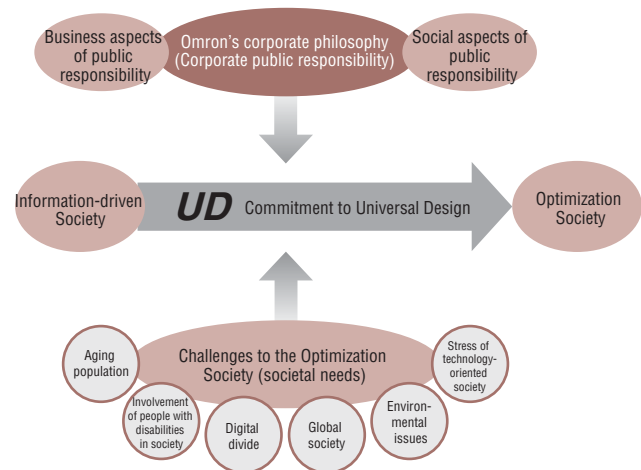


New On-call Business Process screen

Universal Design

Basic policy

In pursuit of social responsibility, Omron is actively involved with incorporating Universal Design into its products, because Omron agrees with the concept. "Universal Design" is defined as the design of products and environments usable by all people, not only the physically gifted but also those with disabilities, as well as children and the elderly. At the same time, Universal Design provides Omron with the extra benefit of added business opportunities. Making products more user-friendly for a wider range of people broadens the user base and leads to expanded business opportunities for Omron. We will continue to promote Universal Design so as to answer a diversity of societal needs and create products ideally suited for a wide range of people.



Automatic Digital Blood Pressure Monitor "Spot Arm" HEM-1000

To obtain accurate blood pressure readings, it is essential that the user maintain a correct posture when measuring blood pressure. The Omron HEM-1000 monitor helps users keep the upper arm at a right angle and maintain a stable posture using an elbow rest. This allows anyone to make a precise measurement simply by inserting his or her arm into the cuff. The unit also employs a large, easy-to-see LCD display and large buttons for effortless operation.



"Spot Arm" HEM-1000

Electronic Thermometer MC-670

Incorporating various user-friendly features including a flat temperature-sensing element that fits snugly under the arm, the MC-670 can measure body temperature in a mere 30 seconds, much faster than conventional units. The display section was also made larger to display readings with large fonts. A number of considerations were incorporated into the unit design to assure safety and comfort for a variety of users, including small children who have difficulty keeping still for extended periods, as well as the aged who suffer failing eyesight.



MC-670

Furthering Two-way Communications

Another key component of Omron's management philosophy is "Focus on gaining our shareholders' trust." Omron aims to meet expectations from its shareholders and earn their confidence by enhancing our corporate value and returning an appropriate level of earnings. We are also determined to fulfill our accountability to investors through disclosure of corporate information, while incorporating feedback from them into our management strategies wherever possible. By promoting two-way communications even further, we are endeavoring to enhance the transparency and ethical standards of our corporate activities.

Information disclosure

Promoting two-way communication through various IR events

Two-way communication with our shareholders and investors is intended to ensure transparency in our management operations and allow us to incorporate their valuable opinions into company operations. As such, it is the very core of our IR activities. In our efforts to achieve this aim, which center on the Investor Relations Department, Omron is working hard to provide information in an open and timely manner.

Ongoing activities include a meeting held on a quarterly basis to detail our business results and corporate standing for institutional investors, along with tours by the President of Omron to personally meet institutional investors both in and outside Japan. On average, the President meets with as many as 500 investors in a year.



Investor relations website

Open shareholders meeting

Since 1998, in an effort to make our shareholders meeting more open and easier for shareholders to attend, Omron has scheduled the meetings to avoid days on which the shareholders meetings of other large companies are concentrated, and using a conveniently located hotel at the JR Kyoto station building as a venue.

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

After the shareholders meeting closes, a separate meeting follows in which we explain our management policies to shareholders in an easy-to-understand fashion. An open discussion is also arranged for shareholders to freely exchange views with the Omron management team. Omron attempts to take every possible opportunity to promote two-way communications with shareholders.



Shareholders meeting

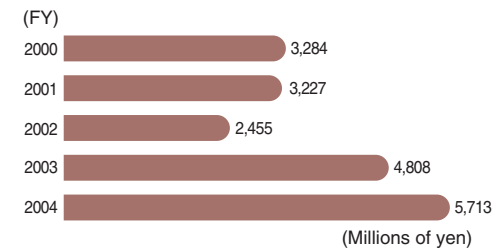
IR activities for individual investors

Besides institutional investors, Omron is also advancing IR activities targeting individual investors. In fiscal 2004, Omron participated in a total of six corporate presentations and investor fairs, clarifying its management situation for individual investors. Additionally, six similar briefings were held at branches of securities firms. Thanks to these efforts, as of March 31, 2005, Omron shareholders totaled 30,947, up 14.5% from a year earlier.

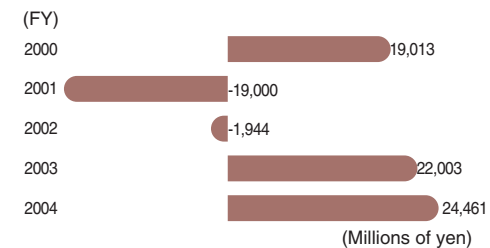


Presentation for investors

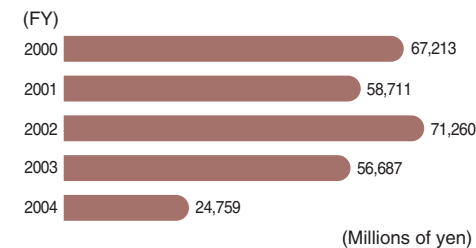
Dividends



Retained earnings



Interest-bearing liabilities



Distribution of profits

Basic policy

Aiming for the long-term maximization of corporate value, Omron puts priority in securing internal capital resources for future investments to promote growth. After taking into consideration the required investments for future growth and the level of free cash flow, Omron distributes any surplus to the shareholders to the maximum extent possible. Accordingly, we will make every effort to maintain the payout ratio in the 20% range relative to consolidated net income, while ensuring long-term stable dividends with a minimum payout of 10 yen guaranteed even during a weak financial year. Utilizing retained earnings accumulated over a long period of time, Omron intends to systematically repurchase and retire the company's stock to benefit shareholders. According to this policy, Omron repurchased 1.2 million shares of Omron stock at a total cost of 2,880 million yen during fiscal 2004.

The annual dividend paid per share for the fiscal year ended March 31, 2005 was 24 yen. The total payout was 5,713 million yen, with a payout ratio of 19%.

Inclusion in SRI indices

Highly recognized for our proactive CSR practices, Omron has been included in several SRI indices, such as the SRI (Socially Responsible Investment) Index by Morningstar and the Sustainability Index by Ethibel. Omron is also included in a number of SRI funds, and is determined to advance its efforts to raise its corporate value so as to fulfill the expectations of shareholders.

For Society

Supporting Corporate Citizenship Activities All Over the World

The policy of "the enterprise as public servant" is the underlying spirit of Omron's Corporate Citizenship Charter adopted in 1991, which later evolved into the Corporate Citizenship Declaration in 1998. Omron's policy is also reflected in its corporate philosophy, "To the machine the work of the machine, to man the thrill of further creation." These credos serve as the conceptual backbone of our efforts to help people with disabilities or other limitations to enhance the quality of their lives, and of our determination to build a society that allows these people to be self-dependent and fully develop their personal strengths. These and other corporate citizenship activities are promoted on a global scale, in a way that suits the culture and social climate of respective countries and regions.

Activities of the Better Corporate Citizenship Center

Management of the Omron Group's corporate citizenship activities

Omron makes social contributions both directly as a company, and indirectly by supporting the volunteer activities of employees. Omron also pursues effectiveness in its activities by specifying the scope of these efforts as group-wide, multiple-site, or site-specific according to the theme of activity.

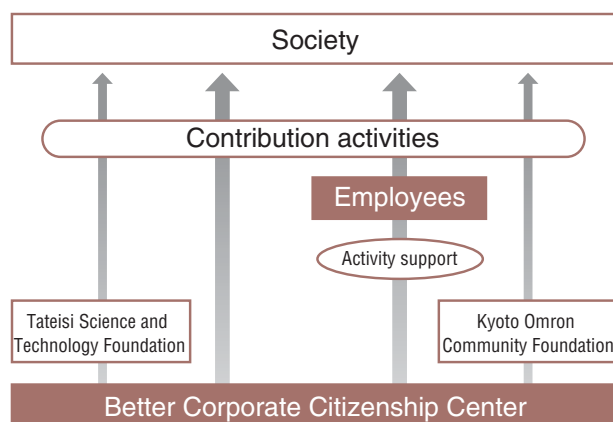
The Better Corporate Citizenship Center is tasked with managing the corporate citizenship activities of the Omron Group.

Direct contributions and support for employee activities

Omron's direct social contribution activities promoted throughout all group companies and at the corporate level include donations, participation in and support for activities of NPOs, and lending personnel to NGOs, all of which draw on Omron's distinctive strengths.

At the same time, Omron strives to contribute to society indirectly by introducing and providing information on volunteer and donation activities to employees and supporting employees who take part in these activities. Employees are encouraged to participate in sporting events and concerts for the disabled, which Omron supports as a company. In these and other ways, Omron aims to boost synergies between direct and indirect contributions.

Direct activities and support for employee activities



Corporate Citizenship Declaration

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

Activity policies

- Corporate citizenship activities are crucial for ensuring a sound and mutually fruitful coexistence with society.
- Corporate citizenship activities are spontaneous activities that do not have to be forced upon us by others.
- Themes and methods that correspond with the company's strong points produce better results in corporate citizenship activities.
- Contributions to society elevate humanitarianism.
- Social contributions that require wisdom and effort lead to respect and acclaim.

Commendations for social and environmental performance

Omron recognizes citizens of regional communities and Omron employees for outstanding social and environmental performance. Specifically, humanity awards are presented through the Kyoto Omron Community Foundation to individuals who are devoted to social welfare and other areas of public service. For employees, Omron annually presents Community awards (social contributions), Environmental awards (Eco-products and contributions to environmental improvement) and Brand Communication awards on Omron's Foundation Day.

Omron Day activities in fiscal 2004

May 10th (Omron's foundation day) has been designated "Omron Day." On this day, Omron Group employees around the world have been performing volunteer work during their paid working time in their local communities every year since 1991. In fiscal 2004, various volunteer activities were promoted including cleanup, assistance for people with disabilities, visits to and socializing with residents at senior citizens' homes, blood donations and many others. A total of 7,500 employees participated representing the Omron Group as a whole, including 3,900 from Omron Corporation, 1,500 from affiliates in Japan, and 2,100 from overseas affiliates.



Cleanup activities by Minakuchi Factory employees



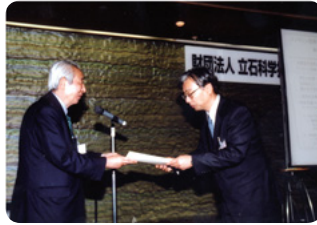
Breakdown of social contribution activity costs

Corporate citizenship activities in various areas

Science & Technology

In fiscal 2004, the Tateisi Science and Technology Foundation decided to grant subsidies amounting to 48 million yen in total for 20 research projects and five international exchange projects. The 15th subsidy granting ceremony was held in May 2004.

Since 2002, Omron has joined with an NPO, the Japan Alliance for Humanitarian De-mining Support (JAHDS) to develop a new mine detector. During fiscal 2004, Omron supported a de-mining project in the Khao Phra Viharn region along the Thai-Cambodian border, known for the Khmer ruins at the mountain's summit.



Subsidy granting ceremony

Arts & Culture

As part of its support for events organized by the Tanpopo-no-He Foundation for people with physical limitations, Omron co-sponsored a songwriting contest with the theme of sending love to aged parents or those with disabilities, instead of just treating them as subjects of care. Omron employees also participated as judges. Omron is actively involved with improving the welfare of people with disabilities and providing them with the opportunity to become socially involved through the arts, by co-sponsoring such events as the Kyoto Arts Festival for the Disabled and special exhibitions held in commemoration of the opening of the Borderless Art Gallery NO-MA.



Songwriting contest

Community service in Japan

Omron Cultural Forum

Through a tie-in with the NHK Kyoto Culture Center, Omron stages cultural forums for the general public. Writers, intellectuals and active experts in various fields are invited to speak at the forums. The event is also broadcast by NHK Radio. Beginning in 1989, as many as 203 cultural forums have been held as of March 2005, with accumulated attendance of 46,000.



Omron Kyoto Cultural Forum

Social Welfare

In March 2005, Omron organized a ski training course for disabled people in Toyama Prefecture in collaboration with the Professional Ski Instructors Association of Japan and Japan Sun Industries' Kyoto Office. Before the event, a seminar on the topics of sports for people with disabilities was held at Japan Sun Industries, with the goal of inviting as many people as possible with disabilities to participate in the training. The main theme of the seminar was that participating in sports is one way for disabled people to get more involved in society, as well as being an effective means of maintaining health. Another way that Omron promotes sports for people with disabilities is by sending its employees to the 24th Oita International Wheelchair Marathon (October 2004) and the 16th All-Japan Long-distance Wheelchair Relay Race (February 2005) as participating athletes and volunteers.



Ski training course for people with disabilities

International Cooperation

Volunteers from the Omron workforce have been participating in a sweater knitting charity to support Kosovo refugees and Mongolian street children. In fiscal 2004, 60 sweaters were donated from Omron.

Omron also has been supporting the Foster Parents Plan organized by Plan*, through matching donations by managers via Omron volunteer cards. In fiscal 2004, the company matched 240,000 yen donated by managers, for a total of 480,000 yen.

* "Plan" is an NGO certified and authorized by the United Nations with many ongoing projects in fields such as healthcare, hygiene, human resource development and technical support for developing nations.



Foster children

Pipe organ concert

Omron donated a pipe organ to the Kyoto Concert Hall, which was completed in the fall of 1995. Since then, the company has sponsored the "Omron Pipe Organ Concert Series," with the goal of introducing more people to the enjoyment of pipe organ music, while providing many opportunities for young musicians to perform onstage. In fiscal 2004, four concerts were held, including Jean Guillon from France in April, Mami Sakato in September, Thomas Schmoegner in November, and Hideyuki Kobayashi in February 2005.

Omron's Social Reporting

Omron's Environmental Reporting

Third-Party Comments

Kyoto Omron Community Foundation

The Kyoto Omron Community Foundation is working to contribute to local communities in Kyoto, where Omron headquarters is located. The foundation provides support in various fields such as welfare, youth education, empowerment and elevation of the status of women, along with overall improvement of living conditions. At the 19th Humanity Awards ceremony held in May 2004, three people were recognized for their outstanding social contributions. Award recipients were Mitsugu Uehira, former director of the Kyoto Municipal Museum of Art; Makiko Hirata, executive director of the Kyoto Telephone Lifeline; and Emiko Wada, a costume designer.



Humanity Award ceremony

Integrated study classes

In January of 2005, Omron Healthcare cooperated in an integrated study program of the Yamanouchi Elementary School in Kyoto by holding a class within its office. In line with the integrated study program's theme of "Meet, observe, and learn from people," the class was intended to encourage children to have future ambitions and acquire a scientific way of thinking by observing and touching a product, and understanding its mechanism. The class was attended by 63 students, who listened to a speech by Omron staff who developed the product. The students were able to witness the fulfillment that people can achieve through work and through dealing with hardships encountered in the course of development.



An integrated study class for local elementary school students

Community service outside Japan (Omron Day activities)**China**

OMD* employees provided a service in which they measured the body temperature and blood pressure of about 300 people free of charge at a shopping center in Dalian. OMCC* and OMC* also took part in a tree-planting project in a park.



Free blood pressure measurement in Dalian

Thailand

OEP-TH* staff purchased trees, soil and fertilizers and planted trees at the Chatuchak National Park.

At OCB-TH,* employees donated money as well as clothes to aid the victims of a large fire that broke out in 2004.



Tree-planting in Chatuchak National Park

Philippines and Malaysia

OSP* (Philippines) employees visited a home for children with visual and hearing impairments, and played games with children, while also donating used clothes and toys.

OMB* (Malaysia) organized a visit and donated stationery and toys for children in the Kuala Lumpur General Hospital.



Visiting a home for children with visual and hearing impairments

U.S.A.

On Omron Day, OEI* organized cleanup and maintenance activities for the Clearbook Center, a support organization for people with developmental disabilities.

OHI* donated school supplies to Big Brothers Big Sisters, a charity organization offering mentorship for children with problems in their family background.



Cleanup activity at Clearbook Center

* Abbreviations of overseas Omron affiliates

Aiding the relief and reconstruction efforts of tsunami-affected areas in Sumatra

In December 2004, a tsunami triggered by the major earthquake off Sumatra, Indonesia resulted in terrible losses in Indonesia and other Asian nations. As part of its CSR practices, Omron, as a globally operating company based in Asia, donated 100 million yen to the Japan Committee for UNICEF to aid the tsunami victims on January 11. This initial contribution was followed by additional donations collected from Omron offices and affiliates both in and outside Japan. The additional pledges amounting to approximately 18 million yen

were donated to the Japan Committee for UNICEF or through local Red Cross offices. Omron affiliates in Asia also donated relief goods including clothes, food, medicines and Omron controllers for water purification systems.



Omron members in Malaysia who made donations

● Background of the establishment of Omron Taiyo and Omron Kyoto Taiyo

Omron has always supported disabled people based on our philosophy: "No one is too disabled to work and contribute. Disabled people don't need charity – just a fair chance!" In conformance with this, Omron established Japan's first factory staffed and run by people with disabilities in 1972, in cooperation with Japan Sun Industries (Taiyo-no-Ie), an organization dedicated to the vocational training of the disabled. Located in Beppu City in Oita Prefecture, this joint venture factory, called Omron Taiyo Co., Ltd., was followed by the establishment of another joint venture in Kyoto (the home of Omron) in 1986. This company is named Omron Kyoto Taiyo Co., Ltd.

The late Dr. Yutaka Nakamura, founder of Japan Sun Industries, held the belief that it is vital to provide disabled people with the appropriate vocational training and a place to work, so that they can fully participate in society and make maximum use of their capabilities. Omron founder Kazuma Tateisi agreed with Dr. Nakamura's belief, which led to the establishment of the two Omron Taiyo factories. Omron's motto, "At work for a better life, a better world for all," is fully instilled in both of these factories.

● Creating a pleasant and effective work environment for disabled workers

At Omron Taiyo and Omron Kyoto Taiyo, special considerations are given to both working and living environments so as to make work and life easier for disabled workers. In fact, the employees themselves added various improvements and devised tools and devices that help them work safely and efficiently. As a result, workers with disabilities can demonstrate the same level of skills as those without disabilities. At both factories, disabled employees are working hard to create workplaces with universal compatibility.

There are also occasions when workers with disabilities participate in the initial development stage of a product. For example, an automatic teller machine (ATM) that can be used easily by people in wheelchairs was completed with Omron Kyoto Taiyo staff involved in the development process.

● Commitment to quality, safety and environmental conservation

Omron Taiyo considers "5S" activities (Sort, Straighten, Scrub, Stabilize and Sustain) to be important components of its efforts in creating a universally accessible workplace, with a focus on quality and safety as well as promotion of environmental conservation. Thanks to these efforts, Omron Taiyo achieved ISO 9001, ISO 14001 and OHSAS 18001 certifications. Encouraged by these achievements, the company is striving to offer highly reliable products for customers while at the same time preventing environmental pollution and building a safe and comfortable working environment.

The philosophy of Omron Kyoto Taiyo can be summarized as "Creating an environment that is friendly to people with disabilities is synonymous with building an environmental system that is friendly to the Earth." This forms the basis of the company's environmental policy and ongoing environmental conservation activities. As a result, Omron Kyoto Taiyo became Japan's first joint venture between a private corporation and a welfare organization that received ISO 14001 certification. As a responsible member of a regional community, Omron Kyoto Taiyo is endeavoring to become a clean and environmentally sound high-tech factory.



A man with a disability of the hand can perform precise work using a special tool, with results that are as efficient as workers without disabilities.

For Omron's development of an ATM incorporating a Universal Design concept, Omron Kyoto Taiyo employees participated in the project from the initial development stage, helping verify the ease of approach for wheelchair-bound users as well as the appropriateness of the control panel height.



Workers with disabilities are committed to creating continued improvements for themselves and other disabled workers by autonomously holding a quality improvement meeting, and by thorough analysis of parts using an automated inspection system.

● Maintaining high quality standards

To ensure high product quality, workers autonomously hold meetings intended to promote quality improvements. In addition, industrial engineers make videos of various operations and processes and analyze them for improving operational efficiency and solving problems. These activities helped Omron Kyoto Taiyo, which engages in the production of advanced electronic sensors, to become a first-rate factory with minimal defect rates and high productivity.



Omron's Environmental Reporting

While working to lessen the negative environmental impact of its business activities, Omron is also committed to developing products and technologies that help conserve the environment. Our dedication in both of these areas demonstrates our efforts to become a leader in creating a balance between ecology and economy.

- 38 Basic Policy for the Environment
- 39 Mass Balance (Input and Output)
- 40 Targets and Results
- 42 Promotion of Environmental Management
- 45 Reducing Negative Environmental Impact through Products and Technologies
- 48 Reducing Negative Environmental Impact through Business Operations
- 51 Topics

Basic Policy for the Environment

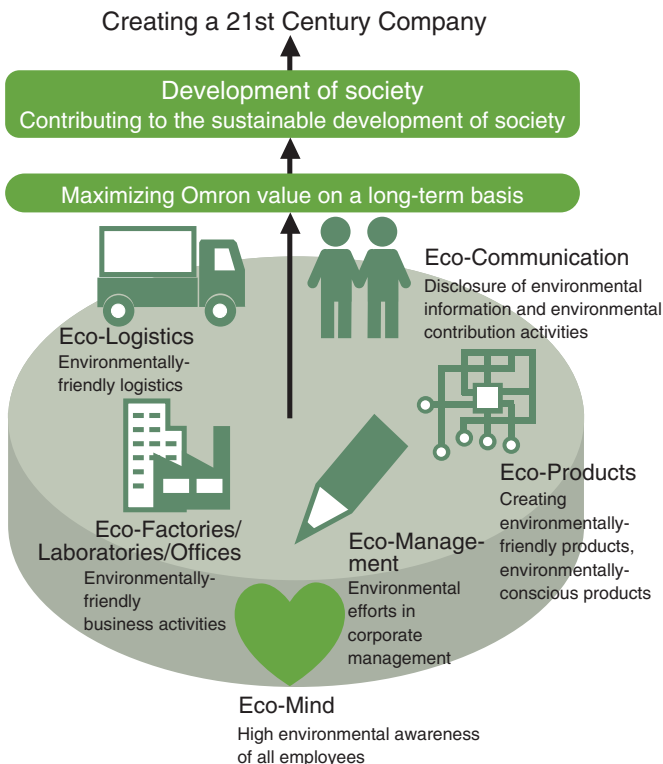
Environmental vision “Green Omron 21” reviewed

Omron considers addressing environmental issues to be our corporate responsibility and thus is an important management objective for the company. Based on this, we established our “Green Omron 21” environmental vision in May 2002, which specifies the direction of Omron’s environmental management as a “21st century company,” and an action plan that clearly identifies focused activities and targets we intend to achieve. “Green Omron 21” is designed to promote activities in six key areas, namely Eco-Mind, Eco-Management, Eco-Products, Eco-Factories/Laboratories/Offices, Eco-Logistics and Eco-Communication. Recently, we have reviewed and revised the vision with a new target year set for the final year of Omron’s Grand Design 2010 (GD2010), which specifies the ideal image for Omron to achieve by 2010 and its basic management policy.

In reviewing the vision, we have decided to keep the environmental management vision unchanged in respect to its scope of activities and target image, as no factors are anticipated that may substantially impact the direction of Omron’s environmental management up until 2010. Along with increasingly strict environmental laws and regulations and the enforcement of the Kyoto Protocol, societal demand for measures to combat global warming is on the rise. Reflecting such societal trends and issues that Omron faces regarding environmental improvement activities, and to further strengthen our environmental activities at the global level, we have reviewed the areas of activities and targets specified by our former action plan and compiled a new environmental action plan (Ver. 2) to be implemented in the next five years.

We will strive to incorporate these activities and targets into individual action plans tailored to the situation of each business area and workplace, so as to further reduce the negative environmental impact of our business activities.

Environmental Management Vision “Green Omron 21”



Environmental Declaration

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

Environmental Policy

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

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

Basic Law Observance

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

Response to Environmental Issues

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

Support Structure

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

System

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

Specific Goals

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

- 1) Development of technology and products that contribute to a reduction of the burden our activities place on the environment for our customers
- 2) Purchase of environmentally friendly materials, fixtures, and fittings
- 3) Activities to improve resource productivity
- 4) Energy conservation to cut CO₂ emissions
- 5) Pollution reduction and prevention in regional environments

Determination and Review

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

Instruction and Training

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

Social Contribution

Active participation.

Disclosure

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

Mass Balance (Input and Output)

Environmental impact increased along with production growth

To reduce the burden that our business activities place on the environment, we assess and analyze resource and energy requirements (input) and emissions such as waste (output) for a product's entire life span from materials procurement to manufacture, up to disposal and recycling.

With the increased volume of production in fiscal 2004, there was a corresponding increase in most of the environmental impact

items, as was the case in fiscal 2003. This makes it essential that we take measures to effectively deal with the increasing environmental impact resulting from increased production. We are determined to advance these efforts at the global level.



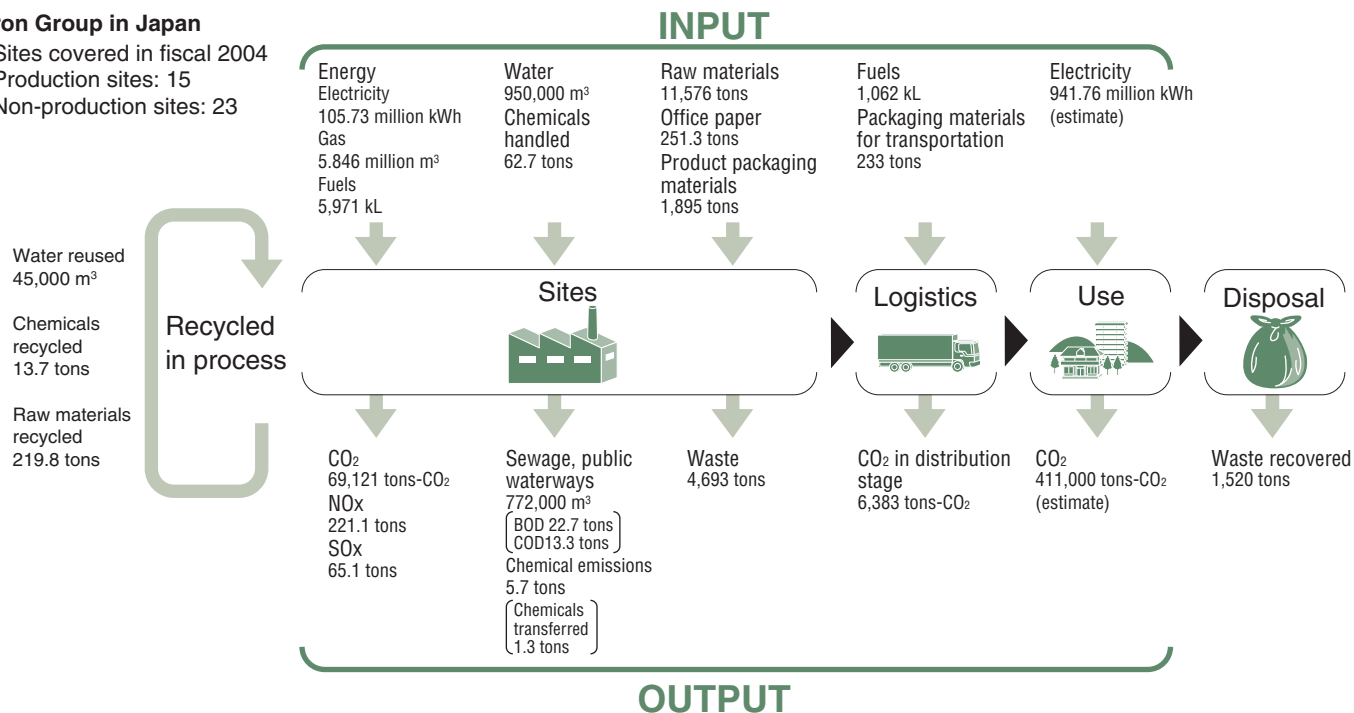
Domestic and overseas site reports

Omron Group in Japan

Sites covered in fiscal 2004

Production sites: 15

Non-production sites: 23



Input

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

Output

CO₂: CO₂ emissions from electricity, gas, and fuels
 NO_x: NO_x emissions from gas and fuels
 SO_x: SO_x emissions from gas and fuels
 Sewage, public waterways: Industrial wastewater from production facilities, domestic wastewater
 Chemicals: Chemical emissions to air, soil, and public waterways. Waste and amount transferred to sewage systems.
 Waste: Industrial waste from business activities, general waste from business
 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)

Overseas Group (reference) [Sites covered in fiscal 2004] Production sites; China: 5 sites, Asia-Pacific: 4 sites, North America: 3 sites, Europe: 3 sites







Category		Total	China	Asia-Pacific	North America	Europe
CO ₂ emissions in production (tons-CO ₂)		50,186.8	21,840.0	17,389.0	7,639.8	3,318.0
Energy	Electricity (10,000 kWh)	6,803.4	2,756.1	2,135.1	1,575.9	336.3
	Gas (10,000 m ³)	143.7	21.9	0.9	35.0	85.9
	Petroleum (kL)	6,295.8	3,380.3	2,915.3	0.1	0.1
Water (10,000 m ³)		63.9	49.6	9.8	3.9	0.6
	Solder used (tons)					
	Total	116.5	46.8	19.2	40.7	9.8
	Lead-containing type	96.0	33.8	12.6	39.9	9.7
	Lead-free type	20.5	13.0	6.6	0.8	0.1
Waste (tons)	Total	2,931.3	1,912.8	210.5	554.0	254.0
	Recycled	2,190.2	1,460.5	120.8	410.6	198.3



Overseas environmental performance data

Targets and Results

The table below lists targets specified in our “Green Omron 21” action plan, along with fiscal 2004 results. Omron achieved its targets in most areas, but failed to attain the targets for two programs. The first program relates to environmental accounting. Although environmental accounting was newly introduced at two non-production affiliates in Japan, there was a delay in the expansion of environmental accounting indicators that led to inadequate preparation for launch at overseas affiliates. The second area is related to CO₂ emission reduction. Although 15 production sites in Japan attempted to reduce CO₂ emissions by 6.4% compared to fiscal 1995, the result actually was a 13.6% increase due to a rise in energy consumption accompanying the increased production and expansion of facilities.

Theme		FY2004 Targets	FY2004 Results
 Eco-Mind	Environmental education	<ul style="list-style-type: none"> Implement environmental education programs Start environmental e-learning and expand content 	<ul style="list-style-type: none"> Expanded levels of environmental education to include new middle-class managers, new management executives and new employees Started environmental e-learning program, added 2 new courses
	Promotion of environmental awareness	<ul style="list-style-type: none"> Implement Environmental Month activities (June) 	<ul style="list-style-type: none"> Expanded Environmental Month activities to include 2 non-production affiliates in Japan Solicited ideas for environmental proposals and environmental slogans
 Eco-Management	Environmental accounting	<ul style="list-style-type: none"> Expand environmental accounting indicators Prepare for launch of environmental accounting at overseas affiliates 	<ul style="list-style-type: none"> Failed to meet both targets of expansion of environmental accounting indicators and expansion of environmental accounting into overseas affiliates Implemented at 2 non-production affiliates in Japan
	Pollution control/ environmental risk management	<ul style="list-style-type: none"> Maintain perfect record of no legal infringement, environmental accidents, claims or complaints 	<ul style="list-style-type: none"> No cases of law infringement, environmental accidents, claims or complaints
	ISO 14001 certification	<ul style="list-style-type: none"> Acquire and maintain ISO 14001 certification Promote acquisition of certification for overseas non-production affiliates 	<ul style="list-style-type: none"> Maintained and renewed certification for certified sites Failed to start expansion of certification acquisition to overseas non-production sites Certification acquired by 1 non-production affiliate (2 sites) in Japan and 1 production affiliate overseas
 Eco-Products	Development/supply of Eco-Products	<ul style="list-style-type: none"> Make Eco-products account for 75% of new products 	<ul style="list-style-type: none"> Percentage of new Eco-Products: 100%
	Creation of products with fewer or no hazardous chemical substances	<ul style="list-style-type: none"> Promote eliminated use of banned substances 	<ul style="list-style-type: none"> Built environmentally warranted product creation system and completed system launch at a corporate level Environmentally warranted product design aid system (E-Warps) developed and system operation firmly in place
	Promotion of green procurement	<ul style="list-style-type: none"> Assess suppliers in Japan and overseas based on new standards 	<ul style="list-style-type: none"> Launched certification of suppliers both in and outside Japan (for acquisition of third-party certification and supply of regulated chemical substance information)
	Product recycling/reuse	<ul style="list-style-type: none"> Maintain ATM recycling rate of 98% or higher 	<ul style="list-style-type: none"> ATM recycling rate: 99.5% (Collected 4,013 ATMs)
 Eco-Factories/ Laboratories/ Offices	Promotion of CO ₂ emission reduction	<ul style="list-style-type: none"> Total CO₂ emissions at 15 production sites in Japan: 44,564 tons-CO₂ (6.4% reduction from FY1995) 	<ul style="list-style-type: none"> Total CO₂ emissions from 15 production sites in Japan: 54,068 tons-CO₂ (13.6% increase from FY1995) Total CO₂ emissions from 23 ISO-certified non-production sites in Japan: 15,053 tons-CO₂ (13% increase from FY2003)
	Waste reduction/recycling	<ul style="list-style-type: none"> Waste recycling rate: 98% or higher Final disposal rate: 0.1% or lower (Total for 15 production sites in Japan) 	<ul style="list-style-type: none"> Zero emissions achieved at 15 production sites in Japan (Recycling rate: 99.5%. Final disposal rate: 0.02%)
	Green procurement of stationary and office supplies	<ul style="list-style-type: none"> Maintain a 100% green product registration rate for SLIM (Strategic Linkage for Intelligent procurement Management) system 	<ul style="list-style-type: none"> Maintained a 100% green product registration rate
 Eco-Logistics	CO ₂ emission reduction at distribution stage	<ul style="list-style-type: none"> Continue CO₂ emission reduction activities 	<ul style="list-style-type: none"> CO₂ emissions in domestic transportation: 6,383 tons-CO₂ (317 tons-CO₂ reduction from FY2003) CO₂ emissions in overseas transportation: 66,595 tons-CO₂ (9,909 tons-CO₂ increase from FY2003) Implemented modal shift to railway transport between Osaka and Kyushu (Nohgata)
	Resource conservation at distribution stage	<ul style="list-style-type: none"> Promote discontinuation of cardboard usage Implement stretch film reduction measures 	<ul style="list-style-type: none"> Implemented returnable containers system at main distributors in Japan Shifted from band to net for securing cargos and completed introduction between logistics centers and 3 sites
 Eco-Communication	Environmental communication (environmental reporting, site reporting)	<ul style="list-style-type: none"> Continue to publish annual environmental report (Expand social and economic reporting) Promote disclosure of site information for non-production sites in Japan 	<ul style="list-style-type: none"> Published 1st Omron Sustainability Report (June) Introduced site reporting of 2 non-production affiliates in Japan through website
	Environmental communication (public relations, exhibitions, etc.)	<ul style="list-style-type: none"> Continue regular update of environmental website Continue participating in environmental exhibitions 	<ul style="list-style-type: none"> Established CSR website and updated regularly Continued participating in environment exhibitions (Enviro-Shiga 2004, Eco-Products 2004) Placed environment advertisement in “Nikkei Ecology” magazine
	Environmental/social contribution activities	<ul style="list-style-type: none"> Continue environmental activities at major sites 	<ul style="list-style-type: none"> Carried out Omron Day (Foundation Day) community contribution activities Held “environmental classroom on wheels” at elementary schools

Omron's Environmental Reporting

Third-Party Comments

We are now reviewing our action plan and targets covering the period up to fiscal 2010, so as to more strictly respond to the tightening of environmental laws and regulations, as well as to meet the demands of the Kyoto Protocol that has come into force, while also concentrating on strengthening measures to reduce negative environmental impact for overseas sites.

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

Rating	FY2005 Targets	FY2007 Targets	FY2010 Targets	Page
○	<ul style="list-style-type: none"> Expand environmental e-learning content and expand its operation into affiliates 	<ul style="list-style-type: none"> Put environmental education programs firmly in place 	<ul style="list-style-type: none"> Continue implementation of environmental education programs 	49
○	<ul style="list-style-type: none"> Conduct Environmental Month seminars (June) Distribute environmental information leaflets among all employees to enhance their awareness of energy conservation Continue to solicit ideas for environmental proposals and environmental slogans 	<ul style="list-style-type: none"> Continue hosting Environmental Month seminars Continue publishing environmental information leaflets Continue soliciting ideas for environmental proposals and slogans 	<ul style="list-style-type: none"> Strengthen measures to raise environmental awareness of employees 	49
✕	<ul style="list-style-type: none"> Specify internal indicators and strengthen functions Prepare for system launch at overseas sites 	<ul style="list-style-type: none"> Complete introduction at overseas production affiliates 	<ul style="list-style-type: none"> Put environmental accounting system firmly in place at corporate level 	44
○	<ul style="list-style-type: none"> Continue no cases 	<ul style="list-style-type: none"> Continue no cases 	<ul style="list-style-type: none"> Continue no cases 	43
△	<ul style="list-style-type: none"> Maintain ISO 14001 certification (2004 version) Acquire ISO certification at Logistics Center for Western Japan and Fukuoka Office Acquire third-party certification from Green Management Certification program (at Logistics Centers for Eastern and Central Japan and Fukuoka Logistics Center) 	<ul style="list-style-type: none"> Maintain and expand acquisition of ISO 14001 certification 	<ul style="list-style-type: none"> Maintain and expand acquisition of ISO 14001 certification 	42
○	<ul style="list-style-type: none"> Make Eco-label products account for 50% of new products Revise Eco-label product certification standards and introduce new target in terms of percentage of Eco-label products relative to new products 	<ul style="list-style-type: none"> Set target in terms of percentage of Eco-label products relative to new products 	<ul style="list-style-type: none"> Set target in terms of percentage of Eco-label products relative to new products 	45
○	<ul style="list-style-type: none"> Eliminate use of in-house regulated chemical substances (lead, cadmium, mercury, hexavalent chromium) 	<ul style="list-style-type: none"> Continue activities to eliminate specified chemical substances 	<ul style="list-style-type: none"> Continue activities to eliminate specified chemical substances 	46
○	<ul style="list-style-type: none"> Complete green supplier certification and discontinue transactions with non-certified suppliers 	<ul style="list-style-type: none"> Maintain procurement from green suppliers 	<ul style="list-style-type: none"> Maintain procurement from green suppliers 	46
○	<ul style="list-style-type: none"> Select new products subject to recycling/reuse along with the transfer of ATM business 	<ul style="list-style-type: none"> Initiate recycling/reuse for newly selected products 	<ul style="list-style-type: none"> Put system to recycle/reuse newly selected products in place 	47
✕	<ul style="list-style-type: none"> Reduce total CO₂ emissions from all sites in Japan by 4.5% from FY1990 Set new total CO₂ emission reduction target for all sites in Japan to strictly conform to Japan's COP3 target (6% reduction from FY1990) 	<ul style="list-style-type: none"> Reduce total CO₂ emissions from all sites in Japan by 5% from FY1990 	<ul style="list-style-type: none"> Reduce total CO₂ emissions from all sites in Japan by 6% from FY1990 	50
○	<ul style="list-style-type: none"> Raise level of zero emissions activities at production sites Accelerate zero emissions activities at non-production sites Promote reduction of total waste volume for more effective use of resources 	<ul style="list-style-type: none"> Accelerate zero emissions activities at all sites including those abroad Promote waste reduction 	<ul style="list-style-type: none"> Achieve zero emissions at all sites in Japan Promote waste reduction 	48
○	<ul style="list-style-type: none"> Maintain green product registration rate of 100% 	<ul style="list-style-type: none"> Maintain green product registration rate of 100% 	<ul style="list-style-type: none"> Maintain green product registration rate of 100% 	48
△	<ul style="list-style-type: none"> Continue CO₂ emission reduction activities Expand scope of joint distribution/mixed-cargo transportation Encourage idling stop and maintenance/upgrading of vehicles 	<ul style="list-style-type: none"> Take action to improve transportation efficiency Review distribution routes both in and outside Japan Review CO₂ emission calculation standards and standardize 	<ul style="list-style-type: none"> Continue action to improve transportation efficiency Optimize routes and means of transportation/distribution in Japan Expand range of overseas factories serving as stock points 	50
○	<ul style="list-style-type: none"> Expand implementation of returnable container system between logistics centers and factories Consider introduction of thin stretch film 	<ul style="list-style-type: none"> Expand channels for implementing returnable container system Introduce thin stretch film 	<ul style="list-style-type: none"> Continue use 	49
○	<ul style="list-style-type: none"> Continue publishing report Strengthen information disclosure at non-production sites in Japan 	<ul style="list-style-type: none"> Continue publishing report and strengthen information disclosure Expand sites covered by the report to include overseas non-production affiliates 	<ul style="list-style-type: none"> Continue publishing report and strengthen information disclosure Expand sites covered by the report 	49
○	<ul style="list-style-type: none"> Continue supplying environmental information through website Continue participating in exhibitions Continue supply of environmental information using media 	<ul style="list-style-type: none"> Continue supplying environmental information through website Continue participating in exhibitions Continue supply of environmental information using media 	<ul style="list-style-type: none"> Hold environmental forum 	49
○	<ul style="list-style-type: none"> Conduct contribution activities at each site in collaboration with regional community Continue holding "environmental classroom on wheels" 	<ul style="list-style-type: none"> Continue contribution activities 	<ul style="list-style-type: none"> Continue contribution activities 	49

Promotion of Environmental Management

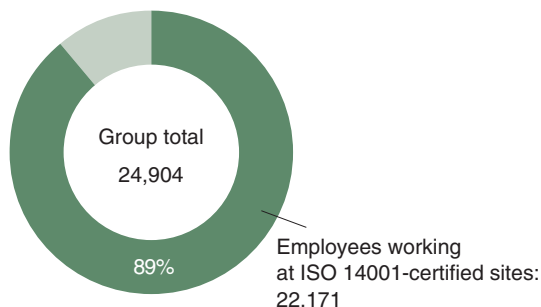
Acquisition of international environmental standard ISO 14001 certification

* See page 9 for the environmental management promotion system.

89% of Omron Group employees work at ISO 14001-certified sites

In fiscal 2004, Omron Entertainment Co., Ltd., Omron's non-production affiliate in Japan, received ISO certification for two of its sites. Our overseas production site, Omron Automotive Electronics Co., Ltd. in Thailand, also acquired ISO 14001 certification during the year. Consequently, a total of 18 production sites and 25 non-production sites in Japan as well as 15 production sites abroad have become ISO 14001 certified as of April 2005. The result is that 22,171 out of the 24,904 employees in the Omron Group (89%) are working in ISO 14001-certified sites.

Number and proportion of Omron Group employees working at ISO 14001-certified sites against the Group total



Future acquisition plan

At present, Omron's Fukuoka Office (including the Kumamoto Factory) and the Logistics Center for Western Japan, along with six Omron Field Engineering Co., Ltd. sites, are working toward achieving ISO 14001 certification by the end of fiscal 2005. The Logistics Centers for Eastern and Central Japan as well as the Fukuoka Logistics Center are also in the course of acquiring third-party certification from the Green Management Certification program* targeting truck fleet operators, by receiving cooperation from their warehousing subcontractors.

* A system in which the EcoMo Foundation certifies and registers truck fleet operators by objectively attesting to their environmental improvement efforts and outcomes.

ISO 14001:2004 transition seminar

To facilitate a smooth transition to the newly revised and improved 2004 version of ISO 14001, we held an open seminar on the ISO 14001:2004 transition plan in April 2004 at Omron headquarters. Some 120 environment managers and concerned personnel were in attendance. The seminar explained the objectives and key points of the revision and helped the participants strengthen their understanding through a question-and-answer session.

Going forward, ISO 14001-certified sites will make the transition to the new version in time for the next audit according to their respective schedules.



ISO 14001:2004 transition seminar

Environmental management assessment system for internal business companies

System put into operation on a trial basis

With the aim of accelerating each internal business company's commitment to the environment and establishing an environmentally conscious company culture, Omron launched a system to assess the environmental management of each business company on a trial basis in fiscal 2003.

The system is designed to evaluate each business company's activities in three areas: reduction of environmental impact through products, environmental impact reduction efforts at sites, and compliance with environmental laws and regulations, scoring them with A, B, and C ratings. This motivates business companies to compete with each other, which in turn can encourage increased attention to environmental issues. C-ranked business companies are required to make additional investments in environmental conservation and carry out specific improvement measures.

In fiscal 2003, the initial year of the system's trial run, two sites received C ratings and thus were given a directive from the president and CEO to make an additional investment for the total elimination of regulated chemical substances from products. The directive also emphasized the absolute necessity for acquisition of ISO 14001 certification for affiliated non-production sites by the end of fiscal 2004. Various issues still remain unsolved, including types of activities and targets that vary among business companies due to differences in business lines and structures, as well as the implementation of assessments that are convincing and are acceptable for all business companies.

To cope with these issues, in fiscal 2004, the second year of the trial run, corporate-wide guidelines that specified assessment items and standards were presented to all business companies at the start of the year. Based on these guidelines, each business company worked to minimize inconsistencies in activities and target

 ISO 14001-certified sites

values among business companies. The coverage of sites was also expanded to include not only production sites in Japan but also Japanese non-production sites and overseas production sites, so as to promote global-level commitment to the environment. As a result, all business companies were either A or B ranked, with no companies receiving a C rating.

From now on, we will incorporate issues revealed through the two-year trial run and countermeasures into the system to make it prepared for the official launch in fiscal 2005. To further strengthen attention to environmental activities, we will study ways to embed this system into Omron's performance evaluation system, with the aim of solidifying our environmentally conscious corporate culture.

	FY2004
Sites covered	Internal business companies (Production and non-production sites in Japan, and overseas production sites)
Assessment items	<ul style="list-style-type: none"> ● Environmental impact reduction through products (Creation of Eco-label products, reduction of regulated chemical substances) ● Environmental impact reduction efforts at sites (energy conservation, resource conservation, reduction of regulated chemicals) ● Compliance with environmental laws and regulations (soil and groundwater pollution at sites, use of banned substances in products, complaints by local residents regarding environmental violations)

Environmental auditing

Corporate audits and onsite internal audits

Omron's internal environmental audits consist of self-auditing conducted by each site based on its environmental management system, and corporate-level auditing carried out by Omron headquarters. Regular external audits provided by ISO assessors

Results of corporate environmental audits

In fiscal 2004, nine sites underwent corporate audits. These audits focused on minimization of legal risk and environmental pollution risk; accelerated implementation of the corporate-level environmental action plan based on the "Green Omron 21" vision at sites; improved quality of activities; ensuring compliance with environmental laws and regulations; countermeasures against environmental risk; and progress of implementation of the corporate-level environmental action plan. As for issues revealed through audits, directives were issued to take counteractions and improvement measures. Concerned sites are currently working on the review of work processes and systems to prevent the recurrence of problems.

In fiscal 2004, corporate audit results confirmed that no violations of environmental laws and regulations occurred, with no breaches of duty or non-compliance with legal standards, and no deficiencies that could cause or lead to environmental pollution.

However, points listed on the right were identified that require improvement of the management or system to further strengthen legal compliance.

Results of onsite internal environmental audits

In fiscal 2004, all ISO 14001-certified sites continued to conduct internal audits. The audits revealed no infringement of environmental laws and regulations, such as non-compliance with legal standards or failure to make legally required reporting. Also, there were no deficiencies found that could cause environmental pollution in respective regional communities. However, some points requiring improvement were discovered regarding the operation and performance of site-specific environmental management systems. Points requiring improvement are listed at right.

Environmental risk management

Environmental notice system helps assure observance of environmental laws

We identify potential environmental risks by taking each site's location and businesses into consideration and making effective use of each site's environmental management system. Once risks are identified, machinery/equipment and facilities are periodically inspected and maintained, and emergency drills are conducted to take appropriate preventive measures and minimize environmental risks.

Also, when important information is acquired that could have a material impact on our business operations, such as revisions to environmental laws/regulations or environmental accidents, the information is disseminated throughout the company using the environmental notice system, to assure the quick and complete implementation of preventive measures at concerned business departments.

As a result of these efforts, there were no cases of violations of laws and regulations, accidents, complaints, fines, penalties or lawsuits related to the environment throughout the Omron Group both in and outside Japan during fiscal 2004.

also ensure that ISO 14001 requirements are met correctly.

We are now preparing to implement corporate audits for production sites in China during fiscal 2005.

Points requiring improvement

- Delay in reflecting amendments to laws/regulations in documents, even though sufficient response was made to the applicable laws/regulations or amendments
- Insufficient marking for environment-related facilities and equipment legally required (omission of incorporating changes such as a supervisor change)
- Partial omission of marking Omron's regulated chemical substances in the list of chemical substances used at the site
- Need to expand the scope of assessment (pre-evaluation) conducted upon the deployment of new facilities/equipment or disposal



Environmental audit

Points requiring improvement

- Incomplete or insufficient extraction of environmental aspects through environmental impact assessment
- Delayed implementation of scheduled environmental education and training programs
- Insufficient record-keeping after education or missing data in records
- Incomplete registering of facilities/equipment subject to legal reporting requirements on the relevant lists (even though legal reporting has been completed)
- Delayed inspection of fire-fighting facilities and equipment
- Partial omissions in acquiring MSDS (Material Data Safety Sheets)
- Need for overall review of markings for chemicals storage cabinets such as identifier marking



Omron's internal auditors

Continuously taking groundwater cleanup measures

Our voluntary surveys discovered groundwater contamination from volatile organic compounds on the premises of Omron Sanyo Co., Ltd. The findings were reported to the national and municipal governments in December 2000 and cleanup measures were implemented. To enhance the effectiveness of the cleanup measures, a new biotechnology-based method was introduced in the second half of 2002. As a result, trichloroethylene concentrations have dropped to a level that meets the environmental standards as of July 2003.

We plan to construct a well for injecting nutritional agents at the peripheries of the well, which is expected to see a rebound in concentrations. This will enable us to maintain the concentration below the required standard value, with the aim of completing cleanup by the end of fiscal 2006.



Purification system

Environmental accounting

Omron implements environmental accounting practices to quantitatively analyze and manage investments and costs associated with environmental conservation and resulting benefits, toward the aim of making the improvement process more efficient. Based on the Omron Environmental Accounting Manual that conforms to the environmental accounting guidelines (2002 edition)

published by the Ministry of the Environment, only direct benefits are calculated as economic benefits to make more effective use of environmental accounting for promoting our environmental management.

In fiscal 2004, environmental accounting was also introduced to non-production affiliates in Japan, and we will continue to expand its scope to include overseas affiliates as well.

Environmental costs

(Units: ¥millions)

Category	Main areas addressed	Investment	Expenses	Total	Change from previous year
(1) Costs within business areas		313.8	492.1	805.9	+21.7
Breakdown	(1)-1 Pollution prevention costs	43.1	179.1	222.2	-38.0
	(1)-2 Global environmental conservation costs	243.4	79.9	323.3	+17.4
	(1)-3 Resource circulation costs	27.3	233.1	260.4	+42.3
(2) Upstream/downstream costs	Collection, recycling and proper treatment of end-of-life products and packaging materials	0	2.2	2.2	-48.6
(3) Environmental management costs	Promotion of environmental activities, acquisition and maintenance of ISO 14001 certification, survey of environmental impact data	0	450.1	450.1	+94.8
(4) Environmental R&D costs	R&D activities for environmentally sound products	0	972.4	972.4	+507.4
(5) Social activity costs	Environment enhancement efforts such as tree-planting campaigns and local cleanup projects	0	12.0	12.0	-5.6
(6) Environmental harm costs	Remedy for past soil and groundwater contamination	0	70.0	70.0	-100.3
Total		313.8	1,998.8	2,312.6	+469.4

(Units: ¥millions)

Item	Description	Amount
Total investment for the term under review	¥600 million decrease from the previous year due to reduced investment in plant and equipment to build the foundation for growth	37,400
Total R&D costs for the term under review	¥3.2 billion increase over the previous year due to aggressive R&D for business expansion	49,700

Environmental performance benefits

Item	Environmental preservation benefit indicator		
	Indicator	Change from previous year	
(1) Benefits in relation to costs within business areas	1) Benefits concerning the use of resources for business activities	Energy consumption (TJ)	+118.0
	2) Benefits concerning the environmental impact of business activities and discharged waste	Water used (10,000 m ³)	+8.2
		Resources used (tons)	+2,560.4
		PRTR substances used (tons)	-5.1
		CO ₂ released into atmosphere (tons-CO ₂)	+10,957.9
(2) Benefits in relation to upstream/downstream costs	3) Benefits concerning properties and services generated from business activities	Water discharged (10,000 m ³)	+18.0
		Waste generated (tons)	+142.8
(3) Other environmental conservation benefits	4) Benefits concerning transportation, etc.	PRTR substances (tons)	-0.3
		ATMs recycled (tons)	+698.2
		Volume transported (tons)	-13,416.5

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

(Units: ¥millions)

Item	Amount	
Cost savings	Savings in energy expenses from energy conservation	-94.1
	Savings in waste disposal expenses from resource conservation and recycling of waste	+42.4

Scope: 15 Omron Group production sites and 15 non-production sites in Japan (8 non-production sites added in fiscal 2004)
Period: April 1, 2004 to March 31, 2005

Results of environmental accounting for fiscal 2004

(1) Environmental costs

Investments

During fiscal 2004, a large part of capital investments concentrated on the introduction of energy-efficient inverter-type air conditioning systems intended to prevent global warming and conserve energy, and analyzers/testing equipment to aid in the elimination of regulated chemical substances from products.

Expenses

Along with accelerated efforts to develop products that meet the upcoming European directives related to hazardous chemical substances, expenses associated with product development and verification/assessment testing (included under "environmental R&D costs") increased substantially over the previous year.

(2) Environmental performance benefits

Increases in production were accompanied by increases in environmental impact for most indicators related to environmental performance compared to a year earlier. We are determined to lessen environmental impact based on our environmental action plan targeting 2010.

(3) Economic benefits

Due to production increases accompanied by extreme heat, energy consumption grew in fiscal 2004, thus resulting in no savings in energy expenses from energy conservation. Along with the increased volume of waste generated, waste disposal and recycling expenses rose. However, we were able to enjoy increased earnings on the sale of valuable materials collected from waste.

Reducing Negative Environmental Impact through Products and Technologies

Creation of Eco-Products

Omron is committed to creating products that are designed with consideration for the environment throughout their entire lifespan (what we call "Eco-Products"). These considerations address energy and resource conservation, extended product life, reuse and recycling, as well as avoidance of hazardous chemical substances. In developing Eco-Products, our efforts center around the key concepts of the "4Rs" – Reject (avoid regulated chemicals and those harmful to health), Reduce (reduce negative environmental impact), Reuse (reuse products, parts and packaging materials), and Recycle (recover and recycle resources). Our goal is to make a proactive contribution to reducing the harm caused by our societal system to the environment through the development of more environmentally sound products.

Product assessment

At the early stages of product planning and design, Omron conducts product assessment to predict and estimate the potential impact of our products on the environment. The objectives are to minimize the negative environmental impact of our products at every stage, including manufacturing, distribution, use, maintenance, recovery, disposal and recycling; and to assure that our products fully comply with environmental laws and regulations in all relevant countries.

During product planning, assessment items are identified and third-party review is conducted at each stage to verify the validity of assessments based on evidential data. We also set environmental targets for each assessment item, and only those products that have met the evaluation criteria for each assessment item are put into production.

Eco-label certification system

Omron defines those products that have met environmental targets through product assessment as "Eco-Products." Those products that satisfy even higher standards of environmental impact reduction are certified as "Eco-label" products,* and are eligible to bear Omron's Eco-label. Our fiscal 2004 targets were to make Eco-label products account for 40% of new developments and Eco-Products represent 75%.

Our efforts in this area allowed Omron to totally eliminate chemical substances that would be banned by 2006 from many of its products, resulting in the creation of 137 Eco-label products and 25 Eco-Products. As a result, Eco-label products accounted for 85% of newly developed products, and Eco-Products 100%.

Omron also estimates energy and resource conservation by Eco-label products developed in the past. In fiscal 2004 alone, Omron Eco-label products saved an estimated total of 10.96 million kWh of energy. This is equivalent to the electricity used by 2,945 average Japanese households in one year. As for resource-saving, the use of plastics was estimated to decrease by approximately 421 tons, and metal by 9 tons.

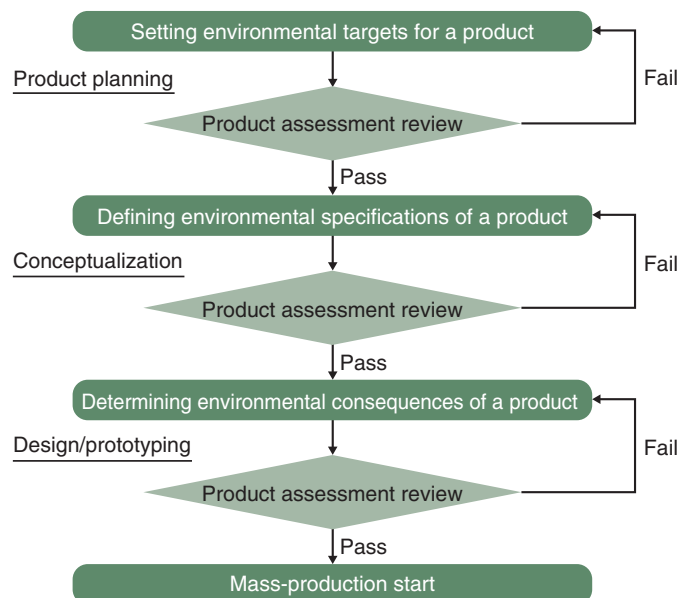
* Omron Eco-label

ISO has three types of Eco-labels: Type I labels are awarded to certified products or environmental performance approved by a third party (conformity assessment body) such as the Japanese Eco-Mark and German Blue Angel; Type II labels are self-selected, self-certified labels; and Type III labels depend on data sheets, etc. to provide environmental performance information.

Since no Omron products correspond to publicly established evaluation criteria, Omron uses Type II labels in accordance with its own environmental standards (based on ISO 14021).



Product assessment flow



Eco-label product developments in fiscal 2004

• HT-B402 Electric Sonic Toothbrush 55% less metal and plastics in use

This product easily removes plaque from between the teeth and from around the back teeth through ultrahigh-speed 3D sonic vibration of the toothbrush head. Its design is the slimmest and lightest of all the sonic toothbrushes available.



• V7 Automatic Fare Adjustment Machine 30% less power consumed in standby compared to conventional model

Used at rail stations, this system was designed with the Universal Design concept, and incorporates as many user requirements as possible at the early stage of conceptualization and prototyping. This is to ensure easy operability for the elderly and those with disabilities.



Omron Eco-label products and Eco-Products

Green procurement

To totally eliminate regulated chemical substances from Omron products, we have recently revised our former preference-based procurement policy to a policy of not purchasing or using any raw materials or parts that contain regulated chemical substances.

With this policy change came revisions in our green supplier certification standards in May 2004. Based on the newly established requirements, suppliers must acquire ISO 14001 or other third-party environmental management certifications as proof of environmental assurance; and they must also provide information on chemical substances contained in parts/materials they supply, along with proof that no banned substances are contained in the parts/materials. Asking cooperation from suppliers, we have been promoting green procurement based on the new standards.

As a result of these efforts, approximately 390 suppliers out of our total 2,000 suppliers in and outside Japan were certified as green suppliers in fiscal 2004. Our purchase from green suppliers in Japan amounted to 43 billion yen, which represents about 30% of our total purchasing cost.

Omron is also conducting a survey for commercially available raw materials and electronic parts as well as processed products, having completed a survey for 95% of approximately 170,000 items. We will expand green supplier certification to include suppliers outside Japan as well, to ensure the purchase of parts/materials from green suppliers who satisfy our certification standards from April 2006.

Green supplier certification standards

- 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

* EMAS (Eco-Management and Audit Scheme): A voluntary European initiative designed to foster improvements in environmental performance of businesses through environmental management and auditing.

Green supplier certification

Parts/materials procurement from green suppliers



Green supplier certification standards

Minimizing the use of regulated chemical substances

Abolishing hazardous substances from all products by March 31, 2006

In recent years, laws and regulations regarding the management of chemical substances are becoming increasingly strict everywhere in the world. Particularly in Europe, such directives as RoHS, WEEE*1 and ELV*2 either ban the use of hazardous chemical substances in products, or make it mandatory to eliminate them. In other words, these directives require companies to supply products that are not just environmentally sound but environmentally warranted as well. As such, Omron is working toward the goal of eliminating regulated chemical substances from all its products by March 31, 2006.

In fiscal 2004, we worked to build a business system to supply environmentally warranted products and strengthen the functions of information systems supporting the development of such products. In fiscal 2005, we will be concentrating on the implementation of these systems to assure complete elimination of regulated substances from Omron products as scheduled.

*1 WEEE directive: Waste Electrical and Electronic Equipment directive

*2 ELV directive: End of Life Vehicles directive

Regulated substance abolition schedule (FY)

	2003	2004 first-half	2004 second-half	2005	2006
Review of in-house regulations					RoHS directive comes to effect
Survey for regulated chemical substances present in parts/materials				(Newly selected parts/materials)	
Development of support information systems					
STEP1	STEP2-1	STEP2-2	STEP3		
Establishment of environmentally warranted product supply system				(Global expansion of system)	
Complete avoidance of banned substances from products/use of alternative substances					

Omron's total elimination target: March 31, 2006

Reform of product assessment system

To assure that Omron products contain no regulated chemical substances for customers, it is essential to confirm the non-use of such substances during the development/design stage, along with third-party review based on its evidentiary data. Formerly, non-use of regulated chemical substances was confirmed through product assessment, which largely depended on the designer's self-check and involved evaluation criteria that varied from division to division. It was therefore inadequate as an assurance system for customers.

To cope with this situation in fiscal 2004, we have established unified corporate-wide product assessment items and evaluation criteria. Accordingly, the designer's self-check dependent system was revised to involve third-party review based on the data for non-inclusion of regulated chemical substances in products, and the new product assessment system was put into use at all internal business companies. We strive to further strengthen the environmental assurance of Omron products by promoting the operation of the new system at the global level.

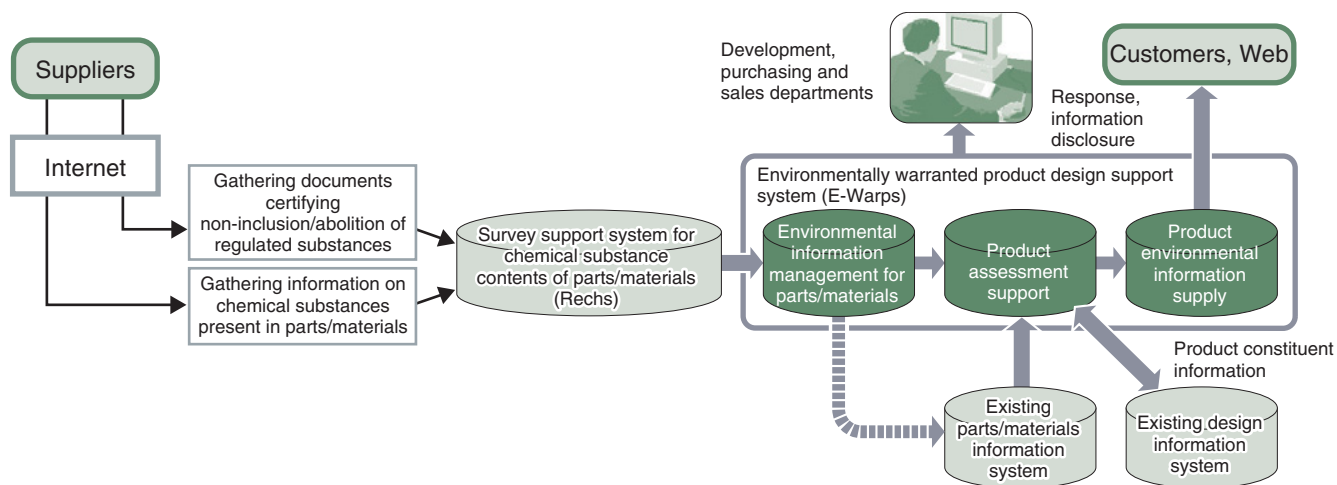
Development of "E-Warps" environmentally warranted product design support system

We have built support systems for the survey of chemical substance contents for parts/materials (Rechs*¹) and for design of environmentally warranted products (E-Warps*²). Rechs is designed to collect necessary information from parts/materials suppliers via the Internet, while E-Warps uses the collected data to enable the development of environmentally warranted products. E-Warps was put into operation in April 2004, with new functions successively being added to further promote its use. Initially, its functions concentrated on those related to the design process. Additional support functions were released on a step-by-step basis

for parts/materials selection, supply of information for customers, and product log management. E-Warps can now be accessed not only from sites in Japan but also from those abroad, resulting in the establishment of a comprehensive system in March 2005. We aim to further promote the use of E-Warps to advance our efforts toward the total avoidance of regulated chemical substances throughout the world.

*1 Rechs: Restricted Chemical Substances gathering management system

*2 E-Warps: Environmentally warranted products design support systems



Examples of products containing no regulated chemical substances

• Model F3ZN Area Scanner

Designed to detect the shape and size of an object that passes through the sensing area, the area scanner is used for identifying products and monitoring their conditions on production lines. (To be marketed in October 2005.)



• Model S8VS Switching Power Supply

This device converts commercial AC voltage (100V or 200V) to stable DC voltage (24V or 5V). (To be marketed in November 2005.)



Supporting the supply of environmentally warranted products

Toshiro Fujimasa

Supervisor
Advanced Production System Department
Technology Development Center HQ
INDUSTRIAL AUTOMATION COMPANY



To continually provide customers with environmentally warranted products, we have reviewed the development process and information provision for customers and developed information systems that support these business processes. Currently available support systems for use both in Japan and abroad include PLUS and E-Warps. We are using PLUS for selecting parts/materials that comply with laws/regulations during the early stages of new product development and design change, while E-Warps is being used for examination of new product development and design changes as well as for design review. By drawing on these systems, we have already launched various products with reduced amounts of regulated chemical substances. These systems are useful for providing our customers with environmental information on Omron products, and should also prove helpful as we accelerate our efforts toward our goal of environmental assurance of all Omron products throughout the world by March 31, 2006.

Product recycling and reuse

Since fiscal 2001, Omron has collected and dismantled end-of-life automated teller machines (ATMs) to promote recycling of materials and reuse of parts for maintenance. In fiscal 2004, a total of 4,013 ATMs were collected, achieving a recycling rate of 99.5%. Since this business was transferred to Hitachi-Omron Terminal Solutions, Corp. during the second half of fiscal 2004, we will consider other products subject to recycling/reuse.



Collected ATM

Reducing Negative Environmental Impact through Business Operations

Waste reduction

Achieving zero emissions

Omron is aggressively accepting the “zero emissions” challenge, with 100% recycling and reuse of waste generated through our business activities without any incineration or landfill disposal.

In fiscal 2004, zero emissions was achieved at 15 production sites in Japan as well as at one out of 23 non-production sites (Tokyo Head Office). Our goal is to attain zero emissions at all of our Japanese non-production sites during fiscal 2006 and all production sites overseas by the end of fiscal 2007.

Japanese production sites that have already achieved zero emissions have been working to upgrade from thermal recycling to material recycling with the aim of more effectively recirculating resources. Five sites have already met in-house standards for material recycling, and efforts are currently underway to expand this initiative to include other sites as well.

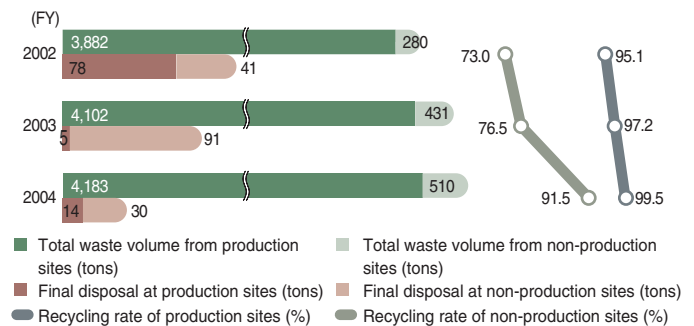
In fiscal 2004, the recycling rate for our production sites in Japan was 99.5% and the rate at Japanese non-production sites was 91.5%. However, a rise in production volume brought about an increase of 160 tons in total waste volume in Japan over the previous year. To cope with this situation, we will reinforce our efforts to reduce waste volume. Although waste volume outside Japan increased 300 tons from a year earlier along with expanded production, the recycling rate was also up. We will accelerate the achievement of zero emissions overseas as well, along with waste reduction efforts.

Appropriate waste treatment

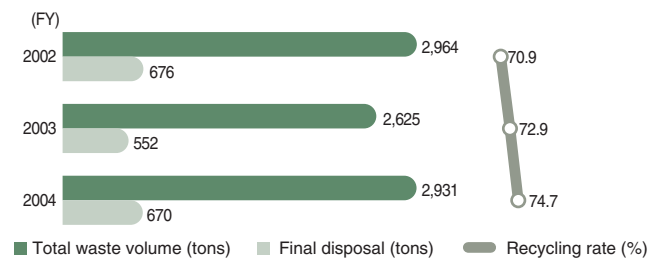
To promote appropriate waste treatment, Omron has concluded a consignment agreement with waste processing subcontractors engaged in collection, transportation, recycling and disposal of waste. Omron also promotes implementation and management of control manifests for industrial waste. We also conduct on-site checks for treatment of emitted waste at waste disposal sites on a regular basis.

Along with the issuance of guidelines for waste disposal and recycling governance by the Ministry of Economy, Trade and Industry in September 2004, we prepared a new checklist and

Waste volume (Japan)



Waste volume (overseas)



Japan: 15 production sites
23 non-production sites (7 in FY '02, 15 added in FY '03 and 1 added in FY '04)
Overseas: 15 production sites

confirmed the current status with all subcontractors at all of our sites.

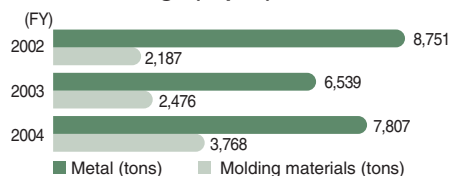
Omron believes that partnerships with subcontractors are essential for promoting adequate waste management and raising the recycling rate. Accordingly, we are planning to introduce a centralized waste management system for more efficient and strict control of waste processing consignment agreements and manifests, thereby assuring and maintaining appropriate waste treatment policies.

Resource conservation

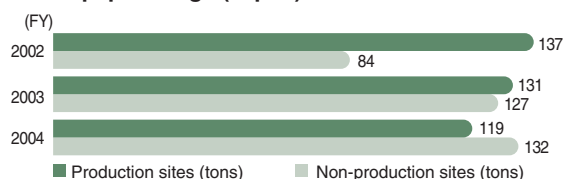
To build a sustainable society that recirculates what it employs, limited resources must be used as efficiently as possible. Toward this end, Omron is striving to reduce the use of resources and promote recycling and reuse. Ongoing measures include recycling of wastewater to reduce consumption; reduction of office paper usage through paper-less documentation or double-sided and reduced-size photocopies; promotion of resource-saving design and in-line recycling to reduce the use of metal and plastics for our products; and encouraging the purchase of green stationery products and office supplies. Through these and other activities, we are committed to making more effective use of resources.

- NOx and SOx emissions
- Water usage
- PCB storage status
- BOD and COD emissions
- PRTR survey results
- Green purchases

Resource usage (Japan)



Office paper usage (Japan)



Examples of resource conservation activities

In-line recycling of molding runner waste

Omron Relay and Devices Corporation has established an in-line recycling technology for reuse of runner waste emitted from the molding process. This has resulted in a 200-ton reduction in newly purchased materials in fiscal 2004. The technology proved difficult to establish, especially for such components that require micron-order precision, because of larger variations (5 to 10+ times) in dimensions and other physical properties compared to virgin material. By establishing recycling technology for increasing varieties of molding materials through tackling this and other technological challenges, the company contributed to the achievement of zero emissions and resource conservation.

Water recycling

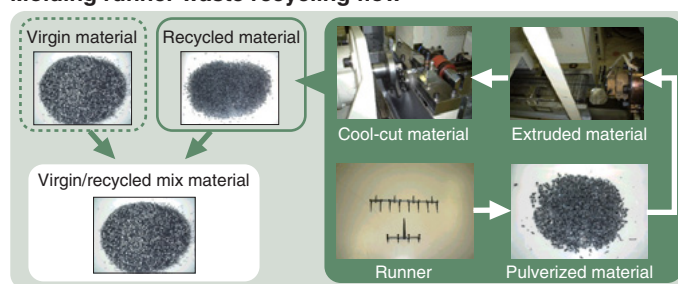
Our Minakuchi Factory, which is engaged in semiconductor production, uses almost 400m³ of pure water per day to clean wafers. Since cleaning water requires an exceptionally high degree of purity, recycling of wastewater is extremely difficult. The Minakuchi Factory implemented a high-purity water recycling system in 1997. This system allows reuse of approximately 100m³ of pure cleaning water, which represents 25% of the total volume used in a day.

As Omron has relatively fewer businesses consuming large amounts of water, we have not specified any targets for water use reduction at the corporate level. For the future, we will advance our efforts to more effectively use water by setting a corporate-wide goal.



High-purity water recycling system

Molding runner waste recycling flow



Implementation of returnable containers

Omron's logistics centers have been implementing returnable containers for delivery to distributors since fiscal 2002. In fiscal 2004, we reviewed distributors using this system and increased its use to cover approximately 35% of our product distribution in Japan (up 5 points from fiscal 2003). An increased volume of cargo transport also pushed up the purchase of cardboard for transportation. However, the use of returnable containers allowed us to cut the use of cardboard by 105 tons per year. We plan to expand the deployment of this system to include delivery between the logistics centers and Omron factories with the aim of further lessening the use of cardboard.



Returnable containers

Environmental education

Mindful that employees are the driving force behind environmental management, Omron continues to improve education opportunities for its employees to raise their ecological awareness and encourage action to put this awareness into practice.

In fiscal 2004, rank-specific education programs were organized by Omron headquarters, and our environmental e-learning program provided two additional courses – environmental science and technology, along with environmental audit and auditing techniques. An addition of six new courses is planned for fiscal 2005, along with expansion of the e-learning program to cover affiliates in Japan.


To enhance the environmental consciousness of employees, Omron distributes its Eco-Life Sheet among its employees and actively employs in-house media such as the regular Omron News publication and on-line environmental activity bulletin board to share environmental information and Omron's measures for environmental conservation.




Environmental e-learning screen

Environmental communication

Omron believes that one of the most effective means of building a sustainable society is to promote communication with our stakeholders and to disclose information related to our proactive environmental conservation activities. As such, Omron relays information through various channels, such as our sustainability reports, our website, and fairs and exhibitions. We intend to further strengthen our interaction with stakeholders, while incorporating their feedback and comments wherever possible.

 Environmental commendations

 Environmental education programs and activities intended to enhance environmental awareness

Exhibitions and advertisements

Omron is an active participant in environmental exhibitions, and we frequently place advertisements in print media to introduce Omron's environmentally sound products and conservation activities, while collecting feedback from many stakeholders.



"Eco-Products" Exhibition 2004

Communication with communities

Omron is a participant in the Kyoto Chamber of Commerce and Industry's environmental education initiative targeting elementary school students. In fiscal 2004, Omron organized a "classroom on wheels" at two schools.



Omron's "classroom on wheels"

- Fushimi Itabashi Elementary School (78 fifth graders)
- Utano Elementary School (84 fifth graders)

Reducing greenhouse gas emissions

Reduction of CO₂ emissions

Omron believes that promoting anti-global warming measures is and will continue to be one of the most important obligations that we have to society.

In fiscal 2004, Omron sites individually set CO₂ emission reduction targets as shown on the right, and implemented strict controls for daily use of electricity to achieve the targets. These controls included appropriately adjusting air conditioner settings, switching off PC monitors when not in use, and turning off lights whenever not in use. At the same time, we are promoting the implementation of more energy-efficient equipment and devices for heat sources, air conditioning and lighting to save energy.

Despite these efforts, the heavy use of air conditioners during the extreme heat of last summer, along with the construction of additional buildings and expanded production, all combined to push up energy consumption, resulting in CO₂ emissions of 54,068 tons at production sites in Japan – up 9,500 tons from the previous year. CO₂ emissions per unit of production (indicator for energy usage efficiency) also increased by 18%. Non-production sites also experienced a 1,800-ton increase in CO₂ emissions due to increased energy-intensive facilities such as clean rooms, as well as the unusually hot summer.

To reduce CO₂ emissions, we will implement even stricter controls over production planning and output at each site, while also launching full-scale operation of the assessment system for environmental management at internal business companies. This is designed to score and evaluate the degree of energy-saving target achievement for each business company, so as to further strengthen energy conservation efforts.

Outside Japan as well, increased production drove CO₂ emissions up by 11,400 tons from the previous year to 50,187 tons. Along with an accelerated shift of production to China, an even greater increase in CO₂ emissions is projected for the future. We will therefore concentrate our energy-saving efforts in China.

Reduction of non-CO₂ greenhouse gas emissions

Omron was quick to regulate the use of greenhouse gases other than CO₂, and as a result, emissions are very low. In fiscal 2004, total emissions of non-CO₂ greenhouse gases in Japan were 1,264 tons (when converted to CO₂). Because the global warming potential of these gases is several hundreds times that of CO₂, however, our efforts are concentrated on eliminating the use of these gases completely.

Our Minakuchi Factory uses about 100kg of SF₆ (a type of fluoro-compound) per year for dry-etching of wafers, and thus the study for alternative processes such as wet-etching with hydrofluoric acid is underway.

Omron Kurayoshi Co., Ltd. also uses 60kg of PFCs (perfluorocarbons) for inspecting the airtightness of products. The company is also investigating a shift to alternative substances and changes in the testing method itself.

The air spray canisters we use for maintenance of ATMs and automated ticket gates contain HFCs (hydrofluorocarbons) and therefore 162kg of HFCs had been used per year. By reviewing the use of the spray and replacing it with manual blowers and handy cleaners, Omron completely terminated the use of HFCs as of February 2005.

- Breakdown of energy consumption
- Deployment of low-emission vehicles

Production sites in Japan

Set CO₂ emission reduction targets for each year to achieve the eventual goal of 6% reduction in 2010 (mid-year of COP3's first commitment period 2008-2012) compared to fiscal 1990.

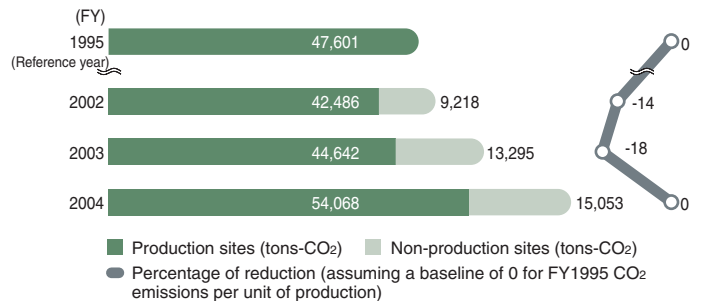
Non-production sites in Japan

Promote acquisition of ISO 14001 certification and specify targets based on EMS.

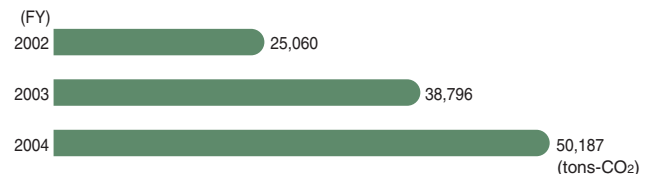
Overseas production sites

Specify targets for reduction of CO₂ emissions per unit of production.

CO₂ emissions and CO₂ emissions per unit of production (Japan)



CO₂ emissions (overseas)



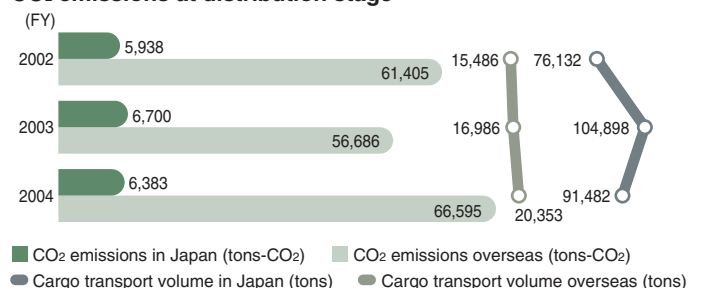
Japan: 15 production sites
 23 non-production sites
 (7 in FY '02, 15 added in FY '03 and 1 added in FY '04)
 Overseas: 15 production sites

Reduction of CO₂ emissions at the distribution stage

Omron Logistic Create Co., Ltd. leads our efforts to reduce CO₂ emissions in logistics operations through the enhancement of transportation efficiency. In fiscal 2004, CO₂ emissions at the distribution stage in Japan dropped by 300 tons from fiscal 2003 due to a decrease in the volume of cargo transport. Other factors included the introduction of rail transport between Osaka and Kyushu (Nohgata), and improvements in logistics efficiency.

Although we also worked hard to enhance transportation efficiency through joint distribution with other companies and other measures outside Japan, an increase of approximately 3,300 tons in cargo transport volume led to a rise of approximately 9,900 tons in CO₂ emissions. We will continue to promote more efficient distribution.

CO₂ emissions at distribution stage



Aiming for the Kyoto Protocol Target

Integrating the efforts of the Omron Group as a whole to attain a 6% reduction in CO₂ and other greenhouse gas emissions compared to fiscal 1990

The Kyoto Protocol adopted at the third session of the United Nations Framework Convention on Climate Change (COP3) held in Kyoto in 1997 came into effect on February 16, 2005. On that day, President and CEO Hisao Sakuta gave an address targeting all Omron Group employees. As a company headquartered in Kyoto where the pact was negotiated, the CEO's message renewed our determination to achieve the COP3 target specified for Japan: a 6% reduction in greenhouse gas emissions compared to fiscal 1990.

Ongoing activities

To date, Omron has been promoting the acquisition of ISO 14001 certification and working on conserving energy based on the environmental management system (EMS) that meets ISO requirements. As such, each Omron site has specified a reduction target for 2010 and targets for each year to reach the ultimate goal. Since the latter part of the 1990s, Omron has invested heavily in energy-saving measures (see table below), which contributed to an approximately 10,000-ton reduction in CO₂ emissions per year.

In fiscal 2004, our investments concentrated on upgrading air conditioning systems to energy-efficient types and adopting inverter motors.

Ongoing energy-saving measures

Category	Measures
Lighting	Employment of inverter fluorescent lighting
Air conditioning	Employment of inverter air conditioners and demand control
Heat sources	Adoption of absorption boiler/chillers for hot and cold water and use of inverter pumps
Motors	Replacement with high-efficiency motors and adoption of inverter controls
Others	Employment of ice thermal storage air conditioning system and centralized control system Replacement of transformers with high-efficiency types and application of heat-insulation film

Future challenges

In fiscal 2004, CO₂ emissions increased significantly at all sites in Japan, exceeding our COP3-based target limits for the year by approximately 8,000 tons. If no measures are taken, emissions are projected to amount to 10,000 tons above the target in fiscal 2010. To cope with this situation, we will again investigate energy consumed by air conditioning systems, lighting and manufacturing equipment at all production sites as well as non-production sites that consume large amounts of energy. Based on the results of this

Development of a safe and eco-friendly electric double layer capacitor

Omron invests in Power Systems Co., Ltd., which produces capacitor systems for electricity storage. These capacitors store electricity without the chemical reactions required by lead-acid and other rechargeable batteries, thus offering theoretically unlimited charge/discharge cycles with minimal physical alterations or deterioration in performance.

Available from Power Systems under the brand ECaSS is a new electric double-layer capacitor system adopting its proprietary circuit technology. Mainly made from carbon, paper and electrolytic solution, ECaSS does not contain lead or other hazardous chemical substances



ECaSS

Specifically, we will proactively adopt renewable green energy sources such as solar and wind power generation systems and also consider the use of the Kyoto Mechanisms (emissions trading). At the same time, we will continue to strengthen our in-house energy conservation measures. By further refining Omron's core Sensing & Control technology, we will also strive to create products and services that contribute to saving energy and reducing CO₂ and other greenhouse gas emissions.

Cogeneration systems

Omron is active in the deployment of cogeneration systems designed to effectively use waste heat emitted during power generation for air conditioning and heating water. In operation at four sites, these systems produce 20 million kWh of power per year, contributing to an approximately 6,000-ton reduction in CO₂ emissions. Our plan is to introduce an additional system at Ayabe Factory in fiscal 2005 with the aim of achieving a 1,000-ton emission reduction per year.



Cogeneration system

Solar power generation systems

Since fiscal 1996, Omron has introduced solar power generation systems at six sites. The total power generated during fiscal 2004 amounted to approximately 100,000 kWh, contributing to a reduction of approximately 40 tons of CO₂ emissions. However, this represents even less than 0.1% of total CO₂ emissions. We will promote the use of green energy sources that do not emit CO₂.



Solar panels installed at Keihanna Technology Innovation Center produce 48,000 kWh of power per year

investigation, we will draft new energy-saving measures for future implementation. We will also apply COP3-based targets for sites that have not yet received ISO certification, to encourage them to start setting their targets and implementing necessary measures.

In addition to these in-house measures, we are also planning to start buying emissions credits from external sources through the use of the Kyoto Mechanisms from fiscal 2006.

and makes it possible to use energy more efficiently. With the possibility of increasing capacity and reducing costs, a goal that was very difficult with conventional electric double layer capacitors, ECaSS is attracting a great deal of attention as an ideal energy storage device that is friendly to the environment. Applications are steadily expanding to include storage systems for wind or photovoltaic power generation; driving and regenerative control power sources for hybrid electric vehicles and railcars; and mobile



Geodetic survey at Langhovde, Antarctica

power supplies for digital cameras.* Power Systems' capacitors are also used by Japan's Antarctic region observation team.

* When used with an ordinary digital camera, ECaSS requires a mere 5 minutes for charging, compared to the 1 hour that it used to take, and is theoretically free from any performance deterioration.

Third-Party Comments

May 24, 2005

A Comment on the Omron Group's Sustainability Report 2005



Iwao Taka, Ph.D.

Professor, International School of Economics and Business Administration
Reitaku University

If you look at the philosophy behind Omron's corporate credo established in 1959, it's clear that Omron was ahead of its time in approaching the essence of CSR. Of course, it's always possible that a company's commitment to CSR never goes beyond the ideological level, but my impression is that Omron has been embodying the concept of CSR in a very practical manner. This is reflected in Omron's key business concept of creating "the best matching of machines to people," which to my understanding means building a society in which people can fully demonstrate their creativity. As long as Omron continues to develop products based on this concept, that endeavor itself can be considered to be a contribution to society.

Looking at areas outside the company's core businesses, Omron's attitude toward CSR is even more clearly stated. For instance, I would give high marks to Omron for its employment of people with disabilities using special subsidiaries. At those facilities, disabled people themselves demonstrate their creativity to the fullest in creating products and building a better workplace. I strongly feel that many corporate executives should learn from Omron's management policy of providing disabled people with a place to work and to capitalize on their achievements to promote business.

I also want to say a few words about Omron's CSR promotion and support systems, which ensure the continuance of its corporate philosophy. First of all, as for corporate governance, which is essential for creating transparency, Omron clearly separates execution of business operations with monitoring of management, and proactively seeks external people as "watchdogs." As such, the board of directors concentrates on the task of monitoring. Based on this governance structure, the Corporate Ethics & Business Conduct Committee and the Corporate Environmental Activity Committee are in place to assume a central role in risk management, along with the CSR Management Headquarters under the leadership of the President and CEO. With these well-established committees and departments, I would think that Omron stands ready to achieve continuous improvement of its CSR endeavors.

For example, the environmental management assessment system that was put into trial run in fiscal 2003 is designed to score each internal business company's environmental commitment. By introducing the element of competition into the company, this system has obviously helped promote Omron's distinctive environmental

management. With further improvement and refinement of this assessment system, Omron Group activities will aim for even higher levels. I had a similar impression regarding the development of the E-Warps system aimed at the total abolition of regulated chemical substances.

Among all these activities, I would give the highest praise for Omron's attitude of revealing issues the company faces and presenting a certain direction to solve them. These include the implementation of site-level environmental audits and points requiring improvement; surveys for overseas production sites and extraction of issues they face; and results and issues related to global compliance. These are difficult issues, which most companies would be least inclined to include in their reports, unless they have a strong determination to face reality and solve the issues. In that sense, I really get a strong feeling about Omron's serious commitment to CSR.

While evaluating these good points, I also want to mention some points requiring improvement regarding the information covered by this report. Basically, Omron's report is organized according to the type of stakeholders and thus is made easy to understand for readers. However, it would be even easier to read if the flow from the past to the present and toward the future was presented more clearly.

Although environmental reporting includes achievements (in terms of numbers) and target years, Omron's social reporting is limited to the current status along with what has been done from the past to the present. Frankly, I don't see a clear direction or destination that Omron intends to reach from this report.

For instance, Omron could present goals such as raising the number of female employees to a certain percentage of the workforce; or determining the extent to which environmental issues can be solved at overseas production sites such as in China. They could also conduct additional identification of risks at overseas sites, or conduct surveys and audits for working conditions at secondary or tertiary suppliers overseas in specific regions. If Omron could list intended activities such as these, and present target years to achieve its goals, Omron's drive for the future would become more clearly visible. At the same time, the presentation of target years would deliver a clear message to readers regarding Omron's strong commitment to CSR. I'd be very grateful if Omron would consider these points as a subject for future investigation.

Independent Review Comments on OMRON Group's Sustainability Report 2005

To Mr. Yoshio Tateisi, Chairman of the BOD
Mr. Hisao Sakuta, President and CEO
OMRON Corporation



May 25, 2005

The objective of this review is to express our independent view on the features, achievements, developments and direction of the Group's approach towards social and environmental issues as well as the reporting of significant corporate activities in such areas contained in the "Sustainability Report 2005"(hereafter, the "Report"). Our comments are based on the following procedures:

1. Interview with the Director and Executive Vice President in charge of Corporate Social Responsibility(CSR) (Mr. Shingo Akechi)
2. Inspection of the Head Office and Minakuchi Factory and interview with personnel thereof
3. Review of the final Japanese draft of the Report

1. Establishment of CSR Structure and our Expectation for Future Development

At Omron, CSR activities have been strengthened by the establishment of its "CSR Management Headquarters" in October 2004. Their major focus during FY 2004 was to clarify the overall framework of CSR activities and to develop their future activities in line with the established framework. In FY 2005, Omron has established a plan to further advance their "Corporate Public Responsibility" by embedding CSR activities in their main business activities. Through participation in the Global Leadership Network, Omron has also been actively involved in developing a tool for benchmarking and assessment of CSR activities. We commend Omron for their commitment to advancing their CSR activities within their main business and to quantifying and properly evaluating their own CSR activities.

However, we found that there were some areas that still require action. First, more communication with their stakeholders – especially with the society surrounding Omron – needs to be promoted. We suggest that Omron consider the possibility of establishing partnerships with NGOs in the process of advancing their corporate public responsibility within their main business. Second, more diversity in their personnel, such as more women in the workplace, should be achieved. Omron should develop and execute a plan for people diversity from a long term perspective. Third, their efforts to reduce CO2 emissions should be further promoted. For FY 2004, their overall CO2 emission reduction target could not be reached either at the production sites or the logistics domains. With the Kyoto Protocol now in effect, increasingly intense public scrutiny is expected over corporate efforts on CO2 emission reduction. Against this backdrop, there is a need to implement measures to reduce CO2 emissions using various approaches.

2. Efforts at the Minakuchi Factory

1) Good Responsiveness to Earthquake Risk

The Minakuchi Factory is a relatively old site, established in 1975, and it is located in an area which would be severely affected in the event of a major earthquake with its epicenter in Shiga Prefecture. The Minakuchi Factory, therefore, has designated earthquakes as a significant risk area, and accordingly is taking anti-quake measures. While group-wide efforts have been underway since March 2004, as earthquakes are considered to be one of the most significant

risks for the Omron Group, we commend the Minakuchi Factory for taking their own initiative by properly assessing risks and responding to those risks promptly.

2) Appropriate Environmental Conservation Activities

Within the scope of our interviews, it was noted that environmental conservation activities, including CO2 emission reduction measures, RoHS compliance, and waste management, were properly performed at the Minakuchi Factory. This is partly because an employee, overseeing the overall environmental management system of the Business Unit that the Minakuchi Factory belongs to, was in place on a full-time basis.

3. Progress from the Previous Year – Global Promotion of CSR Activities

Last year, our independent review pointed out that the head office of Omron did not have a sufficient group-wide management system for social and environmental information management.

Omron introduced an internal company system in 1999, when most of the management functions of regional holding companies previously located in the head office were decentralized to internal companies. While legal, accounting, intellectual property and other matters are still globally managed at the head office, CSR matters, including environmental and social issues, are basically managed at each internal company. The head office, therefore, does not necessarily have a full understanding of the CSR situation on a global level. We did not see significant improvement in this regard from last year.

We suggest that for further appropriate development of CSR activities, Omron could enhance their global structure for CSR management to enable accurate monitoring of group-wide CSR activities, particularly in China, where significant efforts have been made as Omron's "second home market". It would be desirable for the head office to gain a timely understanding of the current situation there and take immediate action when needed.

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

Chuoogyama Sustainability Certification Co., Ltd.



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Soy ink is biodegradable and readily removable making it easier to recycle printed matter.
Published in Japan

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