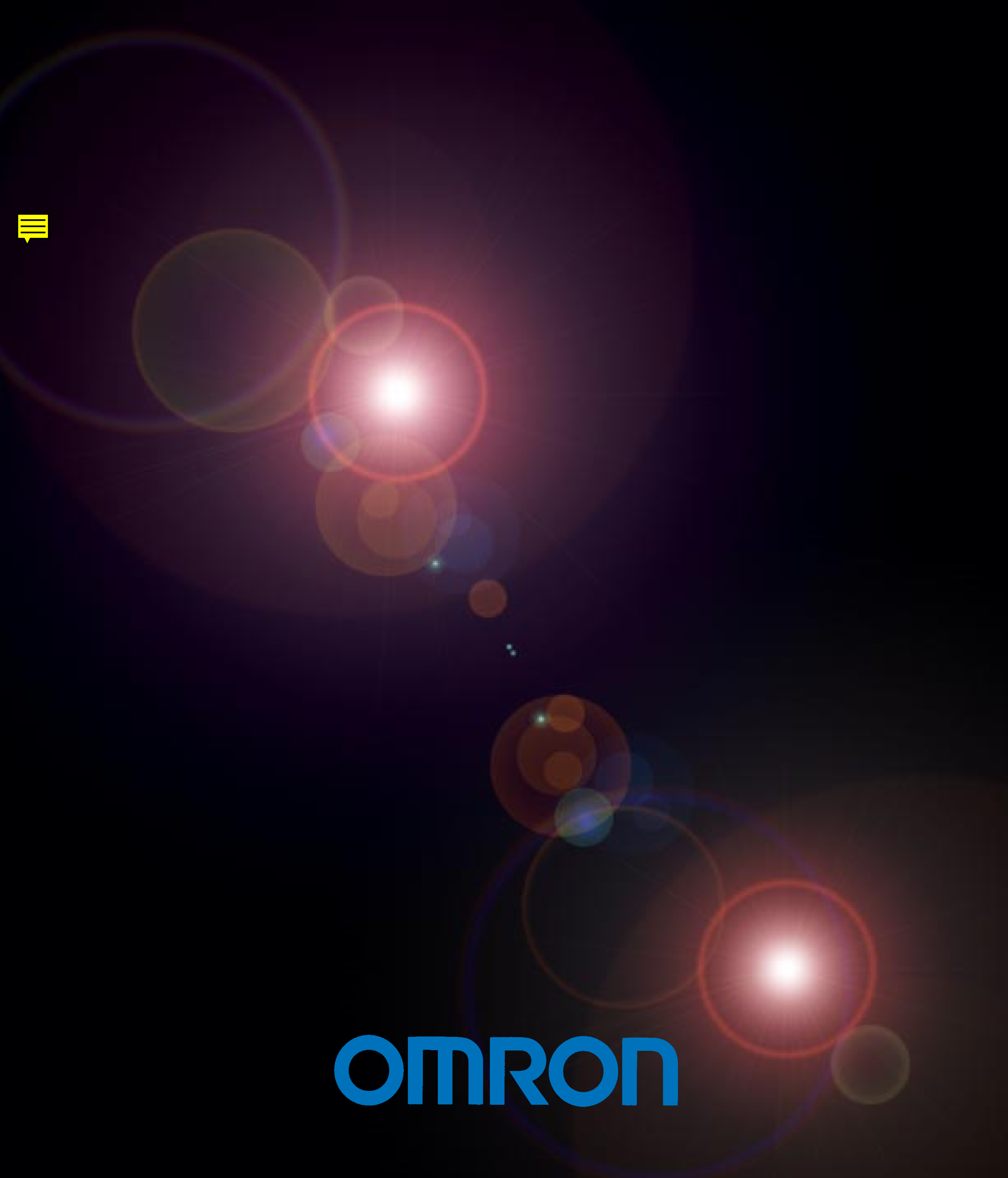


ANNUAL REPORT 1998

YEAR ENDED MARCH 31, 1998

A pioneer in the field of automation, OMRON Corporation is one of the world's premier manufacturers of automation components, equipment, and systems with advanced computer, communications, and control technologies.

OMRON's versatile lineup of products includes relays, sensors, and switches; computer systems for factory automation (FA); and large-scale control and information systems.

Our Seventh Mid-Term Management Plan is focused on achieving mid-to-long-term growth through structural reforms targeting three major goals:

- creating a growth-oriented structure,
- establishing an innovative cost structure, and
- revitalizing corporate resources.

Significant progress has been made in these three areas during the year under review.

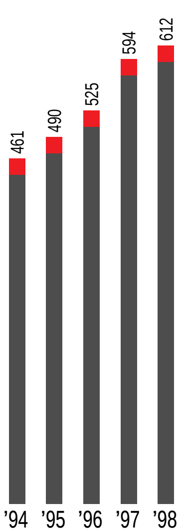
FINANCIAL HIGHLIGHTS

OMRON Corporation and Subsidiaries
Years ended March 31, 1998, 1997 and 1996

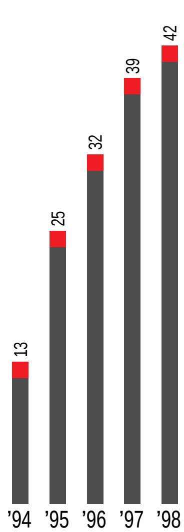
	Millions of yen (except per share data)			Thousands of U.S. dollars (Note 3) (except per share data)
	1998	1997	1996	**1998**
Net sales	**¥611,795**	¥594,261	¥525,289	**$4,634,811**
Income before income taxes and minority interests	**42,243**	39,248	32,252	**320,023**
Net income	**18,300**	15,739	14,587	**138,636**
Net income per share (yen and U.S. dollars, Note 1):				
Basic	**¥69.8**	¥60.1	¥55.7	**$0.53**
Diluted	**68.3**	58.8	54.5	**0.52**
Cash dividends per share (yen and U.S. dollars, Note 2)	**13.0**	13.0	13.0	**0.10**
Total assets	**¥579,663**	¥590,353	¥580,815	**$4,391,386**
Total shareholders' equity	**336,064**	323,019	302,458	**2,545,939**
Capital expenditures	**35,896**	29,956	34,079	**271,939**
Research and development expenses	**39,914**	35,188	34,433	**302,379**

Notes: 1. Net income per share amounts are computed based on the Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share," which is effective for the fiscal year ended March 31, 1998. The amounts for 1997 and 1996 have been restated to conform with the provisions of SFAS No. 128.
2. Cash dividends per share are the amounts applicable to the respective year, including dividends to be paid after the end of the year.
3. The U.S. dollar amounts represent translations of Japanese yen at the approximate exchange rate at March 31, 1998, of ¥132=$1.

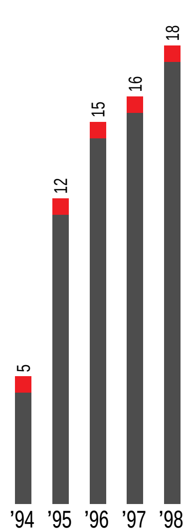
NET SALES
(Billion ¥)



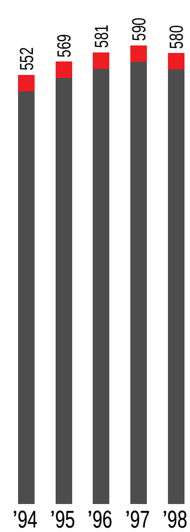
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS
(Billion ¥)



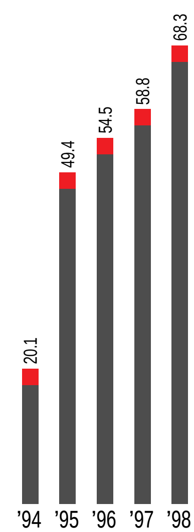
NET INCOME
(Billion ¥)



TOTAL ASSETS
(Billion ¥)



NET INCOME PER SHARE (DILUTED)
(¥)



Yoshio Tateisi
President and Director

It gives me great pleasure to report that, despite a lackluster Japanese economy and the economic downturn in Southeast Asia, OMRON Corporation achieved a record-high performance in fiscal 1998, ended March 31, 1998. Consolidated net sales rose 3.0%, to ¥611,795 million, marking the fourth consecutive year of growth. Sales gains can be attributed mainly to a strong overseas showing by our core operations—control components and systems—coupled with bullish domestic and international healthcare and medical equipment sales. This solid sales performance and Companywide cost-cutting efforts produced a 7.6% increase in income before income taxes and minority interests, to ¥42,243 million. Net income gained 16.3%, climbing to ¥18,300 million.

During the fiscal year in review, the Japanese economy labored under sluggish personal consumption and housing investment. Moreover, beginning in summer 1997 the decline in business confidence in reaction to the stalled economy resulted in a drop-off in private-sector capital investment. Consequently, the economy slowed overall despite growth in exports.

In our global markets, the economic turmoil in Asian economies was in stark contrast to the continued expansion in the United States, which was driven by strong consumer spending and corporate capital investment. European economies were favorable in general, with the ripple effects of rising exports supporting a recovery process.

Facing the volatile business environment, OMRON entered the second year of its Seventh Mid-Term Management Plan in fiscal 1998. Through the plan, we are pursuing structural reforms that will support future growth and profitability. The objectives of those reforms are to create a growth-oriented structure, establish an innovative cost structure, and revitalize corporate resources. A progress report on those structural reforms and our mid-term management plan follows on pages 5 to 7.

BUSINESS PERFORMANCE

Sales by our Control Components and Systems Division rose 7.7%, to ¥313,642 million, accounting for just over half of consolidated net sales. In achieving sales growth, the division shrugged off weak domestic sales in the second half of the term due to the sudden economic downturn in Japan and the overall negative impact of the currency crises in Southeast Asian countries. Favorable sales in North America and Europe throughout the fiscal year and an expanded product lineup provided support for this solid performance.

The Social Business Division's sales declined 4.8%, to ¥138,203 million, resulting from a slump in electronic fund transfer systems (EFTSs) sales related to the troubled financial services industries in Japan and Korea, a major overseas market. Sales of Public Information and Transport Systems (PITSs), however, recorded considerable growth thanks to the construction of a new railway line in the Kansai area and greater use of multiroute stored fare (SF) card systems. Traffic management systems sales remained the same as in fiscal 1997, hampered by strong competition and restraint in public construction programs.

Sales by the Specialty Products Division rose 1.6%, to ¥47,263 million, thanks to solid global sales of automotive electronic components. In addition, the shift to digital color copiers and the increased manufacture of copiers overseas resulted in high demand from copy machine manufacturers.

Sales by the Healthcare Division advanced 12.1%, to ¥40,793 million, boosted by a boom in the domestic sales of new products, such as body-fat monitors, massage chairs, and ear-type digital thermometers, as well as of traditional big sellers, including blood pressure monitors and pedometers. Vigorous overseas sales, particularly in the People's Republic of China and the United States, also contributed to double-digit growth.

The Open Systems Division posted sales of ¥50,131 million, held to approximately last year's level because of the further weakening of the Japanese economy and heightened competition produced by the slump in personal computer (PC) sales. Bright spots in performance included strong showings in the open systems platform market for PC servers and in the system planning and maintenance services areas.

JAPANESE MARKET

Our mid-to-long-term strategy for growth in domestic sales of control components and systems is to strengthen our solution proposal capabilities. The Company has a long-standing sales system using OMRON distributors that is unbeatable when it comes to providing a diverse range of customers with general-use components. To reinforce this competitive advantage, we have bolstered our personnel, financial, and material resource support to distributors who demonstrate superior solution-providing capabilities and have more than a specified number of sales engineers. The new system will help us better accommodate market needs.

The OMRON distributor sales system, however, does not adequately specify customer needs. We addressed this problem through a reorganization of our sales system in October 1997. Specifically, we established a special sales team responsible for providing our semiconductor and automobile clients with more customized products and solutions. This allows us to insert more direct sales approaches into our distributor sales system. OMRON is cooperating with distributors in creating customized products for end users and vendors as well as selling directly to clients. Customer needs are now served more quickly by our ability to select the optimal method for providing specific products to each customer in each market.

In addition, we added staff to our sales organization to pursue direct sales approaches with the goal of strengthening our sensor business.

Through the well-balanced application of such measures, we are seeking to improve OMRON's capabilities to find the best solution, both Company-wide and within such related companies as OMRON distributors.

During the reorganization of our sales system, we introduced a product manager system that permits finer control of profitability by managing the cost, profitability, and life cycle of product groups on an integrated basis. In addition, the Company has product marketing managers for individual areas, including Japan, who are responsible for working with product managers to ensure that OMRON supplies products that meet local requirements.

Our short-term strategy for growth in domestic sales of control components and systems is to increase our emphasis on industries and companies that are making relatively strong capital investments in new products or rationalization. The sudden slowdown in Japan's economy in the second half of fiscal 1998 after a strong first half initiated a decline in corporate capital investment that is ongoing. Due to the progressive polarization of business performances, even within industries, however, some companies continue to make significant capital investments.

SOUTHEAST ASIAN MARKET

The Southeast Asian market for control components and systems has contracted significantly because of the stagnation in the economies of the region spurred by the currency crises in the latter half of fiscal 1998. OMRON is steadily taking measures to cope with this situation from a mid-to-long-term point of view.

Over the past few years, OMRON has been strengthening its local sales organization in the region, setting up sales bases in each country to establish a direct sales organization. Similar to the Company's domestic operations, this action has been taken to strengthen solution proposal capabilities in Southeast Asia. These efforts have met with favorable results. For example, direct marketing permits us to accurately gauge customer reaction to prices and other sales criteria, allowing us to make persuasive sales approaches that have been well received in local markets. Of course, these measures in themselves cannot produce profits amid the sudden fall in business. We are also introducing measures, such as increasing sales productivity and managing liabilities, to minimize declines in profitability.

Overall, our fiscal 1998 sales to Southeast Asia rose, thanks to the growth achieved in the first half of the term. In light of the poor performance in the second half, however, we expect business conditions to be difficult in the current fiscal year. It will be necessary to adjust responses to the varying pace of recovery in each country.

In the mid-to-long term, we believe that the restructuring occurring in Southeast Asian economies will result in significant progress in industrialization, thereby expanding markets for our control components and systems. We are implementing strategies that capitalize on the current opportunity to expand market share despite the shrinking market size.

NORTH AMERICAN AND EUROPEAN MARKETS

OMRON's operations in North America and Europe are achieving stable growth. The U.S. and European markets accounted for 10% and 12%, respectively, of consolidated net sales in fiscal 1998, and these percentages are rising annually. They provide strong evidence that OMRON is steadily increasing its presence in these markets as a global corporation.

In fiscal 1998, against the background of the growing economy in the United States, we strove to expand our marketing efforts there. These efforts resulted in a 17% upswing in sales, helped by the strengthening of the dollar against the yen.

In Europe, OMRON's strategy of strengthening its system solution capabilities to take advantage of the ongoing economic recovery was rewarded with sales growth. Overall sales in the region rose 10%, despite European currencies weakening slightly against the yen during the fiscal year under review.

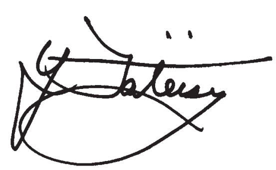
We expect U.S. and European markets to achieve relatively stable growth in the mid-to-long term. Accordingly, we will be implementing measures to boost our marketing efforts by strengthening our solution proposal capabilities.

PERSPECTIVES

The global business environment in fiscal 1999 is again one of great contrast. Although there is hope that the measures being taken to stimulate the Japanese economy will take hold, we expect no immediate sign of recovery because of weak personal consumption and declining corporate capital investment. On the other hand, the U.S. economy should continue to expand despite concerns that a slowdown is long overdue. Looking at Europe, economies there will continue down the path to recovery despite monetary policy restraint in the lead-up to monetary union. Asian economies will be implementing reforms, which we intend to watch carefully.

Although the business environment appears daunting, we continue to focus on growth industries and companies. To reach our longer-term goal of becoming a competitive, high-quality growth company in the 21st century, we will further progress with our structural reforms. In addition, we will revise the allocations of management resources and the organization and strategies of our operations in preparing the Eighth Mid-Term Management Plan.

June 25, 1998



Yoshio Tateisi,
President and Director

Progress Report of the Seventh Mid-Term Management Plan

Our Seventh Mid-Term Management Plan is focused on achieving mid-to-long-term growth through structural reforms targeting three major goals:

- ***creating a growth-oriented structure,***
- ***establishing an innovative cost structure, and***
- ***revitalizing corporate resources.***

Significant progress has been made in these three areas during the year under review.

CREATING A GROWTH-ORIENTED STRUCTURE

In line with the ongoing shift in global industrial structures, from the manufacturing to the service and software sectors, we are steadily expanding business derived from new integrated markets, which we develop by extending the scope of or combining our existing technologies. These new integrated markets are steadily expanding, and their contributions to revenue are growing. Examples of new integrated markets include the development of applications for our control components for service-industry-related fields, such as video game equipment and solar inverters.

As its key approach to creating a growth-oriented structure, OMRON has produced a set of visionary concepts. To further improve our growth-oriented structure over the mid-to-long term, we must take advantage of the trend toward customer-oriented software and services, rapid advances in information technology, and the potential for growth as our customers expand their infrastructures. Moreover, it is important that we steadily invest in raising our competitiveness in high-growth, high-profit businesses in these areas. Accordingly, we have created a set of visionary concepts that indicate OMRON's approach to high-growth fields in the 21st century and its strategies for success in competitive markets. The visionary concepts fall under the headings of Intelligent Transport Systems (ITSs), multimedia-oriented factory automation (FA), cyber-community-related, total healthcare, and information sensing businesses. Revenues from these areas are gradually increasing and were slightly less than ¥20 billion in fiscal 1998. We expect these areas to enter their true growth phase during the Eighth Mid-Term Management Plan.

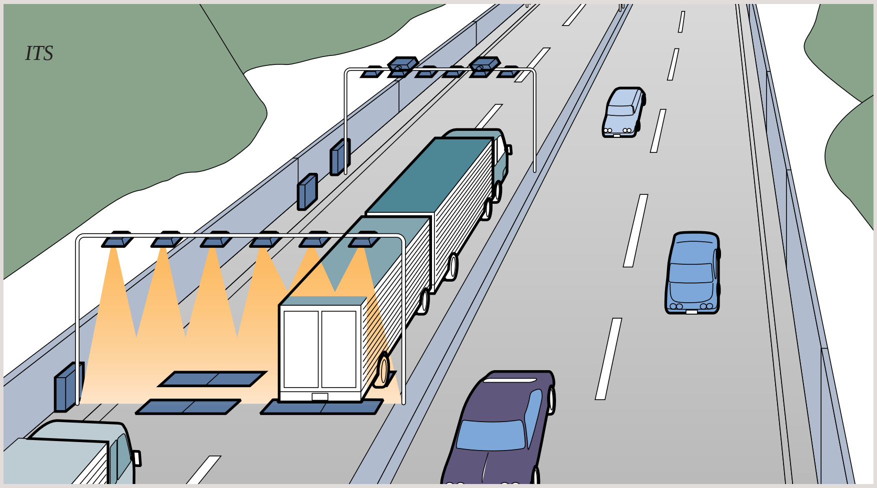
In preparation for creating growth-oriented structures in these fields, we are currently engaged in determining the appropriate allocation of resources, the most effective management structure, and the required personnel training programs based on our estimates of business volume.

ITSs Business

In the ITSs business, we are developing sensors for automobile collision prevention systems and an automobile category identification system for no-stop automated electronic toll collection (ETC). The special ITSs organization established in November 1996 was further bolstered in April 1997 with the addition of 60 additional staff members, mainly engineers. We built a special test course for our ETC system at our Ayabe factory and are steadily progressing toward being able to offer a commercial product. We were the first in the industry to be licensed as an auxiliary organization of the Ministry of Posts and Telecommunications for wireless technology.

Multimedia-Oriented FA Business

Our multimedia-oriented FA business addresses emerging on-site manufacturing needs. The increasingly sophisticated demands of this field include achieving more timely production in keeping with the trend toward small-lot flexible production and shorter product life cycles as well as making the maximum use of information technology through “smart factories.” With this in mind, we are promoting more software-oriented components, such as personal-computer-based FA components, as well as versatile general-use



components. We also are strengthening our system installation and management and maintenance services.

Cyber-Community-Related Business

In the cyber-community-related business field, we are expanding operations that interface service providers and consumers in financial, public, and retail sectors. In addition, we are actively exploring the electronic money business. We are taking steps to establish an infrastructure for this business, such as investing in the Japanese subsidiary of Cybercash Corporation, of the United States, and taking part in an experimental electronic money program launched in Tokyo as well as conducting other such test runs.

Total Healthcare Business

With the progressive graying of the world’s population and the growing interest in personal healthcare, we are keeping a close eye on business opportunities in preventative medicine. Along with our popular hardware products, we intend to offer software products and services that contribute to the healthcare business as a whole. For example, we are progressing with establishing such businesses as the Health Master service, which provides health management support services to households in a way similar to correspondence education courses; a health management system that targets corporations and organizations; and other businesses.

Information Sensing Business

The underlying theme of our visionary concepts is the development of high-growth markets through information sensing, one of our areas of core competence. Examples include a variety of automotive sensors for ITSs, the

Register with counterfeit-detection capabilities ultracompact pressure sensors used in our total healthcare business, and the currency note recognition sensors used in our cyber-community-related business. We are also seeking to create new markets by introducing innovative sensing-technology-based products.

ESTABLISHING AN INNOVATIVE COST STRUCTURE

We are implementing innovations that will change OMRON's fundamental cost structure over the mid-to-long term. Specifically, we are concentrating on implementing profitability planning and management functions for each product line, achieving thorough planning of basic costs, and establishing a globally diversified production organization.

Profitability Planning and Management Functions by Product Line

In our core business of control components and systems, we have introduced a product manager system under which product managers oversee the life cycle of a product line, from planning and development to production and marketing, on an integrated basis. By working together with product managers responsible for individual areas, we expect to substantially boost our sales performance.

Thorough Planning of Basic Costs

We are targeting the thorough control of product costs from the planning and development stages, including the centralization of procurement and the integration of development and production. Specifically, we will be implementing such measures as the relocation of product development sections to their production bases.

A Globally Diversified Production Organization

Looking to achieve an optimal balance between management effectiveness and marketing capabilities, we are building a globally diversified production organization that will increase OMRON's cost efficiency.

REVITALIZING CORPORATE RESOURCES

To support reform of our growth-oriented and cost structures, we are targeting the maximum revitalization of our corporate resources—personnel as well as financial, information, and physical assets.

In April 1996, OMRON introduced a performance-based—rather than seniority-based—salary system for senior management to motivate its employees. This system was expanded to include all managers in April 1997.

To encourage the effective utilization of financial assets, we are advocating the Companywide use of a new management accounting system that measures business performance based on consolidated return on assets (ROA). One of the factors in evaluating performance is whether the set ROA target has been met.

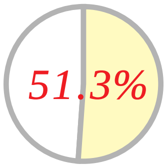
We are building a worldwide internal computer network system to bolster our information resources. Targeting enhanced administrative efficiency, the new system will assist in innovating business processes.

MANAGEMENT GOALS

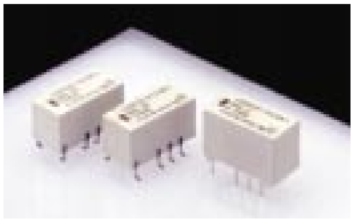
We had set our overall management goal as a 7% return on shareholders' equity (ROE) on a consolidated basis in fiscal 1999, the last year of the Seventh Mid-Term Management Plan. However, this goal now seems difficult because the impact of the sudden downturn in the Japanese economy has offset the gains of our structural reforms. Accordingly, we also do not expect to reach our goal of a 7% return on sales in terms of income before income taxes and minority interests.

Because of the difficult business environment, we are pursuing more efficient use of investment and operating expenditures. During the Eighth Mid-Term Management Plan, we will be looking to steadily and quickly recoup our investments in growth fields to increase our corporate worth, thereby achieving higher management goals. To provide additional momentum behind our drive to implement the necessary measures for boosting corporate worth, we established a set of guidelines during the fiscal year that require our directors and auditors to hold shares in OMRON commensurate with their management position. In fiscal 1999, we are introducing a stock option plan for OMRON's directors that will link the interests of management with those of shareholders, encouraging them to manage the Company in the shareholders' best interests. We have also initiated a share buyback program.

Control Components and Systems



In fiscal 1998, sales of the Control Components and Systems Division rose 7.7%, to ¥313.6 billion. Following favorable business conditions during the first half of fiscal 1998, sales deteriorated in the second half under the impact of the sudden downturn in the Japanese economy following the business failure of several major financial institutions and the currency crises in Southeast Asia. However, this slack was taken up in part by the continued growth in sales to North American and European markets.



Compact, highly functional G6S telecom relays are used in telephone exchanges around the world.

CONTROL COMPONENTS

Among major products, sales of relays expanded, particularly to overseas markets, such as North America, Europe, and China. Mechanical components also recorded sales growth based on favorable sales of pressure switches for gas meters and connectors in the domestic market and on sales of components for electric power tools in overseas markets.

By introducing a line of narrow pitch connectors, we achieved double-digit growth in sales of connectors to the domestic amusement market in fiscal 1998. Overseas, demand has jumped for relays, with dramatic increases in shipments of compact, general-purpose, and printed circuit board (PCB) relays to home appliance and FA manufacturers in North America, Europe, and China. In addition, sales of trigger switches rose substantially, supported by the favorable electric power tool markets in North America and Asia. Exports of mouse switches climbed, centered on North America and China.

Among the new products and technologies that contributed significantly to sales during fiscal 1998 were the G6S telecom relays, which are true surface-mountable relays, and micromachined pressure sensors for meters used in liquid petroleum gas and consumer gas systems.

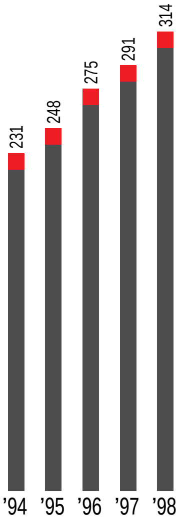
Our main strategy for relays and other control components in the current fiscal year will be to achieve strong sales in multimedia and amusement fields as well as expanding sales of new relays and other products to growth regions, such as Europe.

Among sensors, sales of optoelectronic sensors attained double-digit growth, while sales of measuring inspection systems posted significant increases as well. Demand was high for the automization of inspections, with sales of printed web inspection systems and PCB soldering inspection systems advancing.

In the semiconductor industry, technology enabling the manufacture of 300-millimeter wafers is creating a revolution in the field, while demand is growing for equipment to reduce pollution and conserve energy and materials. These factors are also generating increased demand for sensing technology.

New photoelectronic sensors that contributed to sales during the term under review included the ultracompact E3T sensor inside amplifiers, a fiber sensor (EX-3NH) with an autotuning function, and a full color sensor (E3MC). Among other devices, a digital finescope

SALES
(Billion ¥)



The E3T is an ultracompact photoelectric sensor inside amplifiers, fusing original OMRON technology in achieving wire conservation and lower costs.

(VC 2400) that features 360-degree viewing; a low-cost, high-performance vision sensor (F150); and a laser micrometer (NEW3Z4L) contributed significantly to sales.

In our sensor operations, in April 1998 we established an application development group to improve our sensor application development capabilities. This group will facilitate our ability to provide solutions to customers' problems more rapidly and lead to expanded sales of sensors. Our major strategy for sensors in fiscal 1999 is to focus on providing an expanded line of inspection and measurement sensors for growth markets, such as the semiconductor industry.

Among supervisory control products, the domestic market for timers and counters was extremely difficult, but sales of power supply and temperature controllers continued to achieve growth in domestic and overseas markets. Among general-purpose components, sales of large switches and industrial relays were negatively affected by the decline in capital investment, remaining at the previous fiscal year's levels. By industry, demand expanded for machine-safety-related products, while power supply and specialty switches continued to sell well in the amusement industry. The growing popularity of numerical control applications in response to the need for energy conservation and reduced labor related to environmental issues is expected to increase demand for temperature controllers and counters. Demand is also anticipated to grow for machine-safety-related components, thanks to heightened interest in working safety in Japan and Europe as well as the widening market penetration of these products.

New products were introduced not only in Japan but also overseas during the fiscal year under review to strengthen sales, including a power supply series (S82J), temperature controllers (E5N series), and large switches (A16 and A22). Seeking market expansion, the division entered new fields with such products as FA vibration sensors, inclination sensors, and flexible monitors. Overseas, the division aimed for stronger sales by promoting global development in the markets for timers and counters by introducing products that target regional markets and by dispatching liaison personnel to shore up sales activities in North America, Europe, and China.

Including all the necessary functions and properties for temperature control applications, the E5DN temperature controller is now featured in a new size (far right).

SYSTEM COMPONENTS

Favorable exports by the Japanese automobile and semiconductor industries—our major customers—helped system components record double-digit growth in global sales in fiscal 1998.

Among our core products, programmable logic controllers (PLCs) posted double-digit growth in sales. The expansion in sales of our series of FA network (CompoBus/D) products, which are used to line PLCs with component devices, was notable.

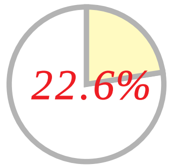
Improving cost-competitiveness and efficiency by shortening product development time and utilizing flexible, small-lot production systems remained important trends during the fiscal year under review. With advances in information technology and in global standardization, demand rose for virtual (premanufacturing testing) and more flexible (variable production) systems. The progressive downsizing of PLCs and the shift to open systems controllers and communication systems are producing heightened competition. In response, we are upgrading the features of our PLCs, including making them open system compatible.

The SYSMAC system is an intelligent factory compatible controller incorporating information exchange capabilities.

New products and technologies that contributed to sales during the fiscal year included CPT, our programmable support tool for PLCs, as well as the C200HX, E, G, and W series of upgraded SYSMAC (alpha) systems. The ISA bus compatible SYSMAC board, C200PC-ISA01-DRM, and the FA network family of CompoBus/D slave chips and multiple-I/O terminals also sold well.

We have integrated product planning, production, and development to a single location to speed up our product development and enable us to focus on the release and sale of new versions of this division's core products—PLCs and programmable terminals.

Social Business



As of April 1997, our Electronic Fund Transfer Systems (EFTS) Division and Public Information and Transfer Systems (PITS) Division were merged into a single division, the Social Business Division, to combine resources in developing new integrated markets. Social Business Division sales declined in fiscal 1998, reflecting weak sales of financial systems.

In the financial services market, domestic sales of automated teller machines (ATMs) to banks sank under diminished capital investment from the troubled banking industry. However, demand for ATMs remained strong in Japan's consumer finance industry as companies expanded their ATM and unstaffed automated loan application machine networks to maintain their customer bases as competition heightened under deregulation in this currently profitable market. Overseas, the upheaval in the financial industry in South Korea, which has been an important market, resulted in lower overseas sales of ATMs.

Among market trends, demand for low-cost and open systems products is growing in line with the trend of purchasing system solutions rather than packaged systems. The introduction of a revised Foreign Exchange and Foreign Trade Law allowing companies other than banks to enter the foreign exchange market has prompted a rush in orders for foreign currency exchange machines as well as for centralized surveillance and other systems. We have introduced an open systems version of our IX-ATM and new foreign currency exchange machines to meet the broadened demand in the market.

We also introduced a CX-ATM model that accepts integrated circuit (IC) cards to the South Korean market, where such cards have recently been standardized. In Taiwan, demand for an automatic deposit function for paper currency at ATMs led us to launch a new model of our AP-ATM, a low-cost machine designed for Asian markets, that features this function.

In the retail systems market, capital investment declined because volume discount retailers and gas stations reduced their capital investment due to the fierce price competition in these markets. However, demand for credit authorization terminals (CATs) from consumer credit companies remained high, as these companies further expanded their operations. Overseas, orders for retail systems from major customers in Europe were favorable. The popularity of PC point-of-sale (POS) systems continued to grow in overseas markets, and we introduced the PC-POS Compact, including the RS6500 series, to meet this demand.

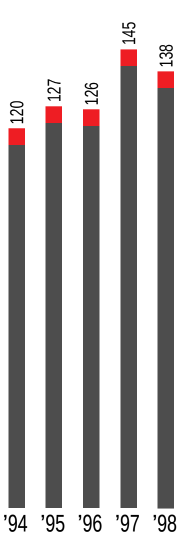
Current demand for retail systems in the domestic market centers on achieving low-cost operations and minimizing functions. In response, we have developed purchase coupon vending machines, equipment, and systems with pared-down functions.

Major strategies for expanding and improving the content of our EFTSs sales in the current fiscal year include full-scale efforts to secure new, major clients. We are also looking at developing new integrated markets, particularly in the area of overlap between the financial and retail sectors. To improve our cost structure, we are cutting fixed costs while expanding production and improving the operating efficiency of our business functions, such as sales, production, development, and maintenance. To achieve the most effective use of resources inside and outside the Company, we are considering appropriate alliances and the outsourcing of certain business functions.

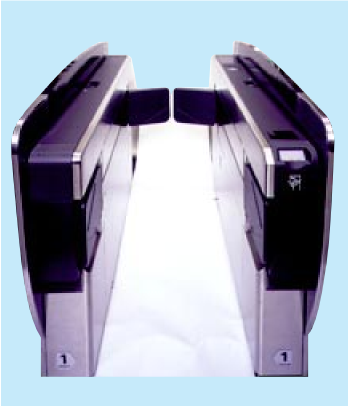
In the public transportation systems market, the construction of a new subway line in the Kansai area and expansion of the number of stored fare (SF) systems, which allow passengers to travel on different companies' lines with the same card, boosted sales of automated passenger gates (PGs) and ticket vending machines.

Since the start of Japan's Big Bang financial regulations, we have developed foreign currency exchange machines for the domestic market.

SALES
(Billion ¥)



Traffic control systems utilize information on traffic volume and congestion to achieve a smooth flow of traffic.



The U-PG automated passenger gate is barless and features a new design as well as the high-speed processing of many types of tickets.

Capital investment by railway and subway companies remained weak in reaction to a lack of growth in the number of passengers. However, there has been firm demand for SF systems, which increase the convenience of railway stations, and a check system for cheat-on-the-fare passengers. In response, we have developed and introduced new types of PGs that handle two or more tickets at one time and have enhanced the functions of existing models.

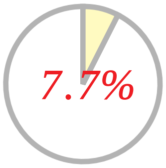
In the traffic control systems market, sales remained approximately the same as in the previous year, due to increased competition for smaller public construction expenditures under fiscal reform measures by the government. We introduced a Ground View Sensor (GVS), which allows drivers to continuously monitor road conditions. The GVS was installed in a road patrol car displayed at the Nagano ITS Showcase during the 1998 Nagano Winter Olympic Games.

We remain focused on developing the ITSs market. Utilizing advanced networking and communication technology to integrate the vehicle, driver, and road with the goal of improving traffic efficiency and safety, this market is one with immense growth potential. One area where we have concentrated our efforts is the electronic toll collection (ETC) system, which Japanese tolling agencies soon will begin installing on major domestic highways.

Our medium-term strategies for the PITSs market include increasing the competitiveness of our core businesses through cost reductions. Using that firm base, we will improve our marketing and technology capabilities to provide our customers with new technologies and products in accordance with market needs in a timely manner. Our PITSs business is still mainly a domestic business, but, to achieve growth, we are planning to increase overseas business. For this purpose, and to maintain a leading position as more foreign companies are able to bid on public projects in Japan, we are strengthening our business system to ensure our competitiveness under global standards.

Specialty Products

The MT128-NET/D is a network terminal adapter that integrates router, TA, hub, analog port, and DSU functions.



During fiscal 1998, sales by the Specialty Products Division edged up slightly. Domestic sales of automotive electronic components, including keyless entry systems, electric window switches, and relays, were favorable despite the severe downturn in the Japanese automotive industry. We attribute our firm performance to the division's marketing of innovative products rather than the mere development of products according to manufacturers' requests. Overseas, sales of automotive electronic components were brisk, supported by the strong automotive industry in the United States.

Sales were strong in the office automation (OA) industry, our other major domestic market, because of the current popularity of digital color copiers. In addition, domestic manufacturers were shifting overseas their production of analog copiers, thereby contributing to higher demand.

Among our products for PCs, sales of peripheral equipment, including integrated service digital network (ISDN) adapters, high-speed modems, uninterruptible power supply units, and scanners, declined due to the cooling off of consumer spending, which produced a drop in the domestic PC market. In addition, overseas sales of scanners declined as a major customer revised its business.

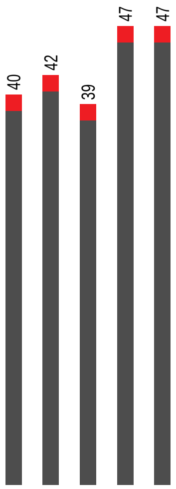
The Specialty Products Division is pursuing growth opportunities in the ITSs market, as are other divisions. In particular, the Advanced Safety Vehicle (ASV) project is expected to produce demand for automotive electronic components. In the OA market, we foresee that an ongoing shift to digital, color, and network systems will support firm demand for devices used in copiers. In the computer peripheral market, the revolution in information systems occurring through digital communication, the Internet, and multimedia will support continued favorable demand for OMRON products.

One of our key strategies for the current fiscal year is to expand sales of relays, controllers for rear defrosters and daytime running lights, and keyless entry systems to U.S. automakers in line with their higher production. In Canada, we are producing more power seat switches for sale to the Big Three U.S. automakers. Our European strategy focuses on the introduction of our air conditioner panel and our keyless entry system based on increased local production. We also are stressing greater sales of relays imported from our U.S. plant to manufacturers in the United Kingdom.

Overseas, we will be reinforcing our copier operating base in Europe in the aftermath of the removal of antidumping taxes. Furthermore, we are aiming to expand assembly operations in other areas, particularly that of facsimile machines.

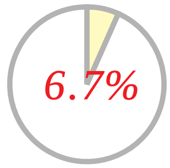
Our OA domestic strategy will revolve around the introduction of Windows 98® and the expected recovery in the discount PC market, which should support growth in peripheral equipment sales.

SALES
(Billion ¥)



This power window switch has an antipinching function to prevent it from closing on arms or other obstacles. When an obstacle is encountered, the switch causes the window to stop and reverse in motion.

Healthcare



The Healthcare Division attained double-digit sales growth in fiscal 1998, thanks to excellent performances in a wide range of product categories.

In the domestic market, sales of ultrasonic electronic pulse massagers, infrared therapy devices, and electric toothbrushes declined, reflecting sluggish consumer spending. Sales of newly introduced body-fat monitors, massage chairs, and ear-type digital thermometers, however, soared. Traditionally popular blood pressure monitors and pedometers also recorded substantial sales growth, riding on the healthcare boom. Overseas, prompted by the weaker yen, we focused our efforts on developing sales routes in new markets, such as China, and on expanding sales by introducing new products. In particular, ear-type digital thermometers were a hit in the United States, contributing strongly to overseas sales growth.

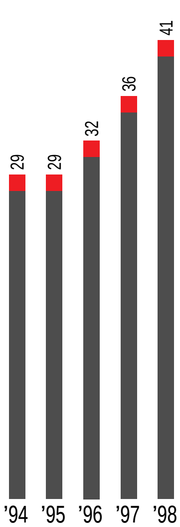
A digital compact wrist blood pressure monitor that was introduced near the end of the fiscal year in review was also among the new products that contributed to sales growth in fiscal 1998. A significant market is developing for ear-type digital thermometers, especially in the United States, as these products gain global popularity. Moreover, our efforts to create a special market for our massage chairs were rewarded with greater sales than originally anticipated.

Consumers continue to take a growing interest in maintaining and improving their health. Consequently, demand for healthcare services is increasingly focused on self-medication, particularly with the revision of regulations regarding medical nursing institutions. Providing better healthcare management services, therefore, is the core of our business development in this market. Our technology development also concentrates on this goal through advances in sensing and healthcare management technologies. We expect our systems service business, which aims to provide comprehensive solutions to healthcare needs, to eventually become one of the division's core businesses. The KAZ Healthcare Academy, which offers sophisticated healthcare counseling by healthcare professionals supported by advanced software for healthcare management, is one of the bases from which we are developing the systems service business.

During fiscal 1999, our basic business aim is to achieve thorough customer satisfaction while building a solid foundation for developing OMRON's visionary concepts, especially within the total healthcare business. More concretely, we will continue to promote the total healthcare business while nurturing the necessary technology and development capabilities to pursue growth based on our visionary concepts.

Ear-type digital thermometers take body temperature in seconds using advanced infrared sensor technology.

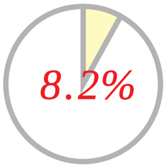
SALES
(Billion ¥)



Omron's body-fat monitor creates a new alternative to the present standard for daily health checks.

Open Systems

OMRON offers clients added value in information systems by combining the latest technology with comprehensive services.



The Open Systems Division maintained sales and profit levels in fiscal 1998 amid highly competitive markets.

With the consumer market for PCs stalled by stagnant consumer spending, competitors refocused their sights on corporate information systems and network sales, creating a highly competitive environment in the information technology market. In the second half of the period under review, the slowdown in Japan's economy further worsened conditions, resulting in falling performances in the PC-oriented wholesale market. The market for information systems to boost corporate competitiveness, however, remained firm as companies continued to make significant capital investment.

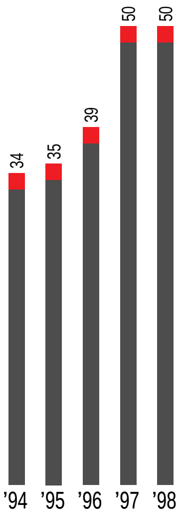
During fiscal 1998, we cooperated with system integrator companies in winning large-scale company orders. Consequently, sales were favorable for open platform systems based on PC servers and for systems design and installation as well as operating and maintenance services.

Although companies continue to expand their information systems, the process of setting up E-mail networks within major corporations is essentially complete. Customer demand has now turned from faster information-sharing and decision-making functions to improving customer services; various other activities, including sales methods; and strengthening ties with leading vendors.

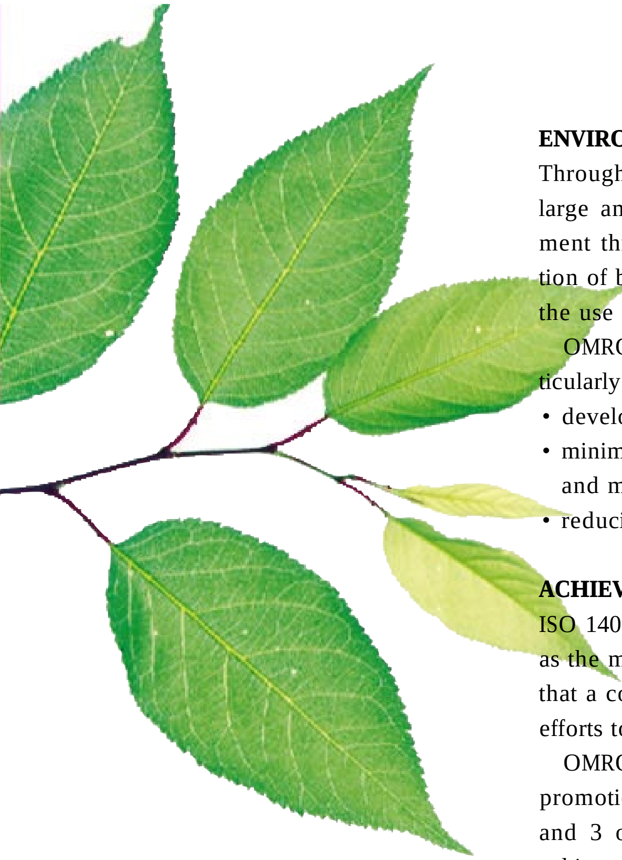
At present, capital investment in information systems and networks is focused on achieving the maximum use of a company's client-server system, including the thorough management of efficiency and security. At the same time, companies are rebuilding their business systems, such as core enterprise resource planning (ERP) systems and computer telephone integration (CTI) systems. Customers continued to be concerned with system costs, but their concern has shifted from start-up costs to overall running costs.

Demand is currently high for network- and security-related equipment as well as for ERP and CTI packages. On the other hand, the increasing complexity of systems has given rise to a strong need for comprehensive maintenance and other services. To meet this demand, OMRON Alphatec Corporation, an associated company, introduced "Movice," a comprehensive service for multivendor systems, during fiscal 1996. "Movice" allows customers to select the services they need from a menu of multiple support services that cover system design and installation to management and maintenance. The comprehensive service is highly evaluated by manufacturers and customers. To effect further improvements, OMRON Alphatec is upgrading its menu by adding preventative maintenance, remote inspection and maintenance, a customer help desk, and 24-hour services.

SALES
(Billion ¥)



We are supporting a revolution in marketing methods based on information technology.



ENVIRONMENTALLY SOUND TECHNOLOGY

Through industrial and other activities, the global population is consuming increasingly large amounts of the world's limited energy resources and damaging the earth's environment through the use and disposal of hazardous materials. However, through the adaptation of better technologies, it is possible to greatly reduce our energy consumption and limit the use and disposal of these materials.

OMRON is creating such environmentally sound technologies and products. We are particularly emphasizing the following three areas:

- developing low energy consumption products,
- minimizing energy consumption and eliminating hazardous materials in our production and manufacturing processes, and
- reducing industrial waste through recycling.

ACHIEVING ISO 14001 CERTIFICATION

ISO 14001 environmental management systems certification is recognized around the world as the membership card of "green" corporations. Meeting ISO 14001 standards also indicates that a company has established environmental management systems that promote continual efforts to prevent pollution.

OMRON established its Environmental Charter in 1994, having had organizations for the promotion of environmental protection activities since 1992. As of April 1998, 13 domestic and 3 overseas manufacturing sites had obtained ISO 14001 certification. We expect to achieve full certification for all 30 of the OMRON Group's manufacturing sites by the end of the current fiscal year.

MINIMIZING ENERGY CONSUMPTION

To minimize the effect of its operations on global warming, OMRON has set 15% as its goal by which to reduce its electric energy consumption per unit of product shipments by the end of the current fiscal year, relative to the fiscal 1996 level. Thermal electric power generation, which burns fossil fuels, is considered one of the main causes of global warming. Among other measures to diminish energy consumption, we are managing our use of air-conditioning, lighting, and office equipment; revising our production processes; and utilizing solar power systems. In fiscal 1998, we achieved a 13.5% reduction in energy consumption per unit of product shipments compared with the fiscal 1996 level.

REDUCING INDUSTRIAL WASTE

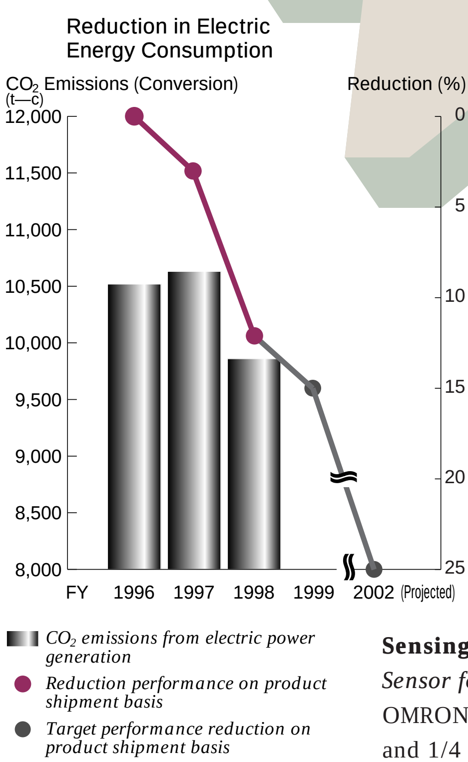
Since fiscal 1997, we have made efforts to reduce the volume of industrial waste and to recycle resources.

We now are practicing the thorough separation of waste by category to enable better recycling and the proper processing of nonrecyclables. Furthermore, we are developing applications for recycled materials to improve our recycling ratio. In fiscal 1998, we achieved a 36% reduction in our industrial waste volume relative to the fiscal 1996 level, and our recycling ratio rose to 60%. Of course, our ultimate goal is zero emissions.

OMRON'S ECO-PRODUCTS

OMRON develops and improves upon technologies and products to help solve serious environmental issues. The key words for these activities are the Four Rs: Reject, Reduce, Reuse, and Recycle.

Striving to obtain ISO 14001 certification for all 30 of the OMRON Group's manufacturing sites by the end of fiscal 1999.



Mishima Plant, in Japan

Sensing Technology

Sensor for Conserving Resources and Electric Energy (Proximity Switch)

OMRON's DC two-wire proximity sensor reduces the use of resources by 1/3 less copper and 1/4 less insulation than the three-wire sensor. The sensor is also highly electric energy efficient, requiring 1/15 less electric energy than the three-wire sensor.

CO_2 Control Technology

Clean Energy (Solar Power Conditioner)

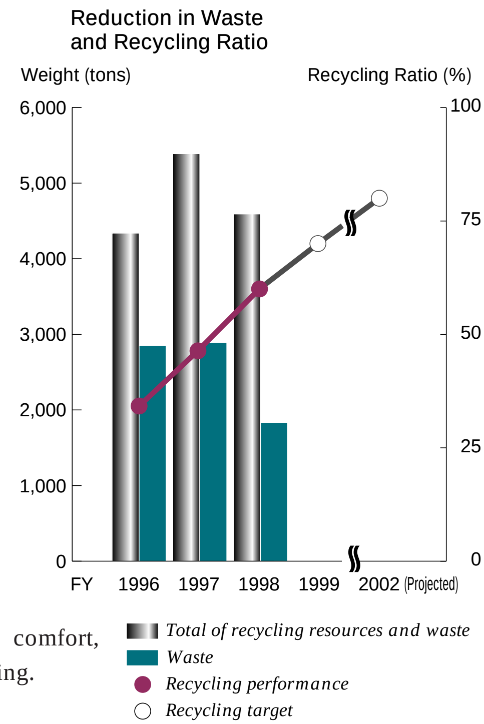
OMRON's solar power conditioner converts environment-friendly clean electric power obtained from solar cells into usable commercial electric power to run electric appliances in the home.

Intelligent Transport Systems (ITSs) Technology

ITSs are designed to integrate driver, vehicle, and road in such a way as to solve many current traffic issues. One of the main objectives in the development of ITSs was environmental

OMRON Manufacturing of the Netherlands B.V.

PT OMRON Manufacturing of Indonesia



protection. In addition to their potential for improving safety, efficiency, and comfort, ITSs lessen CO_2 emissions by reducing traffic jams, thereby mitigating global warming.

OPTIMIZING TRAFFIC CONTROL

Through the use of signal lights and information displays, traffic control centers ensure the smooth and safe movement of traffic, thus avoiding congestion. The centers also contribute significantly to reducing CO_2 and NO_x emissions, as engines burn cleaner when running smoothly.

ELECTRONIC TOLL COLLECTION (ETC) SYSTEM

OMRON's no-stop automated ETC system allows tolls to be collected "on the run." Because vehicles do not have to stop, the system eliminates bottlenecks on highways, which, in turn, helps reduce CO_2 and NO_x emissions.

Seated (left to right):
Nobuo Tateisi,
Kohei Jinkawa,
Yoshio Tateisi

Standing (left to right):
Norio Hirai,
Tomoaki Nishimura,
Hideki Masuda,
Isao Hatano,
Soichi Koshio

Chairman and Director
Nobuo Tateisi*

Vice Chairman and Director
Kohei Jinkawa*

President and Director
Yoshio Tateisi*

Vice Presidents and Directors
Isao Hatano*
Soichi Koshio*

Senior Managing Directors
Hideki Masuda*
Tomoaki Nishimura*
Norio Hirai*

Managing Directors
Kiyohiko Watanabe
Tsunehiko Tokumasu
Tsutomu Narita
Izuru Minami
Noboru Sano
Tadao Tateisi
Tatsuro Ichihara
Akio Imaizumi

Directors
Takao Abu
Sadao Masuyoshi
Masaaki Sadatomo
Yoshikazu Tachi
Masato Mori
Shingo Akechi
Yoshifumi Kajiya
Hisao Sakuta
Minoru Tamura
Tsukasa Yamashita
Fujio Tokita
Yutaka Takigawa
Keiichiro Akahoshi
Fumio Tateisi

Standing Corporate Auditors
Kinji Hanamoto
Isao Suzuki
Motoki Tamura

Corporate Auditor
Takayuki Yamashita

**Representative Director*

FINANCIAL SECTION

FIVE-YEAR SUMMARY

OMRON Corporation and Subsidiaries
Years ended March 31

	Millions of yen (except per share data)				
	1998	1997	1996	1995	1994
Net Sales:					
Control Components and Systems	**¥313,642**	¥291,277	¥275,149	¥248,023	¥230,983
Social Business	**138,203**	145,172	125,623	127,382	120,429
Specialty Products	**47,263**	46,533	38,687	42,465	40,323
Healthcare	**40,793**	36,388	31,618	28,790	28,919
Open Systems	**50,131**	50,187	38,621	34,672	33,964
Others	**21,763**	24,704	15,591	8,368	6,251
	611,795	594,261	525,289	489,700	460,869
Costs and Expenses:					
Cost of sales	**387,445**	388,005	342,500	324,666	312,248
Selling, general and administrative expenses	**138,404**	130,163	109,117	100,333	100,193
Research and development expenses	**39,914**	35,188	34,433	31,223	28,698
Interest expenses, net	**682**	1,591	2,044	5,102	6,428
Other, net	**3,107**	66	4,943	3,428	240
	569,552	555,013	493,037	464,752	447,807
Income before Income Taxes, Minority Interests, and Cumulative Effect of Change in Accounting Principle	**42,243**	39,248	32,252	24,948	13,062
Income Taxes	**23,775**	22,952	17,039	12,358	8,822
Minority Interests	**168**	557	626	438	134
Cumulative Effect of Change in Accounting Principle	**—**	—	—	—	584
Net Income	**18,300**	15,739	14,587	12,152	4,690
Net Income per Share (yen, Note 1):					
Basic	**¥69.8**	¥60.1	¥55.7	¥50.8	¥20.3
Diluted	**68.3**	58.8	54.5	49.4	20.1
Cash Dividends per Share (yen, Note 2)	**13.0**	13.0	13.0	13.0	13.0
Capital Expenditures (cash basis)	**¥ 35,896**	¥ 29,956	¥ 34,079	¥ 30,954	¥ 26,875
Total Assets	**579,663**	590,353	580,815	569,151	552,174
Total Shareholders' Equity	**336,064**	323,019	302,458	288,086	230,706

Notes: 1. Net income per share amounts are computed based on the Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share," which is effective for the fiscal year ended March 31, 1998. All prior years' data presented has been restated to conform with the provisions of SFAS No. 128.
2. Cash dividends per share are the amounts applicable to the respective year, including dividends to be paid after the end of the year.

Sales

The Japanese economy slowed in the second half of fiscal 1998, ended March 31, 1998, buffeted by domestic problems as well as the currency turmoil in Southeast Asia. Consumers displayed growing spending restraint in the face of deteriorating corporate performances caused by weak personal consumption. The recessionary mood was further reinforced by the string of major business failures precipitated by a troubled banking industry. The sudden collapse in Asian currencies also contributed to a loss of confidence in the future direction of Japan's economy.

Despite these significant swings in Japan's economy as well as in certain Asian currencies, OMRON's consolidated net sales rose 3.0%, to ¥611,795 million ($4,635 million). The weaker yen as well as economic growth in overseas markets, particularly in the United States and Europe, supported strong sales for the Company's core control components and systems operations.

The increase or decrease in sales of each product group or division is as follows:

	1998	1997	1996
Control Components and Systems	**7.7%**	5.9%	10.9%
Social Business	**(4.8)**	15.6	(1.4)
Specialty Products	**1.6**	20.3	(8.9)
Healthcare	**12.1**	15.1	9.8
Open Systems	**(0.1)**	29.9	11.4
Others	**(11.9)**	58.5	86.3

The composition of net sales is as follows:

	1998	1997	1996
Control Components and Systems	**51.3%**	49.0%	52.3%
Social Business	**22.6**	24.5	23.9
Specialty Products	**7.7**	7.8	7.4
Healthcare	**6.7**	6.1	6.0
Open Systems	**8.2**	8.4	7.4
Others	**3.5**	4.2	3.0

Divisional performance was mixed in fiscal 1998. OMRON's major product group, the Control Components and Systems Division, attained satisfactory growth—amid a difficult business climate, thanks to the beneficial effects of robust economies in the United States and Europe—in overseas sales as well as in exports of OMRON's major domestic customers, the automotive and semiconductor industries. The division also made significant inroads in selling to the multimedia and amusement industries. In fiscal 1998, we combined our Electronic Fund Transfer Systems (EFTS) and Public Information and Transfer Systems (PITS) divisions into a single division, the Social Business Division, which posted a small decline during the fiscal year under review due mainly to weak domestic and overseas markets for financial systems. The division recorded approximately the same level of traffic control sales as in the previous fiscal year and continued to make headway developing the Intelligent Transport Systems (ITSs) market. Sales by the Specialty Products Division rose slightly overall because of the success of marketing efforts to a stagnant domestic automobile industry, supported by a strong overseas automobile market and the current boom in digital and color copiers in the office automation (OA) industry. Sales of products for PCs declined because of consumer spending restraint. Healthcare Division sales achieved double-digit growth in fiscal 1998 thanks to strong domestic and overseas demand for new products, such as body-fat monitors, massage chairs, and ear-type digital thermometers. Traditionally popular products, such as blood pressure monitors and pedometers, continued to sell well because of the global boom in self-healthcare. The Open Systems Division's sales stalled in fiscal 1998 after three consecutive years of consolidated sales growth, remaining approximately the same as in the previous year. Weak consumer spending depressed sales of PCs to individuals, causing a shift in emphasis from sales of PCs to individuals to corporate sales of information systems and networks, thus producing heightened competition in this market. Strong overall demand in this area, however, helped the division maintain sales levels approximately the same as the previous fiscal year's despite the economic downturn in the second half of the term.

Sales by foreign subsidiaries rose 12.6% and generated 28.0% of net sales, compared with 25.6% of net sales in fiscal 1997 and 23.4% in fiscal 1996.

Including direct exports from Japan, the overseas sales ratio climbed to 29.6% in fiscal 1998, from 27.3% in the previous fiscal year.

Costs, Expenses, and Income

Costs, expenses, and income as percentages of net sales were as follows:

	1998	1997	1996
Net sales	**100.0%**	100.0%	100.0%
Cost of sales	**63.3**	65.3	65.2
Gross profit	**36.7**	34.7	34.8
Selling, general and administrative expenses	**22.6**	21.9	20.8
Research and development expenses	**6.5**	5.9	6.6
Interest expenses, net	**0.1**	0.3	0.4
Income before income taxes and minority interests	**6.9**	6.6	6.1
Income taxes	**3.9**	3.9	3.2
Net income	**3.0**	2.6	2.8

Cost of sales declined marginally, to ¥387,445 million ($2,935 million), during the period under review. Because cost of sales remained flat while net sales gained 3.0%, the gross profit ratio improved to 36.7%, from 34.7% in fiscal 1997. Selling, general and administrative expenses rose 6.3%, to ¥138,404 million ($1,049 million), and research and development expenses increased 13.4%, to ¥39,914 million ($302 million). Interest expenses, net, dropped to ¥682 million ($5 million), mainly because of lower debt. Foreign exchange loss, net, totaled ¥4,419 million ($33 million). Income before income taxes and minority interests was ¥42,243 million ($320 million), an increase of 7.6% from the previous fiscal year.

Income taxes climbed slightly, reflecting greater corporate profits. Minority interests declined to ¥168 million ($1 million). Net income advanced 16.3%, to ¥18,300 million ($139 million). Basic net income per share rose from ¥60.1 to ¥69.8 ($0.53), and diluted net income per share rose from ¥58.8 to ¥68.3 ($0.52). Cash dividends per share applicable to the period were maintained at ¥13.0 ($0.10). ROA and ROE were 3.1% and 5.6%, respectively, compared with 2.7% and 5.0% in the previous fiscal year.

Financial Position

Total current assets edged down 3.8%, to ¥327,372 million ($2,480 million), largely because of the declines in cash and cash equivalents and short-term investments. The inventory turnover rate, as determined by cost of sales divided by inventories at year-end, decreased to 4.1, from 4.5 at the previous fiscal year-end. Total current liabilities, however, dropped 8.0%, to ¥176,288 million ($1,336 million), mainly reflecting a large decline in the current portion of long-term debt. Working capital increased ¥2,295 million, to ¥151,084 million ($1,145 million), providing adequate liquidity for operations. The current ratio was 1.86, compared with 1.78 at the previous fiscal year-end.

Cash and cash equivalents at beginning of the year were ¥79,288 million ($601 million). Net cash provided by operating activities declined to ¥32,086 million ($243 million). Depreciation and amortization, the main component of cash flows from operating activities, edged down 0.3%, to ¥31,129 million ($236 million). Net cash used in investing activities sunk to ¥17,631 million ($134 million), mainly because of a sharp drop in the purchase of short-term investments and investment securities. Capital expenditures rose 19.8%, to ¥35,896 million ($272 million).

Net cash used in financing activities was ¥23,637 million ($179 million). Proceeds from issuance of long-term debt were ¥648 million ($5 million), and repayments of long-term debt were ¥18,013 million ($136 million). Reflecting the above cash outflows and inflows, cash and cash equivalents at end of the year decreased to ¥68,365 million ($518 million).

Total indebtedness—bank loans, current portion of long-term debt, and long-term debt—decreased 27.4%, to ¥54,544 million ($413 million). Long-term debt fell 19.9%, to ¥33,500 million ($254 million).

Total shareholders' equity grew 4.0%, to ¥336,064 million ($2,546 million), with higher retained earnings being offset somewhat by cumulative translation adjustments and minimum pension liability adjustment. Total shareholders' equity as a percentage of total assets rose to 58.0%, compared with 54.7% at the end of fiscal 1997. ROE was 5.6%, compared with 5.0% at the previous fiscal year-end. OMRON is targeting an ROE of 6.0% by the end of its Seventh Mid-Term Management Plan.

Capital Investments and Finance

A total of ¥35,896 million ($272 million) in capital expenditures was made during fiscal 1998 and was principally invested in establishing a growth structure, in expanding our global network in Asia and other countries, and in plant and equipment.

OMRON has not found it necessary to raise capital to fund its current capital expenditure program at this stage.

Research and Development

Research and development expenses were ¥39,914 million ($302 million) during the fiscal year under review, representing 6.5% of net sales.

Year 2000 Compliance

The Company has developed plans to address the exposure of its computer systems to the so-called millennium bug. Key financial, information, and operational systems have been assessed, and detailed plans have been developed to achieve Year 2000 compliance by December 31, 1999. The financial impact of making the required system changes is not expected to be material to the Company's consolidated financial position, results of operations, or cash flows.

Share Buyback Program

In accordance with a resolution passed at the general meeting of shareholders in June 1998, OMRON will repurchase and retire shares up to a maximum of ¥10 billion, or five million shares, during the period before the next general shareholders' meeting. In addition, the Company's Articles of Incorporation have been amended to allow future share repurchases up to a total of 25 million additional shares.

Stock Option Plan

The Company has introduced a stock option plan for its directors to further motivate them to consider growth in investors' value as their chief management goal and to otherwise manage in a manner that is in the best interest of shareholders. A maximum of 158,000 shares, or ¥500 million, will be allocated for this purpose in accordance with a resolution passed at the general meeting of shareholders. The exercise period will run from July 1999 to the end of June 2001.

CONSOLIDATED STATEMENTS OF INCOME

OMRON Corporation and Subsidiaries
Years ended March 31, 1998, 1997 and 1996

	Millions of yen			Thousands of U.S. dollars (Note 2)
	1998	1997	1996	**1998**
Net Sales	**¥611,795**	¥594,261	¥525,289	**$4,634,811**
Costs and Expenses:				
Cost of sales	**387,445**	388,005	342,500	**2,935,189**
Selling, general and administrative expenses	**138,404**	130,163	109,117	**1,048,515**
Research and development expenses	**39,914**	35,188	34,433	**302,379**
Interest expenses, net (Note 5)	**682**	1,591	2,044	**5,167**
Foreign exchange loss, net	**4,419**	860	5,027	**33,477**
Other income, net	**(1,312)**	(794)	(84)	**(9,939)**
Total	**569,552**	555,013	493,037	**4,314,788**
Income before Income Taxes and Minority Interests	**42,243**	39,248	32,252	**320,023**
Income Taxes (Note 9)	**23,775**	22,952	17,039	**180,114**
Income before Minority Interests	**18,468**	16,296	15,213	**139,909**
Minority Interests	**168**	557	626	**1,273**
Net Income	**¥ 18,300**	¥ 15,739	¥ 14,587	**$ 138,636**

	Yen			U.S. dollars (Note 2)
Net Income per Share (Note 11):				
Basic	**¥69.8**	¥60.1	¥55.7	**$0.53**
Diluted	**68.3**	58.8	54.5	**0.52**
Cash Dividends per Share (Note 11)	**13.0**	13.0	13.0	**0.10**

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

OMRON Corporation and Subsidiaries
March 31, 1998 and 1997

ASSETS	Millions of yen 1998	Millions of yen 1997	Thousands of U.S. dollars (Note 2) 1998
Current Assets:			
Cash and cash equivalents	**¥ 68,365**	¥ 79,288	**$ 517,917**
Short-term investments (Note 4)	**4,767**	25,970	**36,114**
Notes and accounts receivable—trade	**138,149**	133,771	**1,046,583**
Allowance for doubtful receivables	**(3,301)**	(3,023)	**(25,008)**
Inventories (Note 3)	**94,981**	85,966	**719,553**
Deferred income taxes (Note 9)	**11,798**	10,139	**89,379**
Other current assets	**12,613**	8,310	**95,553**
Total Current Assets	**327,372**	340,421	**2,480,091**
Property, Plant and Equipment:			
Land	**50,166**	51,169	**380,045**
Buildings	**107,974**	107,036	**817,985**
Machinery and equipment	**143,809**	143,736	**1,089,462**
Construction in progress	**4,124**	2,746	**31,242**
Total	**306,073**	304,687	**2,318,734**
Accumulated depreciation	**(135,591)**	(134,277)	**(1,027,205)**
Net Property, Plant and Equipment	**170,482**	170,410	**1,291,529**
Investments and Other Assets:			
Investments in and advances to associates	**1,843**	2,098	**13,962**
Investment securities (Note 4)	**43,245**	42,198	**327,614**
Leasehold deposits	**11,730**	11,809	**88,864**
Deferred income taxes (Note 9)	**7,507**	6,945	**56,871**
Other	**17,484**	16,472	**132,455**
Total Investments and Other Assets	**81,809**	79,522	**619,766**
Total	**¥579,663**	¥590,353	**$4,391,386**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 1998	Millions of yen 1997	Thousands of U.S. dollars (Note 2) 1998
Current Liabilities:			
Bank loans (Note 5)	**¥ 12,578**	¥ 15,302	**$ 95,288**
Notes and accounts payable—trade	**88,756**	95,552	**672,394**
Accrued expenses	**23,117**	22,478	**175,129**
Income taxes payable	**15,011**	16,236	**113,720**
Other current liabilities	**28,360**	24,040	**214,848**
Current portion of long-term debt (Note 5)	**8,466**	18,024	**64,136**
Total Current Liabilities	**176,288**	191,632	**1,335,515**
Long-Term Debt (Note 5)	**33,500**	41,821	**253,788**
Deferred Income Taxes (Note 9)	**5,531**	4,214	**41,902**
Termination and Retirement Benefits (Note 7)	**24,913**	22,909	**188,735**
Other Long-Term Liabilities	**367**	108	**2,780**
Minority Interests in Subsidiaries	**3,000**	6,650	**22,727**
Shareholders' Equity (Note 8):			
Common stock with ¥50 par value:			
Authorized—500,000,000 shares;			
Issued and outstanding—262,107,214 shares in 1998 and 1997	**64,079**	64,079	**485,447**
Additional paid-in capital	**98,702**	98,702	**747,742**
Legal reserve	**6,314**	5,963	**47,833**
Retained earnings	**174,282**	159,741	**1,320,318**
Cumulative translation adjustments	**(5,912)**	(3,320)	**(44,787)**
Minimum pension liability adjustment (Note 7)	**(1,401)**	(2,146)	**(10,614)**
Total Shareholders' Equity	**336,064**	323,019	**2,545,939**
Total	**¥579,663**	¥590,353	**$4,391,386**

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

OMRON Corporation and Subsidiaries
Years ended March 31, 1998, 1997 and 1996

	Number of common shares issued and outstanding	Millions of yen					
		Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Cumulative translation adjustments	Minimum pension liability adjustment
Balance, April 1, 1995	262,100,942	¥64,075	¥98,696	¥5,087	¥137,107	¥(16,879)	¥ —
Shares issued upon conversion of bonds	6,272	4	6				
Net income					14,587		
Cash dividends, ¥13.0 per share					(3,408)		
Transfer to legal reserve				386	(386)		
Translation adjustments						7,822	
Adjustment to minimum pension liability							(4,639)
Balance, March 31, 1996	262,107,214	64,079	98,702	5,473	147,900	(9,057)	(4,639)
Net income					15,739		
Cash dividends, ¥13.0 per share					(3,408)		
Transfer to legal reserve				490	(490)		
Translation adjustments						5,737	
Adjustment to minimum pension liability							2,493
Balance, March 31, 1997	262,107,214	64,079	98,702	5,963	159,741	(3,320)	(2,146)
Net income					**18,300**		
Cash dividends, ¥13.0 per share					**(3,408)**		
Transfer to legal reserve				**351**	**(351)**		
Translation adjustments						**(2,592)**	
Adjustment to minimum pension liability							**745**
Balance, March 31, 1998	**262,107,214**	**¥64,079**	**¥98,702**	**¥6,314**	**¥174,282**	**¥ (5,912)**	**¥(1,401)**

	Thousands of U.S. dollars (Note 2)					
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Cumulative translation adjustments	Minimum pension liability adjustment
Balance, March 31, 1997	$485,447	$747,742	$45,174	$1,210,159	$(25,152)	$(16,258)
Net income				**138,636**		
Cash dividends, $0.10 per share				**(25,818)**		
Transfer to legal reserve			**2,659**	**(2,659)**		
Translation adjustments					**(19,635)**	
Adjustment to minimum pension liability						**5,644**
Balance, March 31, 1998	**$485,447**	**$747,742**	**$47,833**	**$1,320,318**	**$(44,787)**	**$(10,614)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

OMRON Corporation and Subsidiaries
Years ended March 31, 1998, 1997 and 1996

	Millions of yen			Thousands of U.S. dollars (Note 2)
	1998	1997	1996	**1998**
Operating Activities:				
Net income	**¥18,300**	¥15,739	¥14,587	**$138,636**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**31,129**	31,234	30,196	**235,826**
Loss on sales of property, plant and equipment	**268**	771	677	**2,030**
Valuation loss on property held for sale	**—**	2,040	—	**—**
Net (gain) loss on sale of short-term investments and investment securities	**(1)**	(2,828)	22	**(8)**
Termination and retirement benefits	**2,004**	4,574	(154)	**15,182**
Deferred income taxes	**(230)**	(62)	(1,242)	**(1,742)**
Minority interests	**168**	557	626	**1,273**
Changes in assets and liabilities:				
Notes and accounts receivable—trade, net	**(3,537)**	(7,927)	(16,936)	**(26,795)**
Inventories	**(8,412)**	(4,163)	(7,289)	**(63,727)**
Other assets	**(7,004)**	(2,080)	494	**(53,061)**
Notes and accounts payable—trade	**(4,315)**	12,000	5,841	**(32,689)**
Income taxes payable	**(1,998)**	4,711	1,455	**(15,136)**
Accrued expenses and other	**4,425**	3,232	(706)	**33,523**
Other, net	**1,289**	(629)	(798)	**9,763**
Total adjustments	**13,786**	41,430	12,186	**104,439**
Net cash provided by operating activities	**32,086**	57,169	26,773	**243,075**
Investing Activities:				
Proceeds from sales or maturities of short-term investments and investment securities	**21,285**	43,671	70,382	**161,250**
Purchase of short-term investments and investment securities	**(1,427)**	(45,904)	(45,625)	**(10,811)**
Capital expenditures	**(35,896)**	(29,956)	(34,079)	**(271,939)**
Decrease in leasehold deposits	**5**	285	57	**38**
Proceeds from sales of property, plant and equipment	**1,335**	2,818	3,427	**10,114**
Acquisition of minority interests	**(2,933)**	(312)	(1,056)	**(22,220)**
Net cash used in investing activities	**(17,631)**	(29,398)	(6,894)	**(133,568)**
Financing Activities:				
Net (repayments) borrowings of short-term bank loans	**(2,864)**	3,738	5,141	**(21,697)**
Proceeds from issuance of long-term debt	**648**	5,446	1,050	**4,902**
Repayments of long-term debt	**(18,013)**	(43,634)	(26,525)	**(136,462)**
Dividends paid	**(3,408)**	(3,407)	(3,355)	**(25,811)**
Net cash used in financing activities	**(23,637)**	(37,857)	(23,689)	**(179,068)**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(1,741)**	1,510	1,618	**(13,189)**
Net Decrease in Cash and Cash Equivalents	**(10,923)**	(8,576)	(2,192)	**(82,750)**
Cash and Cash Equivalents at Beginning of the Year	**79,288**	87,864	90,056	**600,667**
Cash and Cash Equivalents at End of the Year	**¥68,365**	¥79,288	¥87,864	**$517,917**

See notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Basis of Financial Statements The accompanying consolidated financial statements, stated in Japanese yen, include certain adjustments, not recorded on the books of account, to present these statements in accordance with accounting principles as generally accepted in the United States, except for the omission of segment information as required by the Statement of Financial Accounting Standards ("SFAS") No. 14, "Financial Reporting for Segments of a Business Enterprise," and except that the recognition and measurement provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," have not been applied (see Note 4). The principal adjustments include accrual of certain expenses, recognition of the value of warrants issued with bonds, accounting for termination and retirement benefits, accrual of deferred income taxes relating to these adjustments and other temporary differences, and accounting for prior years' stock dividends at market value.

Certain reclassifications have been made to accounts previously reported in order to conform to 1998 classifications.

Principles of Consolidation The consolidated financial statements include the accounts of OMRON Corporation (the "Company") and its subsidiaries (together the "Companies"). All significant intercompany accounts and transactions have been eliminated. Costs in excess of the fair value of net assets acquired are amortized on a straight-line basis over five years.

The Companies' investments in companies in which ownership is from 20% to 50% (associates) are stated at cost plus equity in undistributed net income or loss.

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

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

Short-Term Investments and Investment Securities Marketable equity securities are carried at the lower of aggregate cost or market. Other investments are stated at the lower of cost or estimated net realizable value (see Note 4). The cost of securities sold is determined on the average cost basis.

Inventories Inventories are stated at the lower of cost, determined by the first-in, first-out method, or market.

Property, Plant and Equipment Property, plant and equipment is stated at cost. Depreciation of property, plant and equipment has been computed principally on the declining balance method based upon the estimated useful lives of the assets.

Advertising Costs Advertising costs are charged to earnings as incurred. Advertising expenses were ¥10,329 million ($78,250 thousand), ¥8,473 million and ¥7,477 million for the years ended March 31, 1998, 1997 and 1996, respectively.

Termination and Retirement Benefits Termination and retirement benefits are accounted for in accordance with SFAS No. 87, "Employers' Accounting for Pensions." Provision for termination and retirement benefits includes those for directors and corporate auditors of the Company.

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

Derivatives Currency derivatives (foreign exchange forward contracts and currency option contracts) are used to manage currency risk. Gains and losses on hedges of existing assets or liabilities denominated in foreign currencies are recognized currently in income, as are the offsetting foreign exchange losses and gains on the items hedged. Gains and losses related to qualifying hedges of firm commitments denominated in foreign currencies are deferred and are recognized as adjustments to the hedged transaction when such transaction occurs. Derivative contracts that do not qualify as hedges are marked to market with the related gains and losses included in Foreign exchange loss, net, in the consolidated statements of income.

Interest rate swaps are used to manage exposure to fluctuations in interest rates arising from the Companies' existing debt. The amounts receivable or payable under interest rate swap agreements are recognized as adjustments to interest expenses.

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

Nature of Operations The Company is a multinational manufacturer of automation components, equipment and systems with advanced computer, communications and control technologies. The Company conducts business in more than 30 countries around the world and strategically manages its worldwide operations through five regional management centers: Japan, North America, Europe, Asia-Pacific and China. Products, classified by type and market, are organized into five principal business units, as described below.

Control Components and Systems include a wide range of products, including sensors, relays, switches, printed circuit boards and computer systems for factory automation. These products are primarily used by manufacturers of electronic and high-technology equipment with certain products aimed at the consumer and industrial markets.

Social Business encompasses the production and sale of automated teller machines, credit authorization terminals, point-of-sale systems and card readers for both domestic and overseas markets. Automated passenger gates and ticket vending machines as well as electronic panels and terminal displays for traffic information and monitoring purposes are also produced for the domestic market.

Specialty Products include the production of automotive electronic components for use by the automotive industry and high-technology electronic components and equipment directed at the office automation industries.

Healthcare includes blood pressure monitors, nebulizers and infrared therapy devices aimed at both the consumer and institutional markets.

Open systems supply network and PC systems to institutional and individual consumers.

New Accounting Standards In July 1997, the Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information."

These statements are effective for fiscal years beginning after December 15, 1997. The Companies will adopt SFAS No. 130 for the year beginning April 1, 1998, except for the effects on shareholders' equity from the provisions of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The Companies currently anticipate that the segment information required by SFAS No. 131 will not be provided. Neither of these statements will have an effect on the Company's consolidated financial position or results of operations.

2. Translation into United States Dollars

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for convenience and have been made at the rate of ¥132 to $1, the approximate free rate of exchange at March 31, 1998. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

3. Inventories

Inventories at March 31, 1998 and 1997 consisted of:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	**1998**
Finished products	**¥56,665**	¥46,564	**$429,280**
Work-in-process	**17,707**	19,731	**134,144**
Materials and supplies	**20,609**	19,671	**156,129**
Total	**¥94,981**	¥85,966	**$719,553**

4. Short-Term Investments and Investment Securities

The Companies have chosen not to adopt the recognition and measurement principles of SFAS No. 115 and have instead continued to account for investments in debt and equity securities under previously accepted accounting principles. The Companies were of the opinion that the adoption of SFAS No. 115 would materially reduce the comparability of the financial statements with those of other Japanese companies that follow the Japanese accounting practice of reporting marketable debt and equity securities under the lower of cost or market method. Marketable securities included in short-term investments and investment securities at March 31, 1998 and 1997 would be classified as available-for-sale securities under SFAS No. 115. The recognition and measurement provisions of SFAS No. 115 require that the investments in debt and equity securities which are classified as available for sale be reported at fair value with unrealized gains and losses, net of related taxes, reported in a separate component of shareholders' equity.

If the Companies had followed SFAS No. 115, consolidated net income would have increased ¥404 million ($3,061 thousand) for the year ended March 31, 1998. There was no effect on income for the years ended March 31, 1997 and 1996, of not adopting SFAS No. 115. The effects on the consolidated balance sheets as of March 31, 1998 and 1997 of not adopting SFAS No. 115 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	**1998**
Shareholders' equity as reported	**¥336,064**	¥323,019	**$2,545,939**
Net increase in the carrying amount of short-term investments	**1,375**	3,065	**10,417**
Net increase in the carrying amount of investment securities	**12,091**	17,512	**91,598**
Net increase in deferred tax liabilities as a result of the above net increases in short-term investments and investment securities	**(6,868)**	(10,494)	**(52,030)**
Net increase in net income due to a change in enacted tax rates	**404**	—	**3,061**
Shareholders' equity based on SFAS No. 115	**¥343,066**	¥333,102	**$2,598,985**

The carrying amounts, gross unrealized holding gains and losses and fair value of securities, excluding equity securities with no public market value, by major security type at March 31, 1998 and 1997 were as follows:

	Millions of yen							
	1998				1997			
	Carrying amount	Gross unrealized gains	Gross unrealized losses	Fair value	Carrying amount	Gross unrealized gains	Gross unrealized losses	Fair value
Short-term investments:								
Debt securities	**¥ 3,913**	**¥ —**	**¥ —**	**¥ 3,913**	¥13,746	¥ —	¥ —	¥13,746
Asset-backed securities	**—**	**—**	**—**	**—**	11,250	—	—	11,250
Equity securities	**854**	**1,442**	**(67)**	**2,229**	974	3,095	(30)	4,039
Total short-term investments	**4,767**	**1,442**	**(67)**	**6,142**	25,970	3,095	(30)	29,035
Marketable investment securities:								
Debt securities	**25**	**—**	**—**	**25**	48	—	—	48
Equity securities	**39,447**	**17,675**	**(5,584)**	**51,538**	39,160	21,189	(3,677)	56,672
Total marketable investment securities	**39,472**	**17,675**	**(5,584)**	**51,563**	39,208	21,189	(3,677)	56,720
Total	**¥44,239**	**¥19,117**	**¥(5,651)**	**¥57,705**	¥65,178	¥24,284	¥(3,707)	¥85,755

	Thousands of U.S. dollars			
	1998			
	Carrying amount	Gross unrealized gains	Gross unrealized losses	Fair value
Short-term investments:				
Debt securities	**$ 29,644**	**$ —**	**$ —**	**$ 29,644**
Asset-backed securities	**—**	**—**	**—**	**—**
Equity securities	**6,470**	**10,925**	**(508)**	**16,887**
Total short-term investments	**36,114**	**10,925**	**(508)**	**46,531**
Marketable investment securities:				
Debt securities	**189**	**—**	**—**	**189**
Equity securities	**298,841**	**133,901**	**(42,303)**	**390,439**
Total marketable investment securities	**299,030**	**133,901**	**(42,303)**	**390,628**
Total	**$335,144**	**$144,826**	**$(42,811)**	**$437,159**

Net unrealized holding gains on available-for-sale securities, net of related taxes, decreased by ¥3,081 million ($23,341 thousand) and ¥5,653 million for the years ended March 31, 1998 and 1997, respectively. Debt securities classified as available-for-sale investment securities mature in various amounts through 2001.

Proceeds from sales of available-for-sale securities were ¥21,160 million ($160,303 thousand), ¥43,671 million and ¥70,382 million for the years ended March 31, 1998, 1997 and 1996, respectively.

Gross realized gains on those sales were ¥2,828 million and ¥1,269 million for the years ended March 31, 1997 and 1996, respectively, and were not material for the year ended March 31, 1998. Gross realized losses were ¥1,291 million for the year ended March 31, 1996 and were not material for the years ended March 31, 1998 and 1997.

5. Bank Loans and Long-Term Debt

The weighted average annual interest rates of short-term bank loans at March 31, 1998 and 1997 were 5.2% and 4.4%, respectively.

Long-term debt at March 31, 1998 and 1997 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	**1998**
Unsecured debt:			
Convertible bonds at 1.7%, due 2004	**¥29,741**	¥29,741	**$225,311**
Notes:			
Loans from banks and other financial institutions, generally at 2.8% to 6.7%, due serially through 2004	**11,615**	29,570	**87,992**
Other	**610**	534	**4,621**
Total	**41,966**	59,845	**317,924**
Less portion due within one year	**8,466**	18,024	**64,136**
Long-term debt, less current portion	**¥33,500**	¥41,821	**$253,788**

The annual maturities of long-term debt outstanding at March 31, 1998 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
1999	¥ 8,466	$ 64,136
2000	2,161	16,371
2001	844	6,394
2002	272	2,061
2003	229	1,735
2004 and thereafter	29,994	227,227
Total	¥41,966	$317,924

The convertible bonds may be purchased at any time by the Company or its subsidiaries principally at any price in the open market or otherwise and may be redeemed at the Company's option prior to maturity. The convertible bonds are redeemable, in whole or in part, beginning October 1997 at 106% of face value, decreasing 1% per year.

The number of contingently issuable shares of common stock related to the convertible bonds as of March 31, 1998 was 10,028,661 shares.

The conversion price per share at March 31, 1998 was ¥2,965 ($22.47), subject to antidilutive provisions.

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

As is customary in Japan, the Company and domestic subsidiaries maintain deposit balances with banks with which they have short- or long-term borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal.

Total interest cost incurred and charged to expenses for the years ended March 31, 1998, 1997 and 1996 amounted to ¥2,412 million ($18,273 thousand), ¥3,557 million and ¥5,075 million, respectively.

6. Leases

The Companies have operating lease agreements primarily involving offices and equipment for varying periods. Leases that expire generally are expected to be renewed or replaced by other leases. At March 31, 1998, future minimum rental payments applicable to noncancelable leases having initial or remaining noncancelable lease terms in excess of one year were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
1999	¥2,199	$16,659
2000	1,901	14,402
2001	1,588	12,030
2002	614	4,652
2003	560	4,242
2004 and thereafter	2,760	20,909
Total	¥9,622	$72,894

Rental expense amounted to ¥13,917 million ($105,432 thousand), ¥11,105 million and ¥11,554 million for the years ended March 31, 1998, 1997 and 1996, respectively.

In December 1997, the Company entered into an agreement with an outside service organization for outsourcing computer services. The contract requires an annual service fee of ¥4,460 million ($33,788 thousand) for the year ending March 31, 1999. The annual service fee will gradually decrease each year during the initial contract term of 10 years to ¥3,769 million for 2008. The contract is cancelable subject to a penalty of 15% of aggregate service fees payable for the remaining term of the contract.

7. Termination and Retirement Benefits

The Company and its domestic subsidiaries sponsor termination and retirement benefit plans which cover substantially all domestic employees. Benefits are based on the employee's years of service, with some plans considering compensation and certain other factors. If the termination is involuntary, the employee is usually entitled to greater payments than in the case of voluntary termination.

The Company and its domestic subsidiaries fund a portion of the obligations under these plans. The general funding policy is to contribute amounts computed in accordance with actuarial methods acceptable under Japanese tax law. The Company and substantially all domestic subsidiaries have a contributory termination and retirement plan which is interrelated with the Japanese government social welfare program and consists of a basic portion requiring employee and employer contributions plus an additional portion established by the employers.

Periodic pension benefits required under the basic portion, prescribed by the Japanese Ministry of Health and Welfare, commence at age 60 and continue until the death of the surviving spouse. Benefits under the additional portion are usually paid in a lump sum at the earlier of termination or retirement, although periodic payments are available under certain conditions.

The following table summarizes the financial status of the contributory termination and retirement plan and the amounts recognized in the consolidated balance sheets at March 31, 1998 and 1997:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	**1998**
Actuarial present value of benefit obligation:			
Vested	**¥103,861**	¥ 94,024	**$ 786,826**
Nonvested	**12,488**	12,800	**94,606**
Accumulated benefit obligation	**116,349**	106,824	**881,432**
Effect of projected future salary increases	**38,265**	37,117	**289,886**
Projected benefit obligation for service rendered to date	**154,614**	143,941	**1,171,318**
Less: trusteed fund assets at fair value, including cash equivalents, bonds and stocks	**92,927**	85,316	**703,992**
Projected benefit obligation in excess of plan assets	**61,687**	58,625	**467,326**
Remaining unrecognized net obligation from April 1, 1989	**(1,618)**	(1,888)	**(12,258)**
Unrecognized net loss from past experience different from that assumed and effect of changes in assumptions	**(41,121)**	(41,496)	**(311,523)**
Adjustment to recognize minimum pension liability	**4,477**	6,267	**33,917**
Recognized liabilities for contributory termination and retirement plans	**¥ 23,425**	¥ 21,508	**$ 177,462**

The provisions of SFAS No. 87, "Employers' Accounting for Pensions," require the recognition of an additional minimum pension liability for each defined benefit plan to the extent that a plan's accumulated benefit obligation exceeds the fair value of plan assets and accrued pension liabilities. The adjustment to recognize the minimum pension liability is partially offset by an intangible asset, equal to the unrecognized net obligation from the adoption of SFAS No. 87 of ¥1,618 million ($12,258 thousand) and ¥1,888 million at March 31, 1998 and 1997, respectively. The amount of the adjustment in excess of this amount is reflected as a separate reduction of shareholders' equity, net of related deferred tax benefits. The unrecognized net obligation and the unrecognized net loss are being amortized over 15 years.

Key assumptions utilized in calculating the actuarial present value of benefit obligations are as follows:

	1998	1997	1996
Discount rate	**4.0%**	4.0%	4.0%
Compensation increase rate	**3.8**	3.8	4.0
Long-term rate of return on plan assets	**3.5**	3.5	3.5

The expense recorded for the contributory termination and retirement plans included the following components for the years ended March 31, 1998, 1997 and 1996:

	Millions of yen			Thousands of U.S. dollars
	1998	1997	1996	**1998**
Service cost, less employees' contributions	**¥ 7,680**	¥ 7,795	¥5,160	**$58,182**
Interest cost on projected benefit obligation	**5,758**	5,440	3,800	**43,621**
Actual return on plan assets	**(1,556)**	(3,602)	(5,254)	**(11,788)**
Net amortization and deferral	**786**	3,557	3,395	**5,955**
Net expense	**¥12,668**	¥13,190	¥7,101	**$95,970**

The Companies also have unfunded noncontributory termination plans administered by the Companies. These plans provide lump-sum termination benefits and are paid at the earlier of the employee's termination or mandatory retirement age, except for payments to directors and corporate auditors, which require approval by the shareholders before payment. The Companies record provisions for termination benefits sufficient to state the liability equal to the plans' vested benefits, which exceed the plans' accumulated benefit obligations.

The consolidated liabilities for the noncontributory termination plans as of March 31, 1998 and 1997 were ¥1,488 million ($11,273 thousand) and ¥1,401 million, respectively. The consolidated expenses for the noncontributory termination and retirement plans for the years ended March 31, 1998, 1997 and 1996 were ¥146 million ($1,106 thousand), ¥420 million and ¥172 million, respectively.

8. Shareholders' Equity

The Japanese Commercial Code (the "Code") requires at least 50% of the issue price of new shares, with the minimum of the par value thereof, to be recorded as common stock. The portion which is to be recorded as common stock is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as common stock have been credited to additional paid-in capital.

Under the Code, the Company is required to record an amount at least equal to 10% of the amounts paid as an appropriation of retained earnings, including dividends and other distributions, to be appropriated and set aside as a legal reserve until such reserve equals 25% of the common stock. This reserve is not available for dividends but may be used to eliminate or reduce a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors.

The Company may transfer portions of additional paid-in capital and legal reserve to common stock by resolution of the Board of Directors. The Company may also transfer portions of unappropriated retained earnings, available for dividends, to common stock by resolution of the shareholders.

Under the Code, the amount legally available for dividends is based on retained earnings as recorded in the books of the Company for Japanese financial reporting purposes. At March 31, 1998, retained earnings amounting to ¥106,257 million ($804,977 thousand) were available for future dividends, subject to the legal reserve requirements.

9. Income Taxes

The provision for income taxes for the years ended March 31, 1998, 1997 and 1996 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	1998	1997	1996	**1998**
Current income tax expense	**¥24,579**	¥22,915	¥18,107	**$186,205**
Deferred income tax (benefit) expense, exclusive of the following	**(1,305)**	342	(337)	**(9,886)**
Change in the beginning of the year balance of the valuation allowance for deferred tax assets	**(176)**	(305)	(731)	**(1,333)**
Adjustments of deferred tax assets and liabilities for change in enacted tax rates	**677**	—	—	**5,128**
Total	**¥23,775**	¥22,952	¥17,039	**$180,114**

The effective income tax rates of the Companies differ from the normal Japanese statutory rates as follows for the years ended March 31, 1998, 1997 and 1996:

	1998	1997	1996
Normal Japanese statutory rates	**51.0%**	51.0%	51.0%
Increase (decrease) in taxes resulting from:			
Permanently nondeductible items	**6.0**	9.1	7.4
Losses of subsidiaries for which no tax benefit was provided	**1.0**	0.2	0.8
Difference in subsidiaries' tax rates	**(6.0)**	(3.7)	(5.4)
Change in the beginning of the year balance of the valuation allowance for deferred tax assets	**(0.4)**	(0.8)	(2.3)
Effects of change in enacted tax rates	**1.6**	—	—
Other, net	**3.1**	2.7	1.3
Effective tax rates	**56.3%**	58.5%	52.8%

The approximate effect of temporary differences and tax loss carryforwards that gave rise to deferred tax balances at March 31, 1998 and 1997 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	1998		1997		**1998**	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Inventory valuation	**¥ 1,476**	**¥ —**	¥ 1,143	¥ —	**$ 11,182**	**$ —**
Accrued bonuses and vacations	**2,188**	**—**	2,437	—	**16,576**	**—**
Termination and retirement benefits	**5,085**	**—**	3,157	—	**38,523**	**—**
Enterprise taxes	**1,129**	**—**	1,577	—	**8,553**	**—**
Intercompany profits	**3,218**	**—**	1,818	—	**24,379**	**—**
Marketable securities	**—**	**3,264**	—	2,469	**—**	**24,727**
Allowance for doubtful receivables	**462**	**467**	480	419	**3,500**	**3,538**
Gain on sale of land	**—**	**1,229**	—	1,306	**—**	**9,311**
Minimum pension liability adjustment	**1,372**	**—**	2,233	—	**10,394**	**—**
Other temporary differences	**3,514**	**1,740**	3,005	509	**26,621**	**13,182**
Subsidiaries' operating loss carryforwards	**3,256**	**—**	5,312	—	**24,667**	**—**
Subtotal	**21,700**	**6,700**	21,162	4,703	**164,395**	**50,758**
Valuation allowance	**(2,642)**	**—**	(4,331)	—	**(20,015)**	**—**
Total	**¥19,058**	**¥6,700**	¥16,831	¥4,703	**$144,380**	**$50,758**

The total valuation allowance decreased by ¥1,689 million ($12,795 thousand), ¥715 million and ¥118 million in 1998, 1997 and 1996, respectively.

As of March 31, 1998, certain subsidiaries had operating loss carryforwards approximating ¥8,539 million ($64,689 thousand) available for reduction of future taxable income, most of which expire in various amounts through 2010.

The Company has not provided for Japanese income taxes on unremitted earnings of subsidiaries to the extent that they are believed to be indefinitely reinvested. The unremitted earnings of the foreign subsidiaries which are considered to be indefinitely reinvested and for which Japanese income taxes have not been provided were ¥35,315 million ($267,538 thousand) and ¥29,282 million for the years ended March 31, 1998 and 1997, respectively. It is not practicable to estimate the amount of unrecognized deferred Japanese income taxes on these unremitted earnings. Dividends received from domestic subsidiaries are expected to be substantially free of tax.

10. Foreign Operations

Net sales and total assets of foreign subsidiaries for the years ended March 31, 1998, 1997 and 1996 were as follows:

	Millions of yen			Thousands of U.S. dollars
	1998	1997	1996	**1998**
Net sales	**¥171,181**	¥151,992	¥122,716	**$1,296,826**
Total assets	**143,247**	132,714	107,476	**1,085,205**

11. Amounts per Share

The Company adopted SFAS No. 128, "Earnings per Share," in the year ended March 31, 1998. SFAS No. 128 establishes standards for computing and presenting net income per share and simplifies the standards for computing net income per share previously found in APB Opinion No. 15, "Earnings per Share." SFAS No. 128 replaces the presentation of primary net income per share with a presentation of basic net income per share. SFAS No. 128 also requires dual presentation of basic and diluted net income per share on the face of the statements of income for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic and diluted net income per share computation.

All prior years' net income per share data presented were restated to conform with the provisions of SFAS No. 128.

Basic net income per share has been computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during each year. Diluted net income per share reflects the potential dilution of all convertible bonds and has been computed on the basis that all convertible bonds were converted at the beginning of the year.

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

	Millions of yen			Thousands of U.S. dollars
	1998	1997	1996	**1998**
Net income	**¥18,300**	¥15,739	¥14,587	**$138,636**
Effect of dilutive securities:				
Convertible bonds, due 2004	**292**	275	248	**2,212**
Diluted net income	**¥18,592**	¥16,014	¥14,835	**$140,848**

	Number of shares		
	1998	1997	1996
Average common shares outstanding	**262,107,214**	262,107,214	262,107,214
Dilutive effect of:			
Convertible bonds, due 2004	**10,028,661**	10,028,661	10,028,661
Diluted common shares outstanding	**271,135,875**	272,135,875	272,135,875

Cash dividends per share are the amounts applicable to the respective year, including dividends to be paid after the end of the year.

12. Supplemental Information for Cash Flows

Supplemental cash flow information for the years ended March 31, 1998, 1997 and 1996 was as follows:

	Millions of yen			Thousands of U.S. dollars
	1998	1997	1996	**1998**
Interest paid	**¥ 2,347**	¥ 3,718	¥ 5,256	**$ 17,780**
Income taxes paid	**25,804**	18,151	16,499	**195,485**
Noncash investing and financing activities:				
Liabilities assumed in connection with capital expenditures	**4,547**	5,602	4,269	**34,447**
Exchange of investment securities:				
Investment securities surrendered	**—**	(1,989)	—	**—**
Investment securities received	**—**	3,197	—	**—**
Conversion of convertible bonds into common stock	**—**	—	10	**—**

13. Financial Instruments and Risk Management

Financial Instruments

The following table presents the carrying amounts and estimated fair values as of March 31, 1998 and 1997 of the Companies' financial instruments, both on and off the balance sheets.

	Millions of yen				Thousands of U.S. dollars	
	1998		1997		**1998**	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Nonderivatives:						
Short-term investments	**¥ 4,767**	**¥ 6,142**	¥25,970	¥29,035	**$ 36,114**	**$ 46,531**
Investment securities for which it is practicable to estimate fair value	**39,472**	**51,563**	39,208	56,720	**299,030**	**390,628**
Long-term debt, including current portion	**(41,966)**	**(42,170)**	(59,845)	(59,885)	**(317,924)**	**(319,470)**
Derivatives:						
Included in other current assets (other current liabilities):						
Options purchased	**288**	**208**	—	10	**2,182**	**1,576**
Forward exchange contracts	**(267)**	**(307)**	(188)	(186)	**(2,023)**	**(2,326)**
Interest rate swaps	**—**	**(59)**	—	(137)	**—**	**(447)**

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

Nonderivatives

(1) Cash and cash equivalents, notes and accounts receivable, bank loans and notes and accounts payable:

The carrying amounts approximate fair values.

(2) Short-term investments and investment securities:

The fair values are estimated based on quoted market prices or dealer quotes for marketable securities or similar instruments. Certain equity securities included in investments have no public market value; as it is not practicable to estimate their fair values, they have been excluded from the preceding table.

(3) Long-term debt:

For convertible bonds, the fair values are estimated based on quoted market prices. For other issues, except capital lease obligations, the fair values are estimated using the present value of discounted future cash flow analysis, based on the Companies' current incremental issuing rates for similar types of arrangements.

Derivatives

The fair value of derivatives generally reflects the estimated amounts that the Companies would receive or pay to terminate the contracts at the reporting date, thereby taking into account the current unrealized gains or losses of open contracts. Dealer quotes are available for most of the Companies' derivatives; otherwise, pricing or valuation models are applied to current market information to estimate fair value. The Companies do not use derivatives for trading purposes.

(1) Interest rate swap contracts:

The Companies enter into interest rate swap agreements to manage exposure to fluctuations in interest rates. These agreements involve the exchange of interest obligations on fixed and floating interest rate debt without exchange of the underlying principal amounts. The agreements generally mature at the time the related debt matures. The differential paid or received on interest rate swap agreements is recognized as an adjustment to interest expenses. Notional amounts are used to express the volume of interest rate swap agreements. The notional amounts do not represent cash flows and are not subject to risk of loss. In the unlikely event that the counterparty fails to meet the terms of an interest rate swap agreement, the Companies' exposure is limited to the interest rate differential. Management considers the exposure to credit risk to be minimal since the counterparties are major financial institutions.

At March 31, 1998 and 1997, the notional amounts on which the Companies had interest rate swap agreements outstanding aggregated ¥6,000 million ($45,455 thousand) and ¥12,500 million, respectively. The estimated fair values of interest rate swap contracts are based on the present values of discounted future cash flow analysis.

(2) Foreign exchange forward contracts and foreign currency options:

The Companies enter into foreign exchange forward contracts and engage in the purchase and writing of foreign currency option contracts to hedge foreign currency transactions (primarily the U.S. dollar, the deutsche mark and other European currencies) on a continuing basis for periods consistent with their committed exposure. Some of the contracts involve the exchange of two foreign currencies, according to local needs in foreign subsidiaries. The terms of the currency derivatives are rarely more than 10 months. The credit exposure of foreign exchange contracts and currency purchase options are represented by the positive fair value of the contracts at the reporting date. Management considers the exposure to credit risk to be minimal since the counterparties are major financial institutions.

The notional amounts of contracts to exchange foreign currency (forward contracts) and currency options purchased and written outstanding at March 31, 1998 and 1997 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1998	1997	**1998**
Related to receivables and future sales:			
Forward contracts	**¥24,867**	¥20,221	**$188,386**
Options purchased and written	**8,885**	2,690	**67,311**

The notional amounts do not represent the amounts exchanged by the parties to derivatives and are not a measure of the Companies' exposure through their use of derivatives. The amounts exchanged are determined by reference to the notional amounts and the other terms of the derivatives.

The Companies hedge certain exposures to fluctuations in foreign currency exchange rates that occur prior to conversion of foreign currency denominated monetary assets and liabilities into the functional currency. Prior to the conversion of the functional currency, these assets and liabilities are translated at the spot rates in effect on the balance sheet date. The effects of changes in spot rates are reported in earnings and included in Foreign exchange loss, net, in the consolidated statements of income. The Company hedges its exposure to changes in foreign exchange with forward contracts. Because monetary assets and liabilities are marked to spot and recorded in earnings, forward contracts designated as hedges of the monetary assets and liabilities are also marked to spot with the resulting gains and losses similarly recognized in earnings. Gains and losses on forward contracts are included in

Foreign exchange loss, net, in the consolidated statements of income and offset losses and gains on the net monetary assets and liabilities hedged.

The Companies hedge future sales denominated in foreign currencies with purchased and written currency options to reduce the effective cost of the purchased options. The premiums paid for currency options purchased and premiums received for currency options written are included in other assets and other liabilities, respectively, in the statements of cash flows and are amortized to Foreign exchange loss, net, in the consolidated statements of income over the terms of the agreements. Gains or losses on forward exchange contracts and currency options purchased and written that do not qualify for deferral for accounting purposes are recognized in income on a current basis and recorded in Foreign exchange loss, net, in the consolidated statements of income.

Concentration of Credit Risk

Financial instruments which potentially subject the Companies to concentrations of credit risk consist principally of short-term cash investments and trade receivables. The Companies place their short-term cash investments with high-credit-quality financial institutions. Concentrations of credit risk with respect to trade receivables, as approximately 75% of total sales are concentrated in Japan, are limited due to the large number of well-established customers and their dispersion across many industries. Bad debts have been minimal. The Company normally requires customers to deposit with it funds to serve as security for ongoing credit sales.

Guarantees

Contingent liabilities at March 31, 1998 with respect to loans guaranteed were ¥2,921 million ($22,129 thousand), of which ¥1,400 million ($10,606 thousand) are jointly and severally guaranteed with other unrelated companies.

14. Subsequent Events

At the meeting of the Board of Directors (the "Board") on May 18, 1998, the Board declared a plan to purchase the Company's shares for the purpose of retirement of the shares, subject to approval at the general meeting of shareholders. The execution of the plan is at the Company's discretion with a maximum limit of ¥10,000 million ($75,758 thousand), or 5,000,000 shares, for the period up to the date of the June 1999 general meeting of shareholders.

In addition, the Board decided to propose an amendment to the Company's Articles of Incorporation for approval at the general meeting of shareholders to allow the Board to authorize the purchase of up to an additional 25,000,000 of the Company's shares for the purpose of retirement of the shares. Under the Code, all amounts paid to purchase the Company's own shares for retirement are charged to retained earnings and thus are not available for future distribution to shareholders.

The Board also resolved to introduce a stock purchase option plan for the Company's directors, subject to approval at the general meeting of shareholders. All directors would be granted stock purchase options with certain restrictions. The Company would purchase its own shares with a maximum limit of ¥500 million ($3,788 thousand), or 158,000 shares, in order to sell them to directors upon exercise of the options.

Deloitte Touche Tohmatsu

To the Board of Directors and Shareholders of OMRON Corporation

We have audited the accompanying consolidated balance sheets of OMRON Corporation and subsidiaries as of March 31, 1998 and 1997, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 1998, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

OMRON Corporation and subsidiaries have not adopted the recognition and measurement principles prescribed in Statement of Financial Accounting Standards ("SFAS") No. 115 in accounting for certain investments in debt and equity securities. The effects on the consolidated financial statements of not adopting SFAS No. 115 are summarized in Note 4 to the consolidated financial statements.

Certain information required by SFAS No. 14 has not been presented in the accompanying consolidated financial statements. In our opinion, presentation of various segment information regarding operations is required for a complete presentation of the Company's consolidated financial statements in accordance with accounting principles generally accepted in the United States.

In our opinion, except for the effects of the departure from SFAS No. 115 and the omission of segment information as discussed in the preceding paragraphs, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of OMRON Corporation and subsidiaries as of March 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1998 in conformity with accounting principles generally accepted in the United States.

Our audits also comprehended the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2 to the consolidated financial statements. Such United States dollar amounts are presented solely for convenience.

Osaka, Japan
May 18, 1998

Deloitte Touche Tohmatsu

Deloitte Touche
Tohmatsu
International

A S I A - P A C I F I C

REGIONAL HEADQUARTERS

OMRON Asia Pacific Pte. Ltd.
83, Clemenceau Avenue, #11-01, UE Square,
Singapore 239920, Singapore
Phone: (65) 835-3011
Fax: (65) 835-2711

MARKETING AND/OR MANUFACTURING OF CONTROL COMPONENTS AND SYSTEMS

OMRON Asia Pacific Pte. Ltd.
83, Clemenceau Avenue, #11-01, UE Square,
Singapore 239920, Singapore
Phone: (65) 835-3011
Fax: (65) 835-2711

—Indonesia Representative Office
W; isma Danamon Aetna Life Tower, Suite 1602,
JL Jend. Sudirman Kav. 45-46,
Jakarta 12930, Indonesia
Phone: (21) 577-0838
Fax: (21) 577-0840

—Vietnam Representative Office
6F, Vinaconex Bldg., 2 Lang Ha,
Hanoi, Socialist Republic of Vietnam
Phone: (4) 8313-121
Fax: (4) 8313-122

—Philippines Representative Office
2F, Kings Court II Bldg.,
2129 Pasong Tamo St. 1231,
Makati City, Metro Manila, The Philippines
Phone: (63) 2811-2831
Fax: (63) 2811-2582

—India Representative Office
59 Hemkunt, Opp. Nehru Place,
New Delhi 110 048, India
Phone: (11) 623-8431
Fax: (11) 623-8434

OMRON Electronics Sales and Service (M) Sdn. Bhd.
10F, Block B Menara Pkns-Pj No. 17,
Jalan Yong Shook Lin, 46050 Petaling Jaya,
Selangor, Darul Ehsan, Malaysia
Phone: (3) 754-7323
Fax: (3) 754-6618

OMRON Electronics Pty. Ltd.
71 Epping Road, North Ryde,
NSW 2113, Australia
Phone: (2) 9878-6377
Fax: (2) 9878-6981

OMRON Electronics Ltd.
65 Boston Road, Mt. Eden,
Auckland, New Zealand
Phone: (9) 358-4400
Fax: (9) 358-4411

OMRON Korea Co., Ltd.
3F, New Seoul Bldg., #618-3 Shin Sa-dong
Kang Nam-gu, Seoul, South Korea
Phone: (2) 549-2766
Fax: (2) 517-9033

OMRON Electronics Co., Ltd.
20F, Rasa Tower, 555 Phaholyothin Road,
Ladyao, Chatuchak,
Bangkok 10900, Thailand
Phone: (2) 937-0500
Fax: (2) 937-0501

OMRON Malaysia Sdn. Bhd.
Lot 15, Jalan SS 8/4 Sungei Way,
Free Trade Zone, 47300 Petaling Jaya,
Selangor, Darul Ehsan, Malaysia
Phone: (3) 776-1411
Fax: (3) 777-4507

PT OMRON Manufacturing of Indonesia
Ejip Industrial Park Plot 5C, Lemahabang,
Bekasi 17550, West Java, Indonesia
Phone: (21) 8970111
Fax: (21) 8970120

MARKETING AND MANUFACTURING OF AUTOMOTIVE COMPONENTS

OMRON Automotive Electronics Korea Co., Ltd.
272-2 Kyerukri, Miyangmyon, Ansong-gun,
Kyonggi-Do, 456-840, South Korea
Phone: (334) 677-4262
Fax: (334) 677-4268

MARKETING AND MANUFACTURING OF SOCIAL BUSINESS SYSTEMS

OMRON Business Systems Singapore (Pte.) Ltd.
83, Clemenceau Avenue, #11-02, UE Square,
Singapore 239920, Singapore
Phone: (65) 736-3900
Fax: (65) 736-2736

OMRON Business Systems Malaysia Sdn. Bhd.
No. 9, Jalan 16/11, Off Jalan Damansara,
46350 Petaling Jaya, Selangor, Malaysia
Phone: (3) 460-9119
Fax: (3) 460-9559

OMRON Mechatronics of the Philippines Corporation
Subic Techno Center Bldg.,
Along Argonaut Highway, Boton Area,
Subic Bay Freeport Zone, 2222, The Philippines
Phone: (63) 47-252-1490
Fax: (63) 47-252-1491

MARKETING OF HEALTHCARE EQUIPMENT

OMRON Healthcare Singapore PTE Ltd.
83, Clemenceau Avenue, #11-02, UE Square,
Singapore 239920, Singapore
Phone: (65) 736-2345
Fax: (65) 736-2500

C H I N E S E E C O N O M I C A R E A

REGIONAL HEADQUARTERS

OMRON (China) Group Co., Ltd.
601-9, Tower 2,
The Gateway No. 25, Canton Road,
Tsimshatsui, Kowloon, Hong Kong, S.A.R., China
Phone: 2375-3827
Fax: 2375-1475

OMRON (China) Co., Ltd.
21F, Beijing East Ocean Centre,
No. 24A Jian Guo Men Wai Da Jie,
Chao Yang District,
Beijing 100022, China
Phone: (10) 6515-5788
Fax: (10) 6515-5799

MARKETING AND/OR MANUFACTURING OF CONTROL COMPONENTS AND SYSTEMS

OMRON Electronics Asia Ltd.
601-9, Tower 2,
The Gateway No. 25, Canton Road,
Tsimshatsui, Kowloon, Hong Kong, S.A.R., China
Phone: 2375-3827
Fax: 2375-1475

OMRON Taiwan Electronics Inc.
6F, Home Young Bldg., No. 363,
Fu-Shing North Road, Taipei, Taiwan, R.O.C.
Phone: (2) 715-3331
Fax: (2) 712-6712

Shanghai OMRON Automation System Co., Ltd.
500 Omron Road, Jinqiao Export
Processing District, Pudong New Area,
Shanghai 201206, China
Phone: (21) 5854-0044
Fax: (21) 5854-2658

Shanghai OMRON Control Components Co., Ltd.
388 Omron Road, Jinqiao Export
Processing District, Pudong New Area,
Shanghai 201026, China
Phone: (21) 5854-0012
Fax: (21) 5854-8413

OMRON (Shanghai) Co., Ltd.
Block No. 77, Jinqiao Export
Processing Area, Pudong,
Shanghai 201206, China
Phone: (21) 5854-0055
Fax: (21) 5854-0614

OTE ENGINEERING INC.
No. 9, Lane 201, Sec. 2, Nankan Road,
Lu-Chu Village, Tao-Yuan, Taiwan, R.O.C.
Phone: (3) 352-4442
Fax: (3) 352-4239

YAMRON Co., Ltd.
3F, No. 86 Chien-Kuo North Road,
Sec. 2 Taipei, Taiwan, R.O.C.
Phone: (2) 505-5288
Fax: (2) 505-5675

MARKETING OF SOCIAL BUSINESS SYSTEMS

Beijing GOT Business Computer System Co., Ltd.

8F, Yujing Building, Xueqing Road,
Haidian District, Beijing 10083, China
Phone: (10) 6231-1985
Fax: (10) 6231-2177

MANUFACTURING OF HEALTHCARE EQUIPMENT

OMRON (Dalian) Co., Ltd.

No. 3 Song Jiang Road,
Dalian Economic and Technical Development Zone,
Dalian 116600, China
Phone: (411) 761-4222
Fax: (411) 761-6602

RESEARCH AND DEVELOPMENT

OMRON Shanghai Computer Corporation

14F, Meike Building, 1 Tianyaoqiao Road,
Shanghai 200030, China
Phone: (21) 6468-9626
Fax: (21) 6468-9489

LOGISTICS

OMRON Trading (Shanghai) Co., Ltd.

Room 1212, Rui-jin Building,
205 Mao Ming Road (South),
Shanghai 200020, China
Phone: (21) 6472-8812
Fax: (21) 6472-6959

THE AMERICAS

North America

REGIONAL HEADQUARTERS

OMRON Management Center of America, Inc.

1300 Basswood, Suite 100,
Schaumburg, IL 60173, U.S.A.
Phone: (847) 884-0322
Fax: (847) 884-1866

MARKETING AND/OR MANUFACTURING OF CONTROL COMPONENTS AND SYSTEMS

OMRON Electronics Inc.

1 East Commerce Drive,
Schaumburg, IL 60173, U.S.A.
Phone: (847) 843-7900
Fax: (847) 843-7787

OMRON Canada Inc.

885 Milner Avenue,
Scarborough, Ontario, M1B 5V8 Canada
Phone: (416) 286-6465
Fax: (416) 286-6648

OMRON Manufacturing of America, Inc.

3705 Ohio Avenue,
St. Charles, IL 60174, U.S.A.
Phone: (630) 513-0400
Fax: (630) 513-1027

MARKETING AND/OR MANUFACTURING OF AUTOMOTIVE COMPONENTS

OMRON Automotive Electronics Inc.

(MARKETING)

30600 Northwestern Hwy., Suite 250,
Farmington Hills, MI 48334, U.S.A.
Phone: (248) 539-4700
Fax: (248) 539-4710

(MANUFACTURING)

3709 Ohio Avenue,
St. Charles, IL 60174, U.S.A.
Phone: (630) 443-6800
Fax: (630) 443-6898

OMRON Dualtec Automotive Electronics, Inc.

2270 Bristol Circle, Oakville,
Ontario, L6H 5S3 Canada
Phone: (905) 829-0136
Fax: (905) 829-0432

MARKETING OF OFFICE AUTOMATION EQUIPMENT

OMRON Office Automation Products, Inc.

3945 Freedom Circle, Suite 700,
Santa Clara, CA 95054, U.S.A.
Phone: (408) 727-1444
Fax: (408) 970-1149

MARKETING OF SOCIAL BUSINESS SYSTEMS

OMRON Systems, Inc.

55 East Commerce Drive,
Schaumburg, IL 60173, U.S.A.
Phone: (847) 843-0515
Fax: (847) 843-7686

MARKETING OF HEALTHCARE EQUIPMENT

OMRON Healthcare, Inc.

300 Lakeview Parkway,
Vernon Hills, IL 60061, U.S.A.
Phone: (847) 680-6200
Fax: (847) 680-6269

RESEARCH AND DEVELOPMENT

OMRON Advanced Systems, Inc.

3945 Freedom Circle, Suite 700,
Santa Clara, CA 95054, U.S.A.
Phone: (408) 727-6644
Fax: (408) 727-5540

OMRON Management Center of America, Inc. —Information Technology Center

160 West Santa Clara Street, Suite 800,
San Jose, CA 95113, U.S.A.
Phone: (408) 271-1720
Fax: (408) 271-1721

South America

MARKETING AND MANUFACTURING OF CONTROL COMPONENTS AND SYSTEMS

OMRON Eletrônica do Brasil Ltda.

Av. Santa Catarina, 935/939 04378-300,
São Paulo, Brazil
Phone: (11) 5564-6488
Fax: (11) 5564-7751

OMRON Componentes Eletro Eletrônicos da Amazônia Ltda.

Av. Constantino Nery, 2800 Chapada,
69050-002-Manaus, Amazonas, Brazil
Phone: (92) 236-5850
Fax: (92) 236-1356

MARKETING OF RETAIL SYSTEMS EQUIPMENT

OMRON Business Sistemas Eletrônicos da América Latina, Ltda.

Av. Paulista 949 12-Ander, conj. 122,
CEP 01311-100, São Paulo, Brazil
Phone: (11) 251-0073
Fax: (11) 251-1053

EUROPE

REGIONAL HEADQUARTERS

OMRON Europe B.V.
Wegalaan 67, N1-2132 JD Hoofddorp,
The Netherlands
Phone: (23) 5681-300
Fax: (23) 5681-391

MARKETING AND/OR MANUFACTURING OF CONTROL COMPONENTS AND SYSTEMS

OMRON Europe B.V.
Wegalaan 67, N1-2132 JD Hoofddorp,
The Netherlands
Phone: (23) 5681-300
Fax: (23) 5681-391

OMRON Electronics Ges.m.b.H.
Altmannsdorfer Strasse 142,
P.O. Box 323, A-1231,
Vienna, Austria
Phone: (1) 801900
Fax: (1) 8044846

OMRON Electronics N.V./S.A.
Stationsstraat 24,
B-1702 Groot-Bijgaarden, Belgium
Phone: (2) 4662480
Fax: (2) 4660687

OMRON Electronics A.G.
Sennweldstrasse 44,
CH-6312 Steinhausen, Switzerland
Phone: (41) 748-1313
Fax: (41) 748-1345

OMRON Electronics SPOL S.R.O.
Srobarova 6, Prague 10, 101 00,
Czech Republic
Phone: (2) 6731-1254
Fax: (2) 7173-5613

OMRON Electronics G.m.b.H.
P.O. Box 10 10 20,
40710 Hilden, Germany
Phone: (2103) 203-3
Fax: (2103) 203-400

OMRON Electronics A/S
Odinsvej 15, 2600 Glostrup, Denmark
Phone: (43) 44-00-11
Fax: (43) 44-02-11

OMRON Electronics S.A.
c/Arturo Soria 95, E-28027 Madrid, Spain
Phone: (1) 377-7900
Fax: (1) 377-7956

OMRON Electronics S.a.r.l.
BP33, 19, Rue du Bois-Galon 94121
Fontenay-Sous-Bois, Cedex, France
Phone: (1) 4974-7000
Fax: (1) 4876-0930

OMRON Electronics S.r.l.
Viale Certosa 49, 20149 Milano, Italy
Phone: (2) 32-68-1
Fax: (2) 32-51-54

OMRON Electronics Sp. z.o.o.
Ul Fortaczna 6, PL-01540 Warsaw, Poland
Phone: (22) 6399810
Fax: (22) 6399813

OMRON Electronics, kft
1046 Budapest, Kiss Ern u.3, Hungary
Phone: (1) 399-3050
Fax: (1) 399-3060

OMRON Electronics Norway A/S
Ole Deviks Vei 4, P.O. Box 109, Bryn,
N-0611 Oslo, Norway
Phone: (22) 657500
Fax: (22) 658300

OMRON Electronics B.V.
Wegalaan 61,
Postbus 5822132 JD 2130 An Hoofddorp,
The Netherlands
Phone: (23) 5681-100
Fax: (23) 5681-188

OMRON Electronics Lda.
Edificio OMRON, Rua de Sao Tomé,
Lote 131, 2685 Prior Velho, Portugal
Phone: (1) 942-9400
Fax: (1) 941-7899

OMRON Electronics A.B.
Norgegatan 1, P.O. Box 1275,
S-164 28 Kista, Sweden
Phone: (8) 632-3500
Fax: (8) 632-3510

OMRON Electronics oy
Metsänpojankuja 5,
Fin 02130 Espoo, Finland
Phone: (9) 5495-800
Fax: (9) 5495-8150

OMRON Electronics Ltd.
1 Apsley Way, Staples Corner,
London NW2 7HF, U.K.
Phone: (181) 450-4646
Fax: (181) 450-8087

OMRON Electronics Ltd.
Acibadem Caddesi, Palmiye Sokak 12,
TR-81020 Kadikoy, Istanbul, Turkey
Phone: (216) 326-2980
Fax: (216) 326-2979

OMRON Manufacturing of the Netherlands B.V.
Zilvernberg 2, 5234 GM Den Bosch,
The Netherlands
Phone: (73) 6481811
Fax: (73) 6420195

OMRON Electronics Manufacturing of Germany G.m.b.H.
Robert-Bosch Strasse 1, P.O. Box 1165,
D-71154 Nufringen, Germany
Phone: (7032) 8110
Fax: (7032) 81199

MARKETING AND MANUFACTURING OF OFFICE AUTOMATION EQUIPMENT

OMRON Telford Ltd.
Hortonwood 2, Telford,
Shropshire TF1 4GW, U.K.
Phone: (1952) 279444
Fax: (1952) 279456

MARKETING OF SOCIAL BUSINESS SYSTEMS

OMRON Systems Europe G.m.b.H.
Süder Strasse 16,
20097 Hamburg, Germany
Phone: (40) 237050
Fax: (40) 23705120

OMRON Systems U.K. Ltd.
Victory House, Cox Lane,
Chessington, Surrey KT9 1SG, U.K.
Phone: (181) 974-2166
Fax: (181) 974-1864

MARKETING AND MANUFACTURING OF HEALTHCARE EQUIPMENT

OMRON Healthcare Europe B.V.
Wegalaan 57, 2132,
JD Hoofddorp, The Netherlands
Phone: (23) 5681-200
Fax: (23) 5681-201

OMRON Medizintechnik Handelsgesellschaft G.m.b.H.
Windeck Strasse, 81,
68613 Mannheim, Germany
Phone: (621)-83348-8
Fax: (621)-83348-20

CORPORATE DATA

HEAD OFFICE
Karasuma Nanajo, Shimogyo-ku,
Kyoto 600-8530, Japan
Phone: (075) 344-7000
Fax: (075) 344-7001
Telex: 542 2889 OMRON KJ

TOKYO HEAD OFFICE
3-4-10, Toranomon, Minato-ku,
Tokyo 105-0001, Japan
Phone: (03) 3436-7227
Fax: (03) 3436-7165
Telex: 3242 4086, 3242 4087 OMRON TJ

OSAKA OFFICE
Osaka Center Bldg.,
4-1-3, Kyutaro-cho, Chuo-ku,
Osaka 541-0056, Japan
Phone: (06) 282-2511
Fax: (06) 282-2789

KYOTO R&D LABORATORY
20, Igadera, Shimo-kaiinji,
Nagaokakyo-shi,
Kyoto 617-8510, Japan
Phone: (075) 951-5111
Fax: (075) 957-2871

DATE OF ESTABLISHMENT
May 10, 1933

INDUSTRIAL PROPERTY RIGHTS
Number of patents:
2,546 (Japan)
1,437 (Overseas)
Number of patents pending:
7,714 (Japan)
596 (Overseas)

NUMBER OF EMPLOYEES
24,048

PAID-IN CAPITAL
¥64,079 million

COMMON STOCK
Authorized: 500,000,000 shares
Issued: 262,107,214 shares
Number of shareholders: 25,961

STOCK LISTINGS
Tokyo Stock Exchange
Osaka Securities Exchange
Kyoto Stock Exchange
Nagoya Stock Exchange
Frankfurt Stock Exchange

TRANSFER AGENT
The Mitsubishi Trust and Banking Corporation
1-4-5, Marunouchi, Chiyoda-ku,
Tokyo 100-8388, Japan

(As of March 31, 1998)

OMRON Corporation

Karasuma Nanajo, Shimogyo-ku, Kyoto 600-8530, Japan
Phone: (075) 344-7000 Fax: (075) 344-7001
Home page: http://www.omron.co.jp

This annual report is printed on paper made
using a mixture of bagasse and recycled paper.

Printed in Japan