

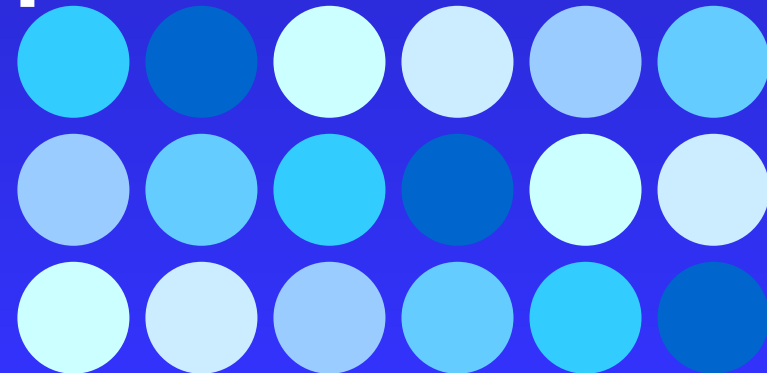


# OMRON Corporation

**Results for the Fiscal Year  
Ended March 31, 2004**

**Business Plan for the Year Ending March  
31, 2005 and Thereafter**

**May 7, 2004**



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## Notes:

- 1. The financial statements are prepared in accordance with U.S. GAAP.**
- 2. Includes 135 consolidated subsidiaries and 10 affiliated companies accounted for by the equity method.**
- 3. Projections of results and future developments are based on information available to the Company at the present time, as well as certain assumptions judged by the Company to be reasonable. Various factors could cause actual results to differ materially from these projections. Major factors influencing Omron's actual results include, but are not limited to, (i) the economic conditions surrounding the Company's businesses in Japan and overseas, (ii) demand trends for the Company's products and services, (iii) the ability of the Omron Group to develop new technologies and new products, (iv) major changes in the fund-raising environment, (v) tie-ups or cooperative relationships with other companies, and (vi) movements in currency exchange rates and stock markets.**

# Business Domains

- IAB: Industrial Automation Business**  
Manufacture and sale of control components for factory automation, etc.
- ECB: Electronic Components Business**  
Manufacture and sale of electronics components for home appliances, mobile devices, etc.
- AEC: Automotive Electronic Components Business**  
Manufacture and sale of electronic components for automobiles
- SSB: Social Systems Business \***  
Equipment for financial institutions (ATMs, etc.), railway companies (automated passenger gates, etc.) and others  
\* SSB consists of the Social Systems Solutions and Service Business Company and the Financial Systems Business Company (FSB).
- HCB: Healthcare Business**  
Manufacture and sale of medical devices (digital blood pressure monitors, etc.)
- Others: Business Development Group/Others**  
Exploration of new business, businesses not included in above

# **1. Results for the Fiscal Year Ended March 31, 2004**

**Yoshinori Suzuki  
Executive Officer  
Senior General Manager of  
Executive Planning Headquarters**

# Consolidated Net Sales and Operating Income

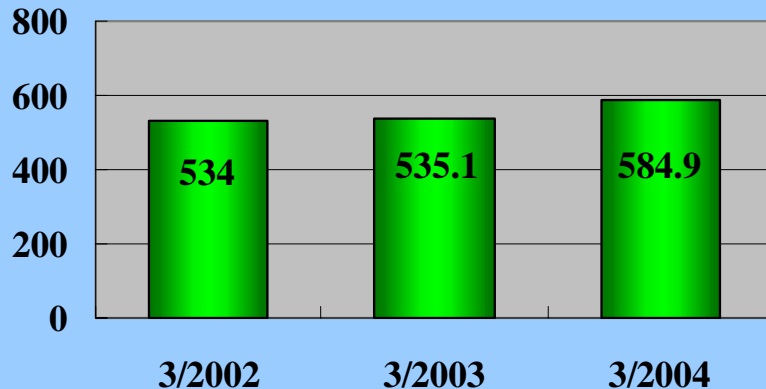
(Billions of yen)

	Year Ended March 31, 2002	Year Ended March 31, 2003	Year Ended March 31, 2004	
Net sales	534.0	535.1	584.9	+ 9%
Gross profit	180.5	207.7	240.1	
Operating income	4.2	32.3	51.4	Record high
Net income (loss)	(15.8)	0.5	26.8	Record high

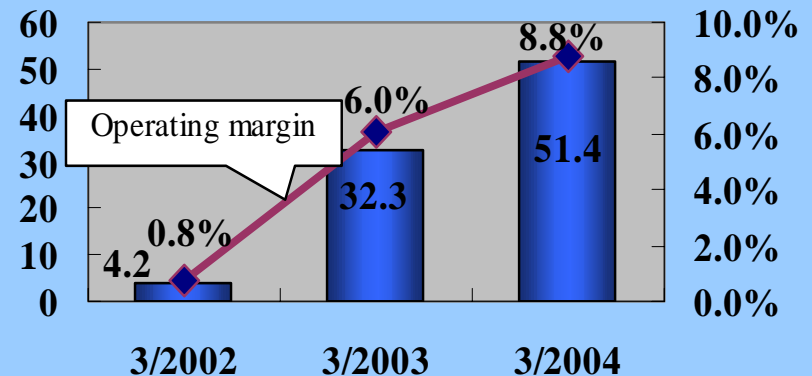
Exchange Rate	(Yen)		
	3/2002	3/2003	3/2004
U.S. Dollar	125.7	122.1	113.4
Euro	110.9	121.1	132.4

**Achieved 10.2% ROE**

Net Sales



Operating Income

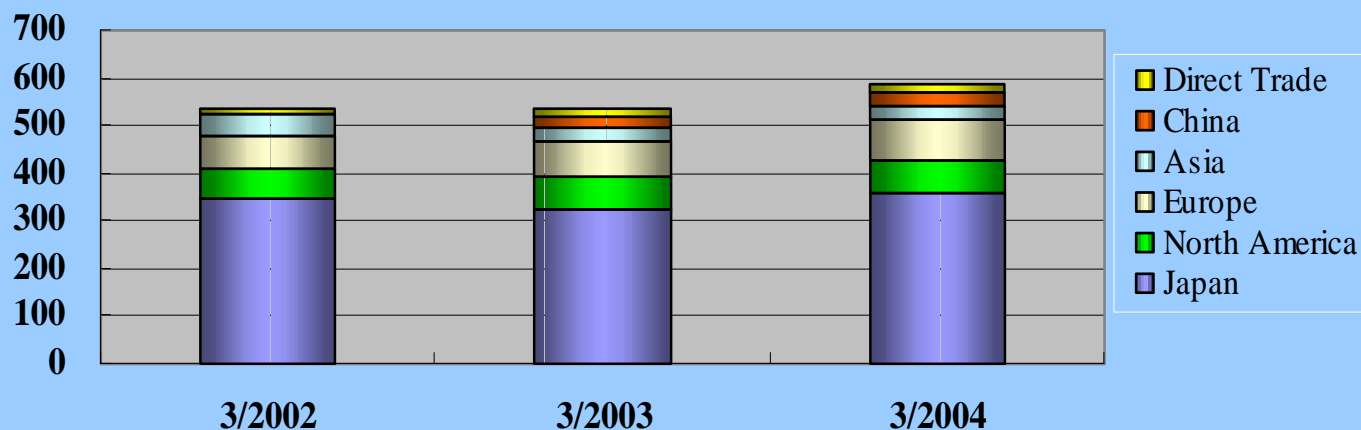


# Breakdown of Sales by Region

(Billions of yen)

	Year Ended March 31, 2002	Year Ended March 31, 2003	Year Ended March 31, 2004	
<b>Japan</b>	<b>344.9</b>	<b>325.4</b>	<b>361.1</b>	+ 11%
<b>Overseas</b>	<b>166.6</b>	<b>209.7</b>	<b>223.8</b>	
<b>North America</b>	<b>65.6</b>	<b>67.9</b>	<b>64.6</b>	
<b>Europe</b>	<b>65.3</b>	<b>73.5</b>	<b>84.3</b>	
<b>Asia</b>	<b>22.7</b>	<b>26.8</b>	<b>28.6</b>	
<b>China</b>	<b>22.5</b>	<b>26.4</b>	<b>31.0</b>	+ 18%
<b>Direct Trade</b>	<b>13.0</b>	<b>15.2</b>	<b>15.3</b>	
<b>Total</b>	<b>511.5</b>	<b>535.1</b>	<b>584.9</b>	

Sales by Region

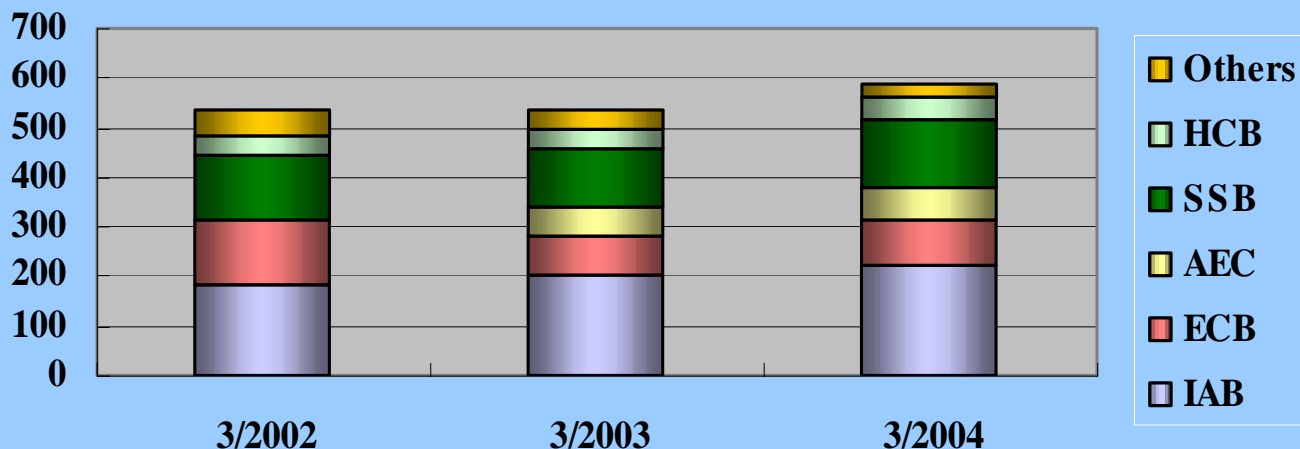


# Breakdown of Sales by Segment

(Billions of yen)

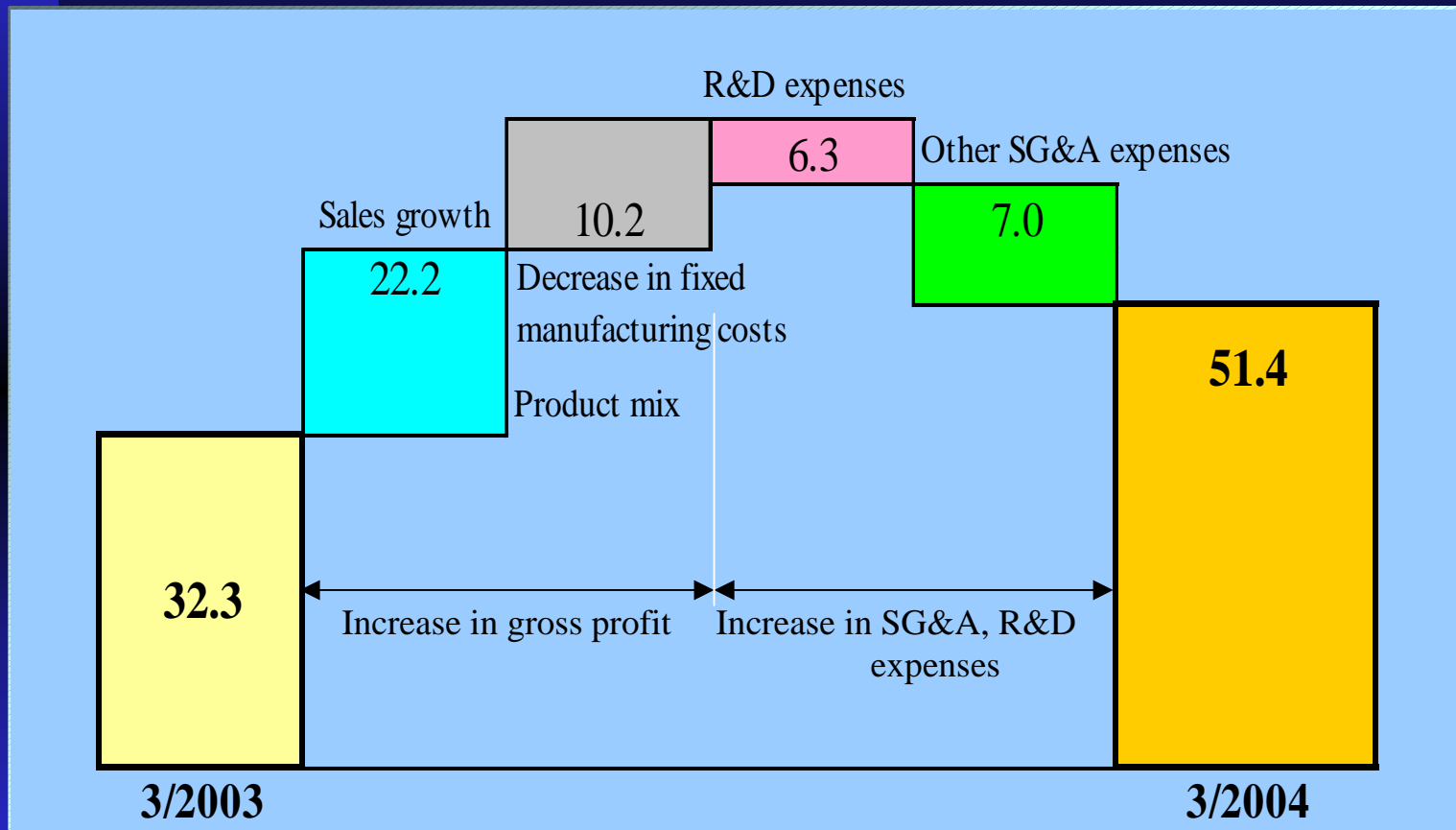
	Year Ended March 31, 2002	Year Ended March 31, 2003	Year Ended March 31, 2004	
<b>IAB</b>	184.2	202.5	229.6	+ 13%
<b>ECB</b>	81.0	79.4	89.0	+ 12%
<b>AEC</b>	50.8	59.5	58.8	
<b>SSB</b>	128.1	116.7	136.0	+ 17%
<b>HCB</b>	40.6	42.3	47.0	+ 11%
<b>Others</b>	49.2	34.7	24.5	
<b>Total</b>	<b>533.9</b>	<b>535.1</b>	<b>584.9</b>	

Sales by Segment



# Breakdown of Difference in Consolidated Operating Income

(Billions of yen)





# Segment Information - IAB

## IAB : Industrial Automation Business

Manufacture and sale of control components for factory automation, etc.



(Billions of yen)

IAB	Year Ended March 31, 2002	Year Ended March 31, 2003	Year Ended March 31, 2004
<b>Domestic Sales</b>	<b>95.5</b>	<b>102.2</b>	<b>117.1</b>
<b>Overseas Sales</b>	<b>88.7</b>	<b>100.3</b>	<b>112.5</b>
<b>North America</b>	<b>18.5</b>	<b>19.9</b>	<b>19.6</b>
<b>Europe</b>	<b>47.9</b>	<b>53.0</b>	<b>60.7</b>
<b>Asia</b>	<b>10.2</b>	<b>12.1</b>	<b>13.6</b>
<b>China</b>	<b>12.0</b>	<b>15.0</b>	<b>18.4</b>
<b>Direct Trade</b>	<b>0.2</b>	<b>0.3</b>	<b>0.3</b>
<b>Total</b>	<b>184.2</b>	<b>202.5</b>	<b>229.6</b>

+ 15%

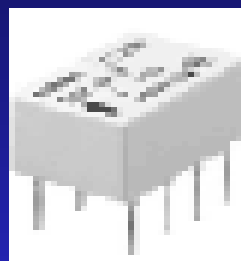
+ 12%

+ 23%

# Segment Information - ECB

## ECB : Electronic Components Business

Manufacture and sale of electronics components for home appliances, mobile devices, etc.



(Billions of yen)

ECB	Year Ended March 31, 2002	Year Ended March 31, 2003	Year Ended March 31, 2004	
<b>Domestic Sales</b>	65.7	43.1	47.4	+ 10%
<b>Overseas Sales</b>	66.2	36.3	41.6	+ 15%
<b>North America</b>	33.7	11.7	10.5	
<b>Europe</b>	11.1	9.3	10.4	
<b>Asia</b>	11.3	4.7	5.0	
<b>China</b>	7.7	7.5	9.1	+ 22%
<b>Direct Trade</b>	2.5	3.1	6.6	+ 122%
<b>Total</b>	131.9	79.4	89.0	

Note : Figures for the year ended March 31 , 2002 include AEC from the following page.

# Segment Information - AEC

**AEC : Automotive Electronic Components Business**

Manufacture and sale of electronic components for automobiles



(Billions of yen)

AEC	Year Ended March 31, 2002	Year Ended March 31, 2003	Year Ended March 31, 2004
Domestic Sales	/	23.6	24.9
Overseas Sales		35.9	34.0
North America		23.4	20.9 ← (11)%
Europe		3.7	4.0
Asia		8.6	8.8
China		0.0	0.0
Direct Trade		0.2	0.3
Total		59.5	58.8

Note : Figures for the year ended March 31 , 2002 are included in ECB on the previous page

# Segment Information - SSB

## SSB : Social Systems Business

Equipment for financial institutions (ATMs, etc.), railway companies (automated passenger gates, etc.) and others



(Billions of yen)

SSB	Year Ended March 31, 2002	Year Ended March 31, 2003	Year Ended March 31, 2004
<b>Domestic Sales</b>	<b>116.2</b>	<b>104.8</b>	<b>126.4</b>
<b>Overseas Sales</b>	<b>11.9</b>	<b>11.9</b>	<b>9.6</b>
<b>North America</b>	<b>0.7</b>	<b>0.3</b>	<b>0.2</b>
<b>Europe</b>	<b>0.0</b>	<b>0.0</b>	<b>0.9</b>
<b>Asia</b>	<b>0.3</b>	<b>0.1</b>	<b>0.0</b>
<b>China</b>	<b>0.8</b>	<b>0.3</b>	<b>0.4</b>
<b>Direct Trade</b>	<b>10.1</b>	<b>11.2</b>	<b>8.0</b>
<b>Total</b>	<b>128.1</b>	<b>116.7</b>	<b>136.0</b>

+ 21%

# Segment Information - HCB

## HCB : Healthcare Business

Manufacture and sale of medical devices (digital blood pressure monitors, etc.)



(Billions of yen)

HCB	Year Ended March 31, 2002	Year Ended March 31, 2003	Year Ended March 31, 2004
<b>Domestic Sales</b>	18.9	18.9	21.3
<b>Overseas Sales</b>	21.7	23.4	25.7
<b>North America</b>	12.6	12.7	13.3
<b>Europe</b>	6.4	7.5	8.3
<b>Asia</b>	1.1	1.2	1.2
<b>China</b>	1.6	2.0	2.7
<b>Direct Trade</b>	0.0	0.1	0.1
<b>Total</b>	40.6	42.3	47.0

+ 13%

+ 37%

# Consolidated Balance Sheets

(Billions of yen)

	As of March 31, 2002	As of March 31, 2003	As of March 31, 2004	
<b>Total Assets</b>	<b>549.4</b>	<b>567.4</b>	<b>592.3</b>	
<b>Cash and cash equivalents</b>	<b>70.8</b>	<b>79.9</b>	<b>95.1</b>	+ 19%
<b>Notes and accounts receivable         - trade</b>	<b>112.2</b>	<b>110.1</b>	<b>122.1</b>	
<b>Inventories</b>	<b>74.6</b>	<b>75.4</b>	<b>70.3</b>	
<b>Other current assets</b>	<b>20.0</b>	<b>29.6</b>	<b>28.8</b>	
<b>Other assets</b>	<b>271.9</b>	<b>272.3</b>	<b>276.0</b>	
<b>Total Liabilities</b>	<b>251.1</b>	<b>315.8</b>	<b>317.6</b>	
<b>Bank Loan / Current Portion of L/T debt</b>	<b>15.9</b>	<b>30.9</b>	<b>45.5</b>	+ 47%
<b>Long-term debt</b>	<b>42.8</b>	<b>40.3</b>	<b>11.2</b>	- (72)%
<b>Other liabilities</b>	<b>192.4</b>	<b>244.5</b>	<b>260.9</b>	
<b>Shareholders' Equity</b>	<b>298.2</b>	<b>251.6</b>	<b>274.7</b>	

# Consolidated Statements of Cash Flows

(Billions of yen)

	Year Ended March 31, 2002	Year Ended March 31, 2003	Year Ended March 31, 2004	
Net cash provided by operating activities	33.7	41.9	80.7	+ 38.8
Net cash used in investing activities	40.1	30.6	34.5	
Net cash used in financing activities	12.1	2.0	28.1	+ 26.1
Effect of exchange rate changes on cash and cash equivalents	3.6	(0.1)	(2.9)	
Net increase (decrease) in cash and cash equivalents	(14.8)	9.1	15.1	
Cash and cash equivalents at end of the year	70.8	79.9	95.1	+ 15.1

## **2. Business Plan for the Year Ending March 31, 2005 and Thereafter**

**2-1. Medium-Term Management Plan to Fiscal 2007**

**2-2. Business Plan for the Year Ending March 31, 2005**

**2-3. In Closing (Basic Policy on Distribution of Profits)**

**Hisao Sakuta  
President and CEO**

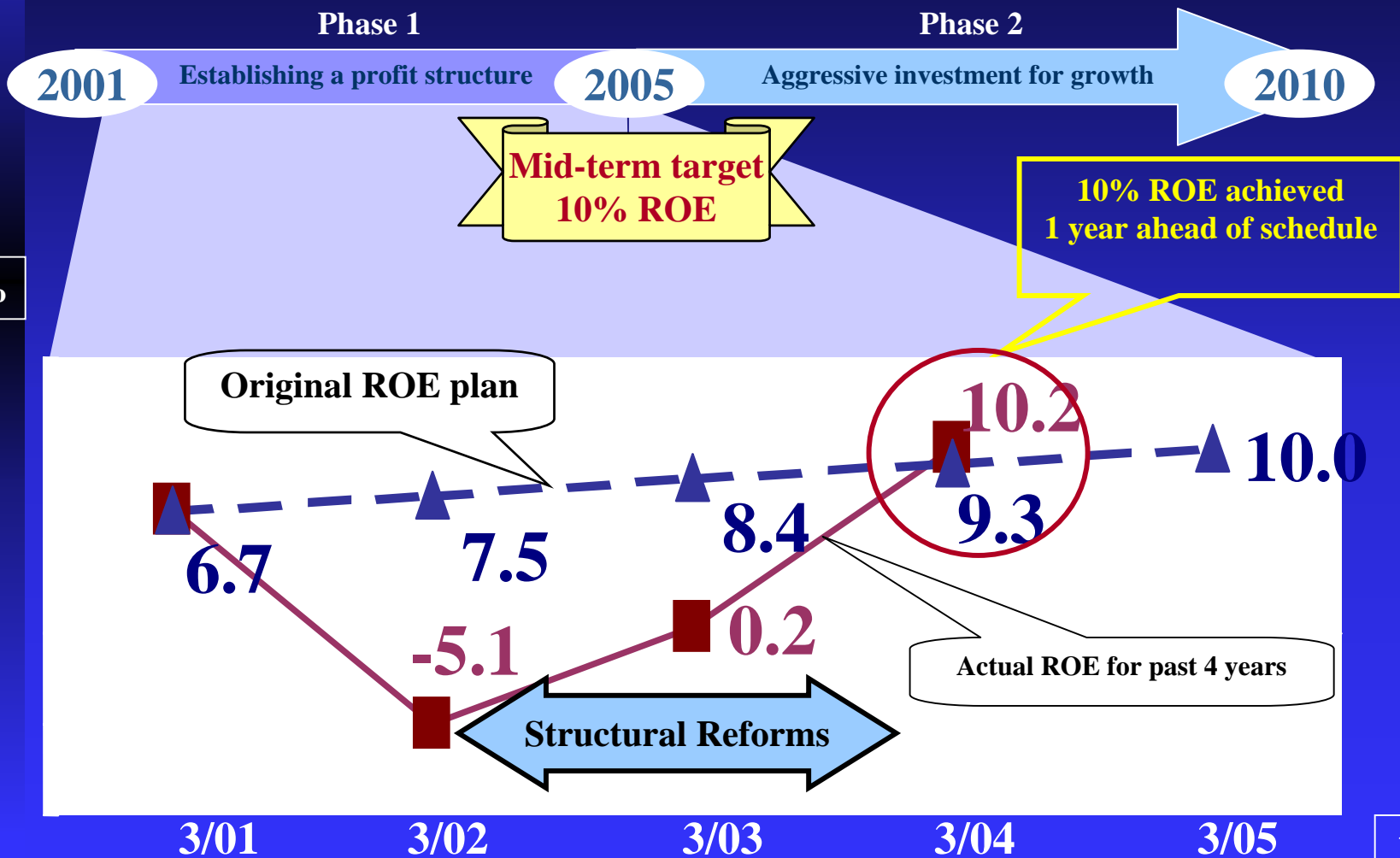


## **2-1. Medium-Term Management Plan to Fiscal 2007**

# Review of Phase 1

Medium-Term Plan  
to Fiscal 2007

Long-term Management Plan GD2010 (Announced 5/2001)  
Maximizing corporate value on a long-term basis



# GD2010

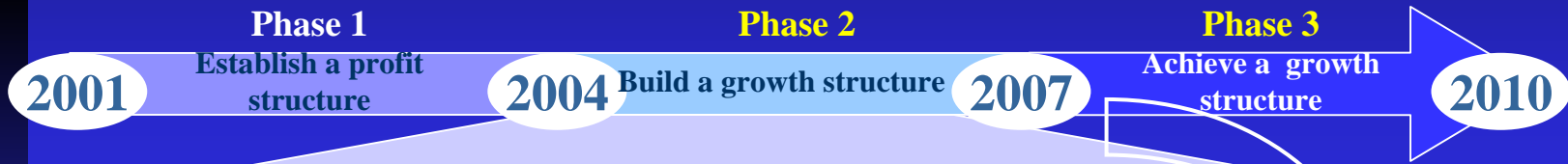
## Changes to Phase 2

From



Shift Phase 2 to FY 2004~2007,  
including FY 2004 as a transitional period.  
Set medium-term targets for FY 2007.  
Add Phase 3 for the 3 years to FY 2010.

To



**Phase 2: Balancing growth and earnings**  
Maintain ROE  $\geq 10\%$ , continue growth

**New Mid-term  
Goal for FY 2007**

# New Medium-term Goal for Phase 2

## New Medium-term Goal (Fiscal 2007) Aggregate and double business value

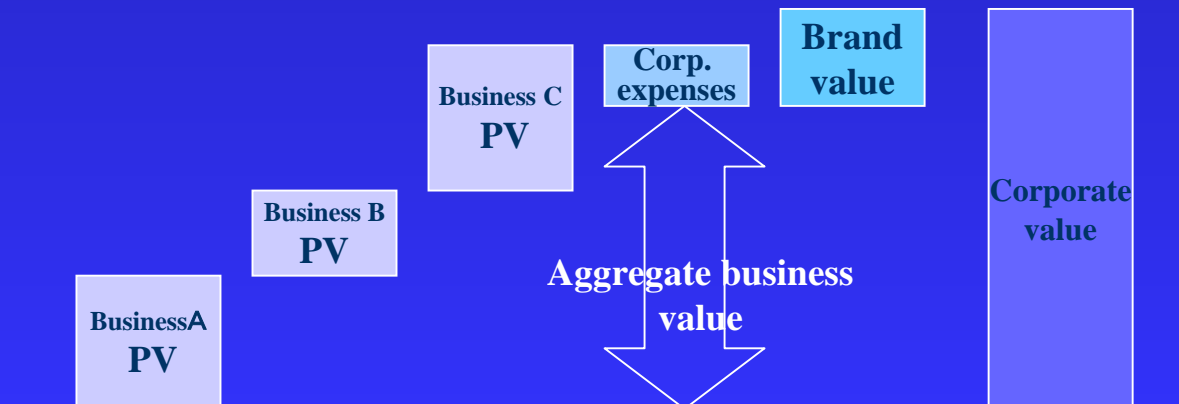
GD2010 Long-term Goal

Maximize long-term corporate value

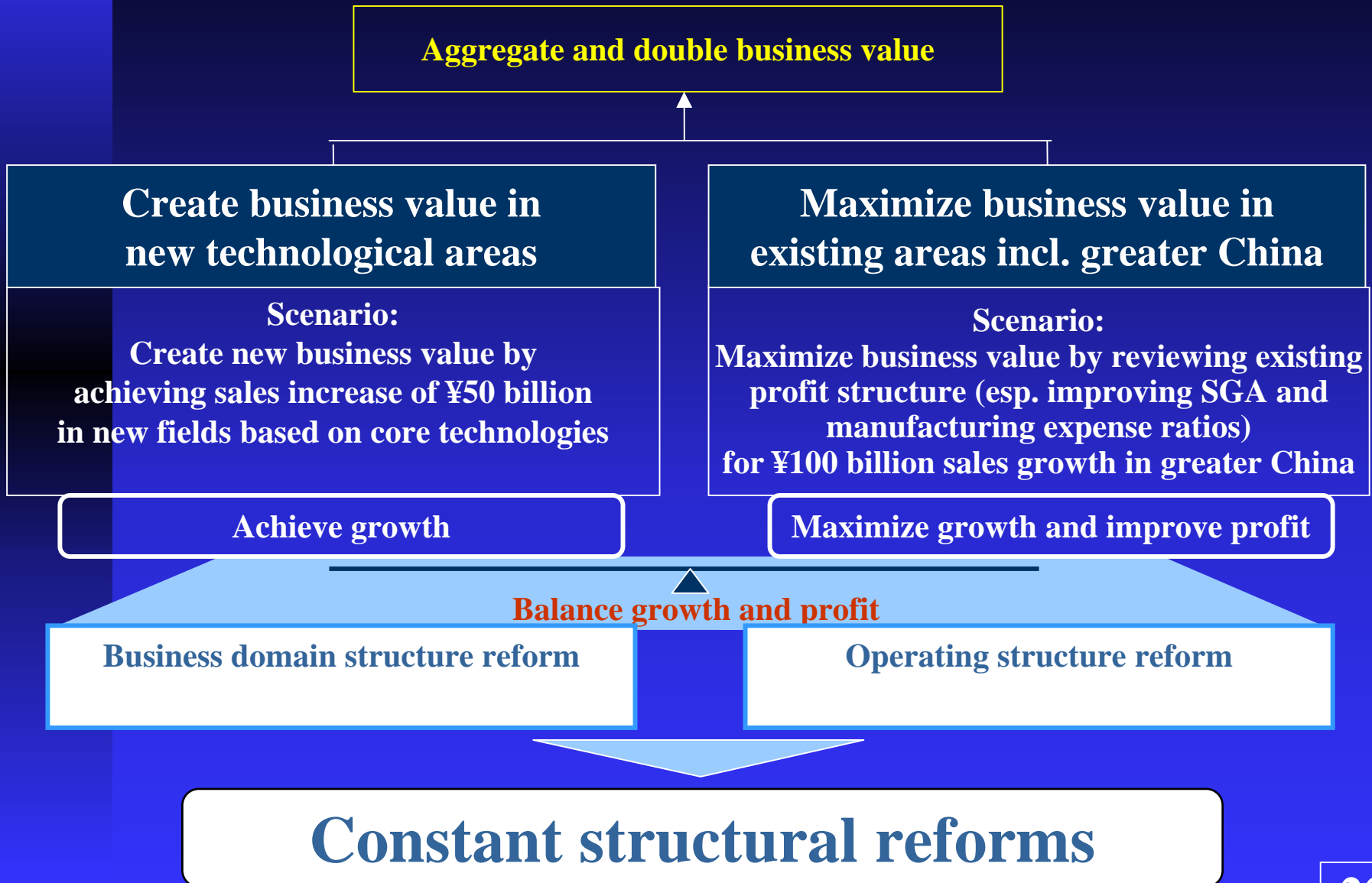
New Medium-term Goal

Aggregate and double business value

Raise brand value



# Achieving New Medium-term Targets Constant Structural Reforms



Business Domain Structural Reforms → Building a Growth Structure

## (1) Full-fledged growth in China

FY 2001 actual	FY 2004 est.	FY 2003 actual	FY 2007 est.
Net sales : ¥25 billion	→ ¥50 billion	Net sales : ¥38.8 billion	→ ¥150 billion
Investment :	¥8.5 billion	Investment :	¥30 billion



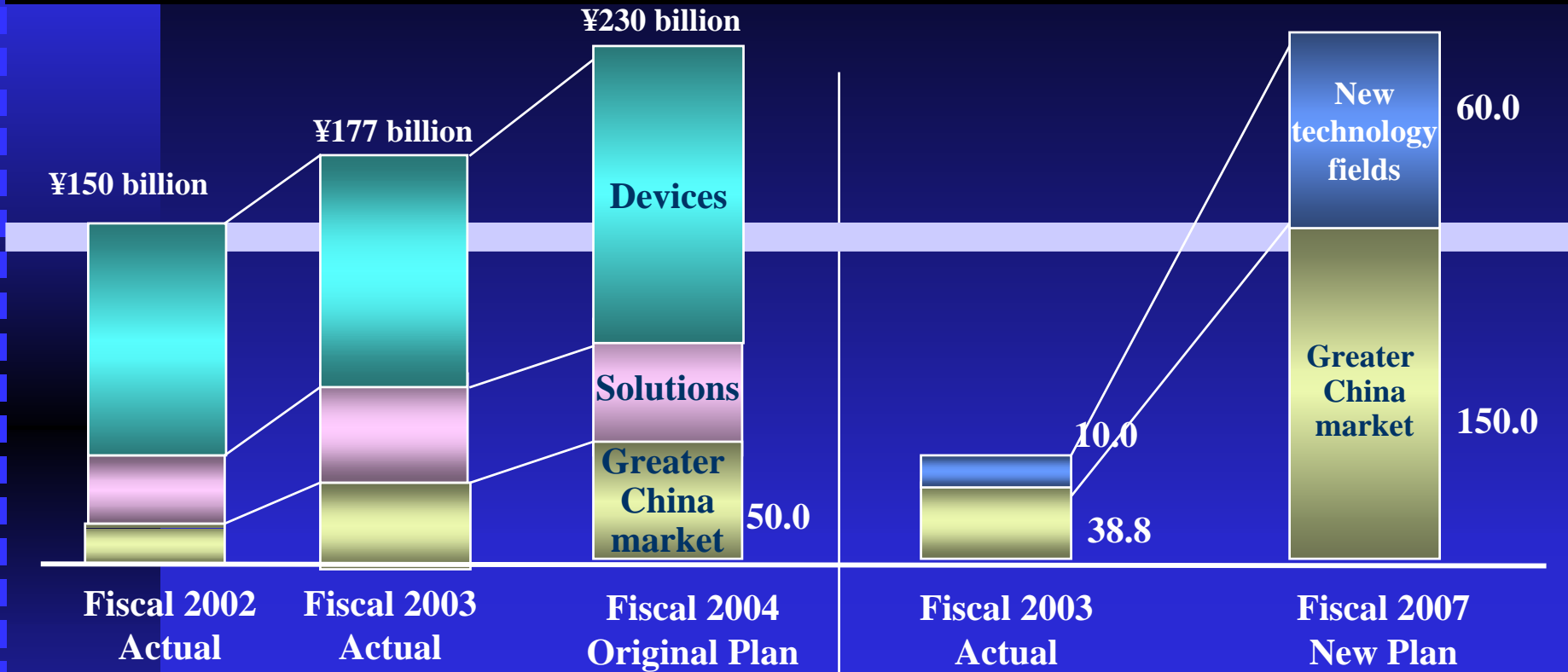
Business Domain Structural Reforms → Building a Growth Structure

## (2) Technology-centered growth

Growth structure of 4 core technologies and 2 fields

Core technologies		Product fields		Sample products
<b>Micro-replication Processing</b> Master/Electrotyping Reproduction/Materials <b>MEMS</b>	×	<b>Lightwave control</b>	Fields where light nano- technology is a strength	Optical display devices MLA, etc.
				Optical communication devices SPICA, etc.
				MEMS components 3-axis acceleration sensors, etc.
				⋮
<b>Image sensing</b> <b>Lightwave sensing</b> <b>Radio wave sensing</b>	×	<b>Fuzzy / AI</b>	Fields where sensing is a strength	Quality lifecycle management (QLM) Waveform analysis and diagnostics solutions (SIGNARC, etc.)
				Car safety HDRC, etc.
				⋮
Sensing		Control		

# Actual and Projected Sales in Growth Areas



## Previous Phase 1

- Device Business:** MLA/Optical communication  
MEMS business  
Auto device business
- Solutions Business:** User segment business  
Amusement business  
Other

## New Phase 2

- New Technology Business:**  
Optical communication/Optical display  
MEMS business  
Quality life cycle  
Car safety

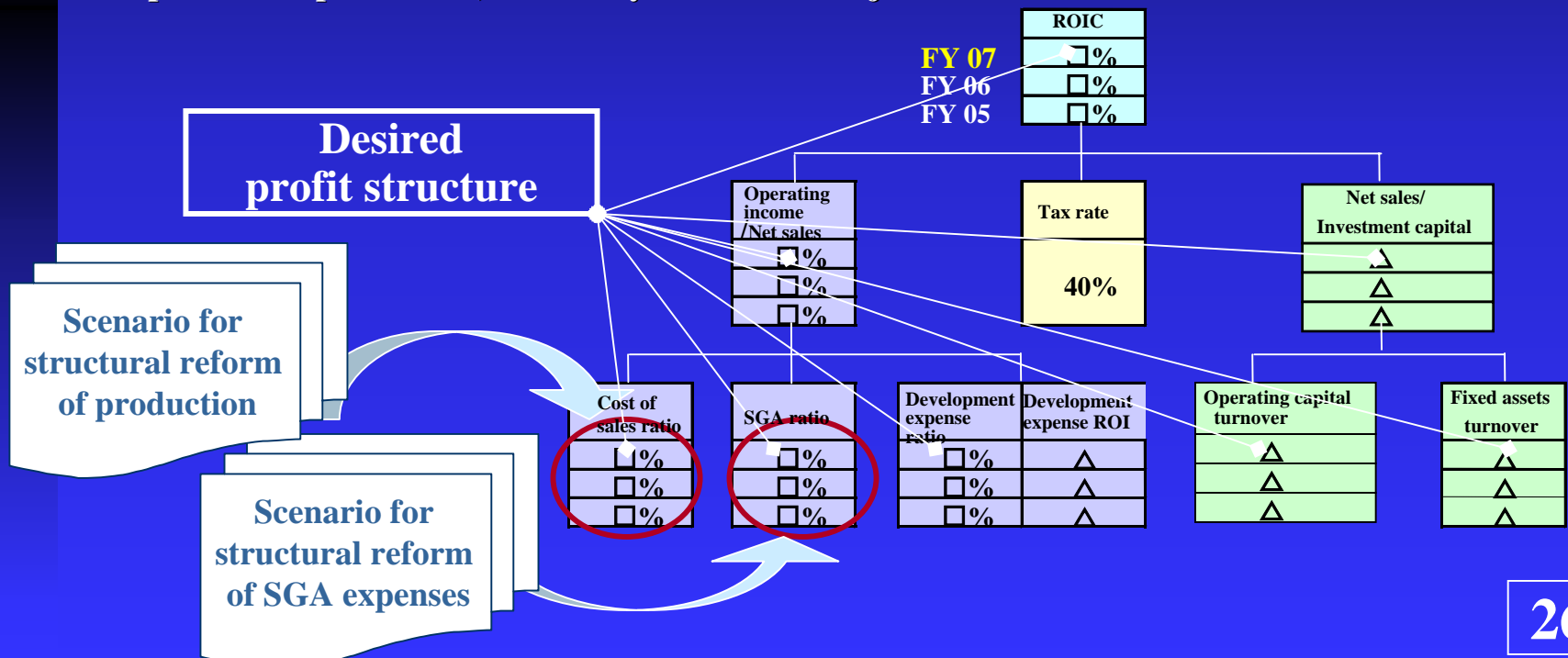


# Achieving New Medium-term Targets Operating Structure Reform for Improved Profit (1)

Operating Structure Reform → Establish, Uninterruptedly Strengthen Profit Structure

## (1) Structural reform of SGA expenses and production

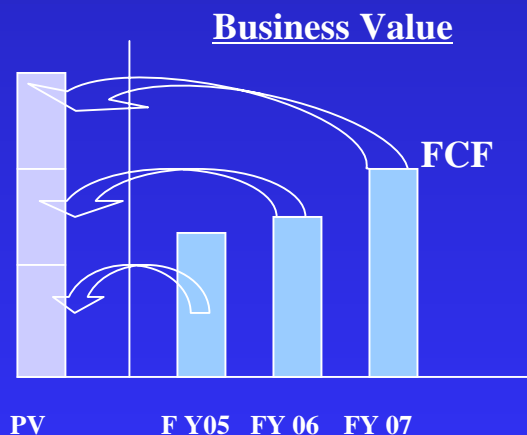
Plan the desired profit structure for each business and scenarios for the process to attain it, then implement constant structural reforms (especially for SGA expenses and production) to steadily achieve this objective.



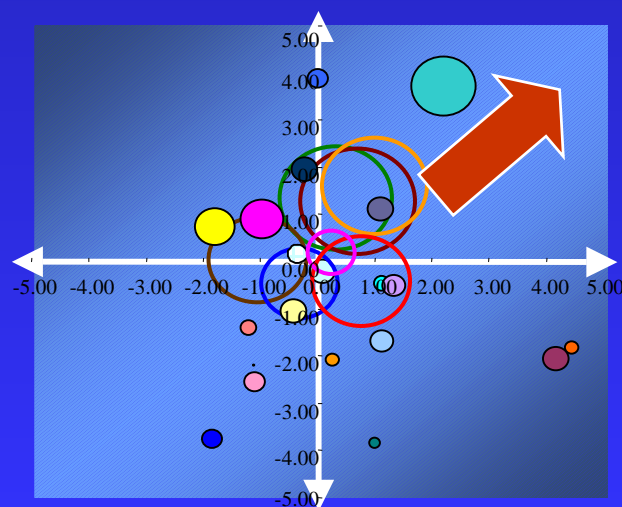
Operating Structure Reform → Establish, Uninterruptedly Strengthen Profit Structure

## (2) Cash flow management

Promote business operations conscious of the cash flow (CF) each business will generate in the future and its present value (PV) to maximize business value and accelerate the autonomy of each business. Also, accelerate selection and focus of businesses using return on investment capital (ROIC) as a main judgement criterion.



## Selection and Focus



# New Management Indicators for Phase 2

## Setting New Management Indicators

### Phase 1

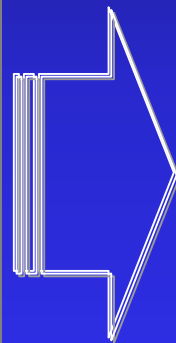
- Companywide long-term management objective
- Companywide medium-term management objective
- Business evaluation
- Judgment criterion

Maximizing corporate value on a long-term basis

10% ROE

Performance indicators  
(EBIT, ROA)

Net sales/income



### Phase 2

Maximizing corporate value on a long-term basis (unchanged)

Aggregate and double business value

Performance + operating indicators

CF·NPV·ROIC

## **2-2. Business Plan for the Year Ending March 31, 2005**

# Fiscal 2004 Management Policy

## Fiscal Year Policy

**Maintain 10% ROE and establish a structure for growth**

## Operating Policy

**“Implement Constant Structural Reforms”**

While balancing growth and profit,  
begin **business domain structural reforms** for growth  
and **operating structure reforms** for improved  
profits

# Targets for the Fiscal Year Ending March 31, 2005

(Billions of yen)

	Year Ended March 31, 2003	Year Ended March 31, 2004	Year Ending March 31, 2005
Net sales	535.1	584.9	610.0
Gross profit	207.7	240.1	247.0
Operating income	32.3	51.4	54.0
Net income	0.5	26.8	29.0

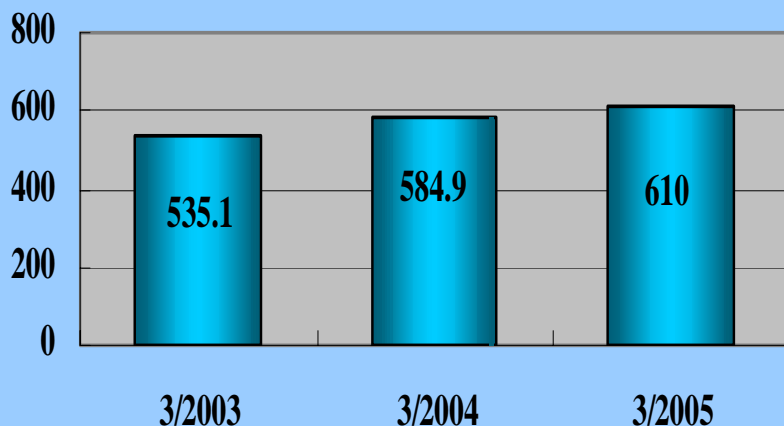
Record high

Record high

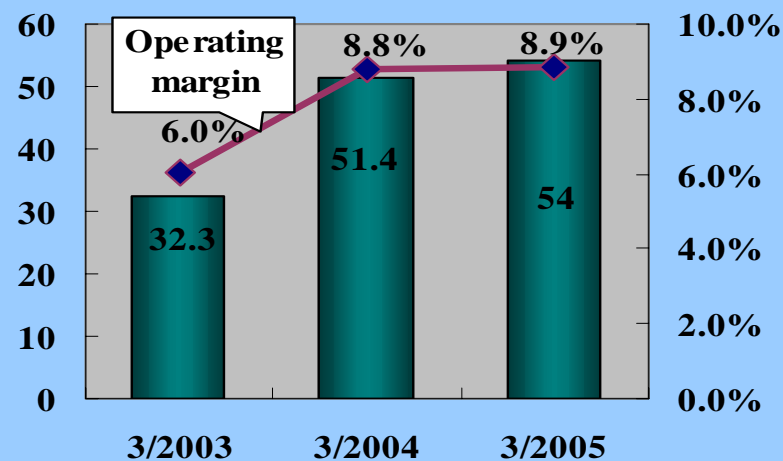
Note: Figures do not reflect effect of establishment of joint venture company with Hitachi in ATM business scheduled for October 2004.

**Maintain 10%ROE**

Net Sales



Operating Income



**Exchange Rate**

(Yen)

	<b>FY 03 Actual</b>	<b>FY 04 Est.</b>
<b>US dollar</b>	<b>113.4</b>	<b>105.0</b>
<b>Euro</b>	<b>132.4</b>	<b>125.0</b>

**Operating Environment**

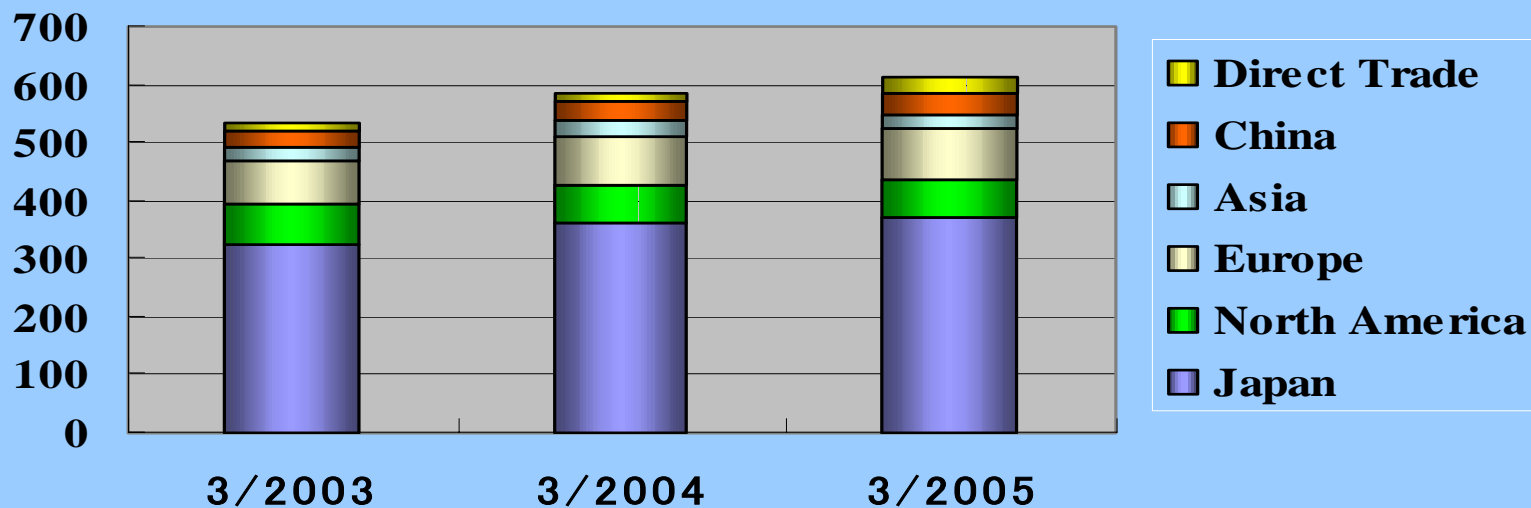
<b>IAB</b>	Favorable capital investment worldwide. In Japan, success of agent initiative and expansion of solutions business. Growth of Chinese market.
<b>ECB</b>	Strong consumer & commerce field (digital appliances, mobile devices, etc.). Growth in backlights for mobile devices, other original products, backlights for large-scale LCDs.
<b>AEC</b>	Slight increase in auto sales in Japan, recovery trend in North America Growth in sales of safety-related products, such as laser radar, etc.
<b>SSB</b>	Fund transfer: 50% drop in new currency-related demand. Public transport: increased demand from IC card in Kansai, new currency. Road control/traffic info: severe conditions.
<b>HCB</b>	Higher sales expected due to increased health consciousness in Japan and overseas. Substantial growth in Chinese market.

# Sales Forecast by Region

(Billions of yen)

	Year Ended March 31, 2003	Year Ended March 31, 2004	Year Ending March 31, 2005
<b>Japan</b>	325.4	361.1	371.5
<b>Overseas</b>	209.7	223.8	238.5
<b>North America</b>	67.9	64.6	66.0
<b>Europe</b>	73.5	84.3	85.0
<b>Asia</b>	26.8	28.6	25.0
<b>China</b>	26.4	31.0	35.0
<b>Direct Trade</b>	15.2	15.3	27.5
<b>Total</b>	535.1	584.9	610.0

Sales by Region



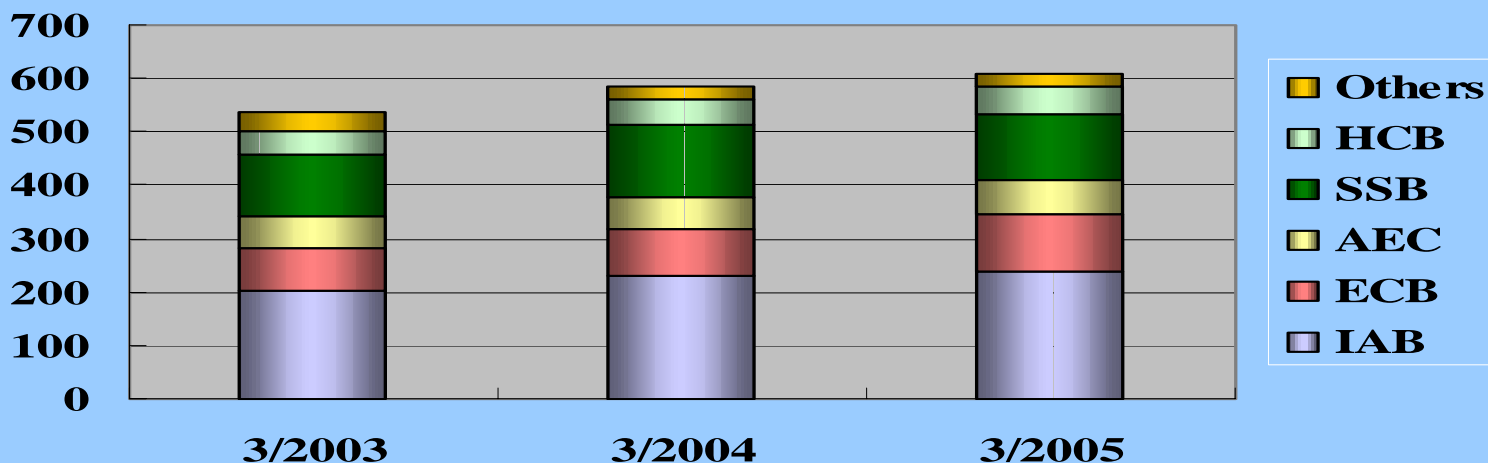


# Fiscal 2004 Sales Forecast by Company

(Billions of yen)

	Year Ended March 31, 2003	Year Ended March 31, 2004	Year Ending March 31, 2005
<b>IAB</b>	202.5	229.6	239.0
<b>ECB</b>	79.4	89.0	107.0
<b>AEC</b>	59.5	58.8	62.5
<b>SSB</b>	116.7	136.0	125.0
<b>HCB</b>	42.3	47.0	49.5
<b>Others</b>	34.7	24.5	27.0
<b>Total</b>	<b>535.1</b>	<b>584.9</b>	<b>610.0</b>

Sales by Segment



**Forecast of Capital Expenditures and Depreciation**

(Billions of yen)

	<b>Year Ended March 31, 2003</b>	<b>Year Ended March 31, 2004</b>	<b>Year Ending March 31, 2005</b>
<b>IAB</b>	<b>8.2</b>	<b>7.3</b>	<b>10.2</b>
<b>ECB</b>	<b>6.7</b>	<b>7.1</b>	<b>9.9</b>
<b>AEC</b>	<b>6.2</b>	<b>9.0</b>	<b>9.4</b>
<b>SSB</b>	<b>4.5</b>	<b>3.2</b>	<b>3.5</b>
<b>HCB</b>	<b>1.9</b>	<b>1.9</b>	<b>2.0</b>
<b>Other</b>	<b>7.1</b>	<b>9.5</b>	<b>6.0</b>
<b>Total capital expenditures</b>	<b>34.6</b>	<b>38.0</b>	<b>41.0</b>
<b>Depreciation</b>	<b>29.7</b>	<b>27.7</b>	<b>30.0</b>

## **2-3. In Closing**

### **(Basic Policy on Distribution of Profits)**

## Basic Policy on Distribution of Profits

1. **Internal reserves are the top priority** for growth investments to raise corporate value
2. Return surplus earnings to shareholders to the extent possible after considering the free cash flow level
3. **Target payout ratio of approx. 20% of consolidated net income** for annual dividends; however, in the event of a downturn in results, **maintain a stable, long-term annual dividend of ¥10**
4. Over the long-term, use retained earnings to flexibly provide returns to shareholders, including share repurchases

