

[Attachments]

## **Business Report (Consolidated)**

(April 1, 2005 to March 31, 2006)

### **1. Business Review**

#### **(1) Consolidated Results**

##### **General Overview**

In the Japanese economy during the year ended March 31, 2006, although the completion of a cycle of inventory adjustments of IT and digital related products and a recovery in consumer spending pulled the economy out of a temporary lull, the economy was weak overall in the first half. In the second half, economic growth was solid as capital investment increase from autumn onward, reflecting strong improvement in corporate earnings, and consumer spending recovered due to improvement in income and employment conditions. Overseas economies expanded in general despite concerns about the impact of high crude oil prices.

In markets related to the Omron Group, sales of factory automation control systems to domestic and overseas manufacturers were solid, supported by robust capital investment. Sales of automotive electronic components expanded due to strong unit sales of automobiles. However, sales of consumer and commerce components for IT and digital-related products were sluggish due to inventory adjustments and intensifying price competition. In this environment, the Omron Group made concentrated, clearly defined investments of management resources in these areas for future growth, with a fiscal year policy of “Advancing toward a Strong Profit Structure,” and a basic stance consisting of 1) Milestones on the way to the realization of Stage 2 of Omron’s Grand Design 2010 (“GD2010”) long-term management vision; 2) Implementation of ongoing structural reforms; 3) Achievement of sales and profit growth; and 4) Proactively making necessary investments. In addition, Omron moved to establish lasting efficiency gains toward the realization of its targeted profit structure. As concrete key strategies, the Omron Group worked to 1) implement structural reforms of selling, general and administrative expenses and production as part of its Operating Structure Reforms aimed at enhancing profits, and 2) implement its technology driven growth strategy and expand business in China as part of Business Domain Structural Reforms, and its global-level response to the Restriction of Hazardous Substances (RoHS) in Electrical and Electronic Equipment directive in the European Union as a special theme.

As a result, despite the significant effect of the transfer of the ATM and other information equipment business to an equity affiliate in the previous fiscal year, Omron Group net sales increased by 3.0 percent from ¥608,588 million in the previous fiscal year to ¥626,782 million, a new record. This increase was due to solid sales in the core businesses of factory automation control systems, automotive electronic components and health-related equipment. Excluding the transferred information equipment business, net sales increased by a substantial 8 percent over the previous fiscal year.

As for income for the fiscal year, although there was a decrease in sales from the transfer of the information equipment business, the increase in net sales and the continuation of the profit structure established by the structural reforms through the previous fiscal year, as well as the gain on the transfer of the substitutional portion of the employees’ pension fund, resulted in income before income taxes was ¥64,352 million, an increase of 23 percent, and net income was ¥35,763 million, an increase of 19 percent. Each of these exceeded the level of the previous fiscal year and was a new record for Omron.

For reference:

Operating income was ¥62,128 million, an 11 percent year-on-year increase.

## **Results by Business Segment**

### **• IAB (Industrial Automation Business)**

In Japan, sales of the safety business and quality solutions business were strong, reflecting increasing quality, safety and environmental needs, a major trend in the manufacturing sector. In addition, sales in Japan exceeded the level of the previous fiscal year due to growth in sales to the automotive industry, which continued to make large-scale investments, and a rebound in sales to the semiconductor and home digital appliance-related industries, which had made inventory adjustments. In overseas markets, in North America, sales of products to the automobile industry increased, as did sales in the oil and gas-related business. In Europe, sales increased overall amid an insufficient economic recovery, as sales of inverters, servomotors and sensor devices expanded in the emerging markets of Russia and Eastern Europe. Sales remained strong in Greater China and Southeast Asia, where high sales growth continues. In particular, sales increased substantially in China due to strengthening of Omron's sales force, centered on full-time sales staff, and its network of sales agents.

As a result, segment sales totaled ¥272,657 million, an increase of 9 percent compared with the previous fiscal year.

### **• ECB (Electronic Components Business)**

In Japan, overall sales in the first half were weak, including sales of printed circuit board relays, a core product, due to the condition of inventory adjustments in consumer and commerce industries that started in the second half of the previous fiscal year. Sales of small-size backlights for mobile phones were also weak, due in part to price competition. However, sales recovered steadily in the second half due to factors including a strong increase in sales of FPC (flexible printed circuit) connectors for digital home appliances and mobile devices due to brisk demand for products such as thin-screen televisions and portable music players, reflecting the economic recovery.

Overseas, sales increased strongly in China as the electronic components market continued to expand, centered on home appliances and mobile devices. Sales in the United States and Europe were solid as Omron strengthened sales and marketing, contributing to growth in sales of products for the IT and mobile markets, which are growth areas.

As a result, segment sales were ¥97,699 million, a decrease of 3 percent compared with the previous fiscal year.

### **• AEC (Automotive Electronic Components Business)**

Global automobile production volume during the period was strong overall, although there were differences by manufacturer and country and the industry was faced with destabilizing factors such as operating deficits at automobile manufacturers and large component manufacturers in North America. In addition, needs are increasing for car electronics for automobile safety and environmental friendliness, and Omron released products that meet those needs to match customer manufacturers' new vehicle investment, which contributed to improved sales results in all areas of the world. In Japan, a recovery among major customers contributed to solid sales. Sales increased strongly in overseas markets due to factors including the launch of new products in the United States, the acquisition of a subsidiary in Europe in the previous fiscal year, and solid sales to major customers in Asia.

By product, sales of products including laser radar devices, electric power steering controllers and wireless control devices increased steadily.

As a result, segment sales were ¥77,593 million, an increase of 20 percent compared with the previous fiscal year.

### **• SSB (Social Systems Business)**

In the public transportation systems business, there was a reactive decline from the renewal and conversion demand for ticket vending machines and other equipment associated with the issue of newly designed currency bills in the previous fiscal year. However, factors such as demand for equipment conversion in connection with the shift to IC cards for railway tickets, equipment upgrades at major customers, and a large-scale project in tandem with the opening of a new train line contributed to favorable sales. The traffic and road management systems business faced a difficult business environment due to heightened competition in the traffic control market. In other businesses, sales increased substantially in the new businesses of security solutions and IC card and mobile solutions. In related maintenance businesses, sales grew strongly in IT-related businesses such as office automation systems, and in maintenance and repair of other companies' products.

However, sales in this segment totaled ¥91,804 million, a decrease of 21 percent, due largely to the transfer of the ATM and other information equipment business to an equity affiliate in the previous fiscal year.

• **HCB (Healthcare Business)**

During the fiscal year, the domestic and overseas markets expanded, supported by increasing needs for prevention of lifestyle-related diseases and government measures to restrain healthcare costs. In this market environment, Omron took steps to maintain and expand its share in markets where it competes with other companies.

By product type, sales of blood pressure monitors, a core product, remained favorable on a global basis. Sales of body composition monitors were also favorable, due in part to the effect from television commercials.

In addition, during the fiscal year, Omron acquired Colin Medical Technology Corporation, a medical equipment manufacturer, in June 2005, and now has a full line of medical devices for hospital use, including blood pressure monitors (bio-information monitors) and measurement equipment for arteriosclerosis and other conditions. With this acquisition, Omron broadened the scope of this business from healthcare equipment mainly for home use to equipment for use in medical institutions.

As a result, segment sales were ¥61,090 million, an increase of 21 percent compared with the previous fiscal year.

• **Others**

Among existing businesses, in the entertainment business, although competition continued to intensify for commercial game machines, overall sales increased substantially over the same period in the previous fiscal year due to steadily expanding sales of content for cellular phone and other new businesses. In the computer peripheral business, sales of broadband routers, uninterruptible power supplies and other products increased strongly. Sales of the radio frequency identification (RFID) business also increased. However, in the wireless sensing business, sales of simple anti-theft devices for automobiles and the commissioned software business declined.

As a result, segment sales were ¥25,939 million, a decrease of 3 percent compared with the previous fiscal year.

**Sales by Division (Consolidated)**

Division	Amount (Millions of yen)	Share of total (%)	Year-on-year comparison (%)
Industrial Automation Business	272,657	43	109
Electronic Components Business	97,699	16	97
Automotive Electronic Components Business	77,593	12	120
Social Systems Business	91,804	15	80
Healthcare Business	61,090	10	121
Other Businesses	25,939	4	97
<b>Total</b>	<b>626,782</b>	<b>100</b>	<b>103</b>

Notes:

1. The Social Systems Solutions and Service Business Company, and other operations are included in the Social Systems Business.
2. "Other Businesses" includes the Business Development Group and other divisions.
3. As of October 1, 2004, the ATM and other information equipment business that was included in the Social Systems Business was transferred to a new company, Hitachi-Omron Terminal Solutions Corp., under a joint venture between Omron and Hitachi Ltd.

## Sales by Division (Non-Consolidated)

Division	Amount (Millions of yen)	Share of total (%)	Year-on-year comparison (%)
Industrial Automation Business	173,472	56	106
Electronic Components Business	51,388	16	83
Automotive Electronic Components Business	35,881	12	111
Social Systems Business	41,537	13	59
Other Businesses	9,794	3	126
Total	312,072	100	93

Notes:

1. "Other Businesses" includes the Business Development Group and other divisions.
2. As of October 1, 2004, the ATM and other information equipment business that was included in the Social Systems Business was transferred to a new company, Hitachi-Omron Terminal Solutions Corp., under a joint venture between Omron and Hitachi Ltd.
3. On October 1, 2004, the amusement components business that was part of the Electronic Components Business was transferred to Omron Amusement Co., Ltd. (formerly OMRON Ichinomiya Co., Ltd.).

## Research and Development

The Omron Group conducts research and development according to a medium- to long-term technology strategy with the objective of nurturing and strengthening core technologies. Core sensing & control competencies form the nucleus of the Group's technology strategy. The Advanced Device Laboratory and the Sensing and Control Technology Innovation Center of the Corporate R&D Headquarters conduct fundamental technology development from a company-wide perspective. Each company develops applications for these technologies and conducts product development.

The Omron Group has made advances in development of its core sensing & control technologies, including technology for smart control of optical and high-frequency signals, technology to extract and optimally read out necessary information from waveform, image, speech or other sources, as well as software engineering and management engineering to support these technologies.

Moreover, with the goal of accelerating leading-edge research and development, the Omron Group is aggressively creating and undertaking global cooperative technology development partnerships with public and external organizations in Japan, the United States, China and India. The Technology Division is also shifting technologies it successfully develops to the Omron Group's companies so that they can develop new products. In the future, the Omron Group will continue to create and strengthen the core competencies that support the Omron Group's growth strategies.

The following is a partial list of the numerous new products and services that each of the Omron Group companies has developed and commercialized.

- In the test and measurement field, the world's first stereovision sensor featuring 3-D measurement with two cameras, and the FZ Series, the world's first optical sensors that provide real color sensing.
- The D4JL electromagnetic lock safety-door switch, which has the world's strongest lock holding force.
- An ultra-slim FPC connector with a height of 0.5mm to meet the need for miniaturization of IT and mobile devices.
- The Combination Jog multifunctional input device, the world's slimmest at 2.5mm, ideal for the operating panels of mobile phones.
- An authentication system for keyless door opening and closing and engine startup.
- Public transportation systems that respond to the shift from passenger tickets to contactless IC cards
- A digital automated blood pressure monitor with a control function that displays an automated analysis and graph of blood pressure data
- *Karada Scan*, a body composition monitor that can measure subcutaneous fat and skeletal muscle for different regions of the body

## Capital Investment

In the year ended March 31, 2006, the Omron Group aggressively made capital investments to improve its profit structure and ensure future growth, including research and development centered on core technologies, strengthening of production in China, and structural reform of its manufacturing network in Japan. Total capital investment for the period was ¥41,109 million, a 10 percent increase over the previous fiscal year.

### Capital Procurement

As it did in the previous fiscal year, Omron promoted greater efficiency within the Omron Group and actively paid down external debt. As a result, interest-bearing debt decreased ¥20,946 million compared to the previous fiscal year-end.

## (2) Consolidated Outlook and Tasks

Looking toward the economic environment in Japan in the fiscal year ending March 31, 2007, factors such as the decision to end the zero-interest-rate policy will allow deflationary concerns to be cast aside. However, the pace of growth in capital investment and consumer spending is projected to weaken, while elements of uncertainty such as trends in commodity markets, including rising crude oil prices, also exist in overseas markets. Therefore, Omron is in a business environment with an unclear outlook.

In this environment, Omron has set “Accelerated Growth with an Upswing in Income” as the fiscal year policy, with “Closing in on March 2008 growth target ahead of schedule” as the sub-heading. Assuming growth in profits, Omron will accelerate the growth of each business and make the necessary investments to ensure that the targets are reached in fiscal 2007, the final year of the second stage.

To achieve growth in China, an effort on which the entire company is focusing, Omron will strive to increase fiscal 2007 sales in China by ¥100 billion over fiscal 2003 by embracing new business themes and making bold, proactive investments.

For technology-driven growth, Omron added energy, environment, security and safety as areas of focus, and has increased its fiscal 2007 target from “increasing net sales by ¥50 billion compared to fiscal 2003 to ¥68 billion” to “increasing net sales by ¥64 billion compared to fiscal 2003 to ¥82 billion,” and will accelerate growth with a view toward the third stage of GD2010, lasting until 2010.

In regard to reform of the profit structure in existing businesses, although factors such as lower selling prices and higher material prices will have an impact, Omron will continue to implement structural reforms of selling, general and administrative expenses and manufacturing, and intends to push ahead toward its envisioned profit structure in fiscal 2007.

In doing so, the Company requests the continued support of its shareholders.

## (3) Consolidated Operating Results and Financial Position

(Millions of yen)

	66th term (April 1, 2002 to March 31, 2003)	67th term (April 1, 2003 to March 31, 2004)	68th term (April 1, 2004 to March 31, 2005)	69th term (April 1, 2005 to March 31, 2006)
Net Sales	535,073	584,889	608,588	626,782
Income before Income Taxes	4,732	47,984	52,548	64,352
Net Income	511	26,811	30,176	35,763
Basic Net Income per Share (yen)	2.07	110.66	126.52	151.14
Total Assets	567,399	592,273	585,429	589,061
Shareholders' Equity	251,610	274,710	305,810	362,937
Shareholders' Equity per Share (yen)	1,036.01	1,148.33	1,284.81	1,548.07
Return on Equity (%)	0.2	10.2	10.4	10.7

Note: The Omron Group prepares its financial statements according to generally accepted accounting practices in the United States (GAAP).

Net sales have increased in the five consecutive fiscal years since the year ended March 2002. Since the year ended March 2003, the Omron Group has maintained growth in income before income taxes and net income, and achieved record profit in the year ended March 31, 2006.

The Omron Group surpassed its target for return on shareholders' equity (ROE) of 10% for the first stage of GD2010 during the year ended March 2004, and maintained ROE above 10% for the year ended March 2006.

## Non-Consolidated Operating Results and Financial Position

(Millions of yen)

	66th term (April 1, 2002 to March 31, 2003)	67th term (April 1, 2003 to March 31, 2004)	68th term (April 1, 2004 to March 31, 2005)	69th term (April 1, 2005 to March 31, 2006)
Net Sales	350,459	351,075	336,271	312,072
Ordinary Income	6,815	13,065	28,790	31,830
Net Income (Loss)	(10,291)	6,273	18,898	28,632
Net Income (Loss) per Share (yen)	(41.61)	25.46	78.75	120.39
Total Assets	378,484	383,894	370,301	372,770
Shareholders' Equity	197,204	203,387	212,339	236,499
Shareholders' Equity per Share (yen)	811.99	849.76	891.45	1,007.97

## 2. Company Information

(The following information is as of March 31, 2006, except where stated otherwise.)

### (1) Overview of Consolidated Businesses

An outline of the Omron Group's main products and businesses follows below.

Division Name	Products and Services
Industrial Automation Business	<p>Targets major manufacturing industries worldwide in contributing sensing technology and control technology that stay ahead of customer needs.</p> <p><b>Control Relays</b> (Relays, Timers, Counters)  <b>Control Switches</b> (Limit Switches, Micro Switches, Manipulate Switches)  <b>Control Devices</b> (Temperature Controllers, Power Supplies, Level Controllers, Protective Devices, Digital Power Meters, Transmission Units, Wireless Units, Energy-Saving Devices, etc.)  <b>Sequence Control Equipment</b> (PLCs, Industrial Networking Equipment, Programmable Terminals, Application Software, etc.)  <b>Motion Controllers</b> (Inverters, Servo Motors, etc.)  <b>Sensors</b> (Photoelectric Sensors, Proximity Sensors, Displacement Sensors, Length Measurement Sensors, Pressure Sensors, Ultrasound Sensors, Measurement Sensors, Vision Sensors, Visual Components, Information Sensing Equipment, etc.)  <b>Inspection Systems</b> (Solder Paste Printing, Inspection Systems, Sheet Inspection Systems, etc.)  <b>Safety-Related Devices</b> (Safety Relays, Door Switches, Safety Controllers, Area Sensors, Safety Mats, etc.)</p>
Electronic Components Business	<p>Provides control components for commercial and private use devices, components for mobile devices such as mobile phones, and modules.</p> <p><b>Switches</b> (Micro Switches, Tactile Switches, Trigger Switches, etc.)  <b>Relays</b> (General-Purpose Relays, PCB Relays, Relays for Telecommunications Equipment, etc.)  <b>Amusement Components, Units and Systems</b> (Sensors, Keys, IC's, IC Coin Systems, etc.)  <b>Connectors, Sensors for Consumer, Micro Lens Arrays</b>  <b>Components for Printers and Photocopiers</b> (Toner Sensors, Face Recognition Systems Software Components, etc.)  <b>Components for Mobile Equipment</b> (Hinges and Flash Lights for Mobile Phones, etc.)  <b>LCD Backlights</b> (Backlights for Large LCDs, Miniature Backlights for Mobile Phones, etc.)  <b>Optical Communication Devices</b> (CWDM Mux/Demux, Optical Switches, Stacked Polymer Optical IC, etc.)</p>
Automotive Electronic Components Business	<p>Develops and produces sensors, electronic devices and components and provides various products for automobile and automotive electronic component manufacturers throughout the world.</p> <p>Various Automotive Relays, Relays for Printed Circuit Boards, Switches, Keyless Entry Systems, Power Window Switches, Electric Power Steering Controllers, Various Controllers, Laser Radar Devices, etc.</p>
Social Systems Business	<p>Provides total solutions for safety, comfort and convenience, and mechatronics and sensing modules for tertiary industries and in the public service sector. Contributes to richer, more comfortable living and society, with the aim of creating an optimized society.</p> <p><b>Station Management, Settlement Systems and Modules</b> (Automated Ticket Vending Machines, Automated Passenger Gates, Automated Fare Adjustment Systems, Commuter Ticket Issuing Machines, Ticket Window Machines etc., Credit/Debit Card Transaction Terminals, etc.)  <b>Public Transportation Systems and Modules (Traffic and Road Management Systems</b> (Traffic Management Systems, Vehicle Information and Communication Systems, Travel Time Measurement Systems, Public Transportation Priority Systems, etc.)  <b>Room Access Control Systems, Face Recognition Systems, Card Reader/Writer</b></p>

Healthcare Business	<p>Provides numerous types of health and medical equipment worldwide. Omron has also been focusing on home medical care including circulatory systems measurement, biochemical systems measurement, obesity solutions, and lifestyle improvement programs.</p> <p><b>Equipment for Home Use</b> (Blood Pressure Monitors, Digital Thermometers, Body Composition Monitors, Digital Pedometers, Heart Monitors, etc.)</p> <p><b>Equipment for Healthcare Institutions</b> (Bio-Information Monitors, Blood Pressure Monitoring Devices, Nebulizers, Vascular Screening Devices, etc.)</p> <p><b>Service Business</b> (Lifestyle Improvement Programs, Healthcare Assistance Programs, etc.)</p>
Others	<p><b>Business Development Group</b> Develops new businesses for achieving the Group growth strategy.</p> <p><b>Entertainment Business</b> (Commercial Game Machines (Photo Sticker Machines), Cellular Phone Content Distribution, Prizes for Commercial Game Machines (Prize Business), etc.)</p> <p><b>Personal Computer Peripherals</b> (ADSL Modems, Broadband Routers, Uninterruptible Power Supplies, etc.)</p> <p><b>Wireless Sensing Business</b> (Simple Anti-theft Devices for Automobiles (Carmoni), Remote Monitoring Equipment, RFID Business (IC tag, Reader/Writer, Antennae, etc.))</p>

## (2) Principal Offices and Plants

Headquarters (Head Office)	Kyoto Office (Shimokyo-ku, Kyoto)
Tokyo Head Office (Branch)	Tokyo Office (Minato-ku, Tokyo)
Marketing	<p>Omron: Osaka Office (Shinagawa-ku, Tokyo), Osaka Office (Kita-ku, Osaka), Nagoya Office (Nakamura-ku, Nagoya), Fukuoka Office (Hakata-ku, Fukuoka)</p> <p>OMRON Healthcare, Co., Ltd. (Ukyo-ku, Kyoto)</p> <p>OMRON Relay and Devices Corporation (Yamashika, Kumamoto)</p> <p>OMRON Field Engineering Co., Ltd. (Shibuya-ku, Tokyo)</p> <p>OMRON Amusement Co., Ltd. (Ichinomiya, Aichi)</p>
Overseas Marketing and Other	<p>OMRON MANAGEMENT CENTER OF AMERICA, INC. (Illinois, U.S.A.)</p> <p>OMRON ASIA PACIFIC PTE. LTD. (Singapore)</p> <p>OMRON EUROPE B.V. (Hoffdorf, The Netherlands)</p> <p>OMRON (CHINA) CO., LTD. (Beijing, China)</p> <p>OMRON AUTOMOTIVE ELECTRONICS KOREA, CO., LTD. (Seoul, Republic of Korea)</p> <p>OMRON DUALTEC AUTOMOTIVE ELECTRONICS INC. (Ontario, Canada)</p>
Domestic Manufacturing	<p>Omron: Kusatsu Plant (Kusatsu, Shiga), Ayabe Office (Ayabe, Kyoto), Mishima Systems Factory (Mishima, Shizuoka), Minakuchi Factory (Koka, Shiga), Okayama Factory (Okayama, Okayama)</p> <p>OMRON Kurayoshi Co., Ltd. (Kurayoshi, Tottori)</p> <p>OMRON Iida Co., Ltd. (Iida, Nagano)</p> <p>OMRON Matsusaka Co., Ltd. (Matsusaka, Mie)</p>
Overseas Manufacturing	<p>OMRON (SHANGHAI) CO., LTD. (Shanghai, China)</p> <p>OMRON ELECTRONIC COMPONENTS (SHENZHEN) LTD. (Shenzen, China)</p> <p>OMRON DALIAN CO., LTD. (Dalian, China)</p>
Research	Omron: Omron Keihanna Technology Innovation Center ( Kiducho Sourakugun, Kyoto )

Note: Omron Okayama Co., Ltd. merged with OMRON Corporation on December 1, 2005.

### (3) Stock Information

Total number of shares authorized to be issued by the Company: 487,000,000 shares

Note: The Articles of Incorporation stipulate that when the Company retires shares, this amount shall be reduced by an equivalent number of shares.

Total number of shares issued: 249,121,372 shares

Number of shareholders: 28,111

#### Principal shareholders:

Shareholder	Company's shares held by the shareholder		Shareholder's shares held by the Company	
	Number (thousands of shares)	Percentage (%)	Number (thousands of shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	16,787	6.74	—	—
Japan Trustee Services Bank, Ltd. (trust account)	13,102	5.26	—	—
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,713	3.10	—	—
Nippon Life Insurance Company	6,066	2.44	—	—
The Bank of Kyoto, Ltd.	5,717	2.30	5,192	1.48
State Street Bank & Trust Company 505103	5,356	2.15	—	—
State Street Bank & Trust Company	4,893	1.96	—	—
The Chase Manhattan Bank N.A., London	4,338	1.74	—	—
Mellon Bank Treaty Clients Omnibus	3,660	1.47	—	—
Mellon Bank NA as Agent for Its Client				
Mellon Omnibus US Pension	3,119	1.25	—	—

Notes: 1. The Company does not directly hold shares of The Bank of Tokyo-Mitsubishi UFJ, Ltd., but does own 5,000 shares (0.05 % of voting rights) of the common stock of Mitsubishi UFJ Financial Group, Inc., the sole parent company of this bank.

2. The Company holds 14,632 thousand shares of treasury stock (5.87% of total outstanding shares) but is excluded from the principal shareholders listed above.

3. In April 2006, the Company confirmed that according to a report of major shareholdings released by Schroder Investment Management (Japan) Limited, the five companies of this group held 23,983,000 shares of Omron stock as of March 2006, and no report of major shareholdings has been made since then. However, the number of shares held by this group in the register of shareholders as of March 31, 2006 was as follows:

Schroder Investment Management (client PRITEL)	685,000 shares
Schroder Investment Management (client general)	589,000 shares
Schroder Investment Management (client ISL lending)	94,000 shares
Schroder Investment Management Ltd. JASDEC Non-Treaty Clients	14,000 shares
Schroder Investment Management Hong Kong Limited (client account)	51,000 shares

4. In addition, in December 2005 the investment management firm Capital Research Management Company issued a large shareholding report confirming holdings totaling 10,700,000 shares as of January 2005. They have issued no further large shareholding reports.

5. In April 2006, the investment consulting firm Fidelity Investments Japan Limited issued a large shareholding report confirming holdings of 14,232 thousand shares as of March 2006. They have issued no further large shareholding reports.

#### Breakdown of Shareholders by Type

(As of March 31, 2006)

Category	Status of Shares (1 unit = 100 shares)							Odd-Lot Shares
	Government and Municipal Corporations	Financial Institutions	Securities Companies	Other Domestic Companies	Foreign Investors (Individuals)	Individuals and Others	Total	
Number of shareholders	0	140	32	407	460 (8)	21,082	22,121	
Number of shares owned	0 units	857,664	21,232	100,950	987,130 (74)	519,276	2,486,252	496,172 shares
Percent of total	0.00%	34.50	0.85	4.06	39.70 (0.00)	20.89	100.00	

Notes:

1. Of the 14,631,607 shares of treasury stock in the shareholder register as of March 31, 2006, 14,631,600 shares are included in the “Individuals and Others” column, and 7 shares are included in “Odd-Lot Shares.”
2. Thirty-one units of stock in the name of the Japan Securities Depository Center, Inc. are included in the “Other Domestic Companies” column.

#### (4) Acquisition, Disposal and Holdings of Treasury Stock

- 1) Shares acquired  
Common shares: 3,802,141 shares Total acquisition cost: ¥10,075,245,098
- 2) Shares disposed of  
Common shares: 227,125 shares Total disposition value: ¥492,338,013
- 3) Shares held at the end of the period  
Common shares: 14,631,607 shares

#### (5) Stock Acquisition Rights

##### Stock Acquisition Rights Currently Issued

Date of approval of issue	July 31, 2002	July 31, 2003	July 29, 2004	July 28, 2005
Number of stock acquisition rights	154	190	2,190	2,130
Type of shares subject to the stock acquisition rights	Common shares	Common shares	Common shares	Common shares
Number of shares subject to the stock acquisition rights	154,000	190,000	219,000	213,000
Issue price of stock acquisition rights	No charge	No charge	No charge	No charge

Stock acquisition rights issued with advantageous terms to individuals other than shareholders during the period:

- 1) Number of stock acquisition rights: 2,130 (100 shares for each stock acquisition right)
- 2) Type and number of shares subject to the stock acquisition rights  
Common shares: 213,000 shares
- 3) Issue price of stock acquisition rights  
No charge
- 4) Amount to be paid in upon exercise of each stock acquisition right  
¥2,550
- 5) Exercise period of stock acquisition rights  
July 1, 2007– June 30, 2010
- 6) Terms and conditions of exercise of stock acquisition rights
  - Persons who have received allocations of common stock acquisition rights must hold the position of director or managing officer at the time of exercise. However, this limitation shall not apply in the case of directors and managing officers of the Company who shall have retired following the completion of their term of office, or shall have reached the mandatory retirement age, or other such appropriate reason.
  - Stock acquisition rights may not be assigned, pledged, or otherwise disposed of or inherited.
  - Other conditions shall be as set forth in the “Agreement on Allocation of Common Stock Acquisition Rights” between the Company and the directors and managing officers who are party thereto.
- 7) Reasons and conditions for cancellation of stock acquisition rights  
In the event that a person who has received an allocation of stock acquisition rights does not conform to the conditions for exercise of such rights as set forth in section (6) above, such rights may be cancelled. In such an event, the relevant rights shall be cancelled without any consideration.
- 8) Content of advantageous terms  
Stock acquisition rights are issued without charge to Members of the Board of Directors and Corporate Officers.
- 9) Names of stock acquisition right holders other than the specified employees and others who received allocations of rights, and number of stock acquisition rights granted

*Directors of the Company*

Name	Number of stock acquisition rights
Yoshio Tateisi	300
Hisao Sakuta	300
Shingo Akechi	200
Tadao Tateisi	200
Tsukasa Yamashita	200

Specified employees under Article 103-2 of the Commercial Code enforcement regulations  
*Corporate Officers of the Company (Top ten in number of rights granted)*

Name	Number of stock acquisition rights	Name	Number of stock acquisition rights
Fumio Tateisi	100	Kuniyasu Kihira	40
Fujio Tokita	50	Toshio Ochiai	40
Soichi Yukawa	50	Hiroki Toyama	40
Yutaka Takigawa	50	Koujiro Tobita	40
Yasuhira Minagawa	40	Kuninori Hamaguchi	40

10) Stock acquisition rights issued to the specified employees and others

- Persons to be granted stock acquisition rights: Corporate Officers of the Company
- Number of stock acquisition rights: 930
- Type and number of shares subject to the stock acquisition rights: Common shares: 93,000 shares
- Total number of people granted stock acquisition rights: 21

**(6) Employees**

**Omron Group Employees**

As of March 31, 2006

Number of employees	Change from March 31, 2005
27,408	Increase of 2,504 employees

Notes:

1. Number of employees refers to full time employees (people assigned by the Omron Group to work outside the Omron Group are excluded; people assigned from outside the Omron Group to work within the Omron Group are included).
2. The number of employees increased by 2,504 compared to March 31, 2005 primarily because of increased hiring to increase production capacity at overseas manufacturing companies.

**Parent Company Employees**

As of March 31, 2006

Number of Employees	Change from March 31, 2005	Average Age	Average Years of Employment with Omron
5,280	Increase of 610 employees	39 years 11 months	14 years 8months

Note: The number of employees increased by 610 compared with the previous fiscal year end primarily because of the merger with OMRON Okayama Co., Ltd.

## (7) Principal Subsidiaries and Other Corporate Data

Principal subsidiaries are outlined below.

Name	Capital (Millions of yen)	Parent ownership (%)	Principal businesses
OMRON HEALTHCARE Co., Ltd.	5,021	100.0	Healthcare business
OMRON RELAY & DEVICES Corporation	300	100.0	Control system equipment business
OMRON Kurayoshi Co., Ltd.	300	100.0	Electronic components business
OMRON Iida Co., Ltd.	150	100.0	Manufacture of automotive electronic components
OMRON Field Engineering Co., Ltd.	360	100.0	Design, construction, repair and technical guidance of electrical devices
OMRON Management Center of America, Inc.	(thousands of U.S. dollars) 7,307	100.0	Regional management in the United States and Canada
OMRON Asia Pacific Pte. Ltd.	(thousands of Singapore dollars) 47,888	100.0	Regional management and supervision of control device business in Southeast Asia
OMRON Europe B.V.	(thousands of Euro) 16,883	100.0	Regional management and supervision of control device business in Europe
OMRON (SHANGHAI) CO., LTD.	(thousands of U.S. dollars) 69,500	100.0	Manufacture of control equipment in China
OMRON (China) Co., Ltd.	(thousands of RMB) 813,225	100.0	Regional management in China

## Corporate Results

The Omron Group consists of 144 consolidated subsidiaries and 17 affiliates accounted for using the equity method. There are no unconsolidated subsidiaries or affiliates unaccounted for by the equity method. The performance of business combinations is reported in "1. Business Review, (1) Consolidated Results."

## (8) Major Lenders

Lender	Amount of loans (Millions of yen)	The Company's shares held by lender	
		Share of voting rights (Thousand shares)	Share of voting rights (%)
OMRON Finance Co., Ltd.	17,571		
OMRON Europe B.V.	7,239		
OMRON ASIA PACIFIC PTE. LTD	1,175		

## (9) Directors and Corporate Auditors

Title	Name	Assignment
Chairman*	Yoshio Tateisi	Chairman of the Board of Directors
Chief Executive Officer*	Hisao Sakuta	President and Chief Executive Officer
Vice President and Director	Shingo Akechi	
Vice President and Director	Tadao Tateisi	
Senior Managing Director	Tsukasa Yamashita	
Director (Non-executive)	Noriyuki Inoue	Chairman, Representative Director and CEO of Daikin Industries, Ltd.
Director (Non-executive)	Kakutaro Kitashiro	Chairman of the Board, IBM Japan, Ltd.
Corporate Auditor	Tsutomu Ozako	
Corporate Auditor	Yoshisaburo Mogi	
Corporate Auditor	Yoshio Nakano	Certified Public Accountant
Corporate Auditor	Hidero Chimori	Attorney at Law

Notes:

- Asterisks above indicate representative directors.
- Among directors, Noriyuki Inoue and Kakutaro Kitashiro are external directors as stipulated in Article 188-2-7-2 of the Commercial Code.
- Among corporate auditors, Yoshisaburo Mogi, Yoshio Nakano and Hidero Chimori are outside corporate auditors as stipulated in Article 18-1 of the "Law Concerning Exceptions to the Commercial Code Related to Auditors, etc., of Corporations."
- Changes in directors during the fiscal year were as follows:
  - Retired Directors (June 23, 2005)  
Tatsuro Ichihara, Shozo Hashimoto
  - Newly Elected Directors (June 23, 2005)  
Tsukasa Yamashita, Kakutaro Kitashiro

## (10) Compensation of Omron Directors and Corporate Auditors

Title	Number	Aggregate Compensation
Directors	9	¥590 million
Corporate auditors	4	¥79 million
Total	13	¥669 million

Note: The above figures include bonuses for directors and special retirement payments to directors who retired on June 23, 2005 approved at the Ordinary General Meeting of Shareholders held on June 23, 2005.

## (11) Compensation for Accounting Auditors

(1)	Total accounting auditor compensation paid by Omron and its subsidiaries	¥152 million
(2)	Amount included in (1) above for audit certification paid by Omron and its subsidiaries	¥121 million
(3)	Amount included in (2) above for accounting auditors paid by Omron and its subsidiaries	¥80 million

Note: In the audit contract between Omron and the accounting auditors, auditors are compensated as per statutes governing exceptions to the Commercial Code relevant to accounting for corporations, and compensation paid to auditors is not categorized as per the Securities and Exchange Law. Auditor compensation is included as part of the total presented in item (3) above because it cannot be categorized.

## **(12) Subsequent Events**

- (1) At a meeting held on April 26, 2006, the Board of Directors of Omron resolved to transfer some of its shareholdings in other companies into a retirement benefit trust. Omron established the trust on April 28, 2006. As a result, Omron expects to record a gain on establishment of the retirement benefit trust as an extraordinary gain of ¥9,112 million in the parent-company statements of operations for the year ending March 31, 2007, and as other income of ¥10,141 million in the consolidated statements of operations.
- (2) At a meeting held on April 26, 2006, the Board of Directors of Omron resolved to transfer the land and buildings of the Company's Tokyo Head Office in Minato-ku, Tokyo. The transfer price, transfer schedule and other details will be determined later.

### Notes:

1. The amounts presented herein are rounded to the nearest unit. Net income per share is rounded to the nearest thousandth. The number of shares is rounded down.
2. Consolidated operating income is calculated as gross profit plus or minus selling, general and administrative expenses, research and development expenses, and gain or loss recognized in connection with the transfer of the substitutional portion of the employees' pension fund, as generally accepted in Japan, to permit comparison with the results of other Japanese corporations.

## Consolidated Balance Sheet

(Millions of yen)

Item	69th term (April 1, 2005 to March 31, 2006)	(Reference) 68th term (April 1, 2004 to March 31, 2005)	Item	69th term (April 1, 2005 to March 31, 2006)	(Reference) 68th term (April 1, 2004 to March 31, 2005)
	Amount	Amount		Amount	Amount
<b>(ASSETS)</b>			<b>(LIABILITIES)</b>		
<b>Current Assets:</b>	<b>292,313</b>	<b>295,940</b>	<b>Current Liabilities:</b>	<b>155,660</b>	<b>162,988</b>
Cash and cash equivalents	52,285	80,619	Bank loans	2,468	12,424
Notes and accounts receivable -trade	139,001	124,409	Notes and accounts payable-trade	85,224	75,866
Allowance for doubtful receivables	(2,653)	(2,757)	Accounts payable		
Inventories	74,958	68,585	Accrued expenses	28,683	26,701
Deferred income taxes	18,571	17,240	Income taxes payable	12,288	12,724
Other current assets	10,151	7,844	Deferred income taxes	105	97
			Other current liabilities	26,596	24,673
			Current portion of long-term debt	296	10,503
<b>Property, Plant and Equipment:</b>	<b>167,617</b>	<b>154,689</b>	<b>Long-Term Debt</b>	<b>1,049</b>	<b>1,832</b>
Land	46,571	43,794	<b>Deferred Income Taxes</b>	<b>673</b>	<b>1,199</b>
Buildings	117,414	110,367	<b>Termination and Retirement</b>	<b>67,046</b>	<b>111,988</b>
Machinery and equipment	159,254	143,111	<b>Benefits</b>	<b>571</b>	<b>63</b>
Construction in progress	8,180	5,946	<b>Other Long-Term Liabilities</b>	<b>1,125</b>	<b>1,549</b>
Accumulated depreciation	(163,802)	(148,529)	<b>Minority Interests in Subsidiaries</b>	226,124	279,619
			Total Liabilities		
<b>Investment and Other Assets:</b>	<b>129,131</b>	<b>134,800</b>			
Investments in and advances to associates	16,135	17,343	<b>(SHAREHOLDERS' EQUITY)</b>		
Investment securities	62,477	49,764	<b>Common stock</b>	<b>64,100</b>	<b>64,100</b>
Leasehold deposits	8,553	8,595	<b>Additional paid-in capital</b>	<b>98,724</b>	<b>98,726</b>
Deferred income taxes	15,892	41,499	<b>Legal reserve</b>	<b>8,082</b>	<b>7,649</b>
Other	26,074	17,599	<b>Retained earnings</b>	<b>227,791</b>	<b>199,551</b>
			<b>Accumulated other comprehensive   income (loss)</b>	<b>(2,971)</b>	<b>(41,009)</b>
			Foreign currency translation adjustments	(1,353)	(10,554)
			Minimum pension liability adjustment	(21,183)	(41,123)
			Net unrealized gains on securities	19,671	10,909
			Net gains (losses) on derivative instruments	(106)	(241)
			<b>Treasury stock</b>	<b>(32,789)</b>	<b>(23,207)</b>
			Total Shareholders' Equity	362,937	305,810
<b>Total Assets</b>	<b>589,061</b>	<b>585,429</b>	<b>Total Liabilities and Shareholders' Equity</b>	<b>589,061</b>	<b>585,429</b>

Note: The amounts above are rounded down to the nearest million yen.

**Consolidated Statements of Operations**  
**(With transfer of substitutional portion of employees' pension fund stated separately)**

(Millions of yen)

Item	69th term (April 1, 2005 to March 31, 2006)	68th term (April 1, 2004 to March 31, 2005)
	Amount	Amount
Net sales	626,782	608,588
Cost of sales	373,393	358,817
Gross profit	253,389	249,771
Selling, general and administrative expenses	152,675	144,219
Research and development	50,501	49,441
Transfer of substitutional portion of employees' pension fund	(11,915)	
Interest expenses (income), net	(609)	(216)
Foreign exchange loss, net	1,306	75
Other expenses, net	(2,921)	3,704
Income before income taxes and minority interests and cumulative effect accounting change	64,352	52,548
Income taxes:	27,238	22,108
(Current)	(23,276)	(20,393)
(Deferred)	(3,962)	(1,715)
Minority interests	150	264
Net income before adjustment for cumulative effect of accounting change	36,964	30,176
Cumulative effect of accounting change (after tax effect considerations)	1,201	
<b>Net income</b>	<b>35,763</b>	<b>30,176</b>

Notes:

1. The amounts above are rounded down to the nearest million yen.
2. Gain and loss recognized in connection with the return of the substitutional portion of the employees' pension fund (excluding the difference on return of liabilities) during the fiscal year ended March 31, 2006 are included in selling, general and administrative expenses and research and development expenses under U.S. GAAP. To facilitate comparison with past fiscal years, the statement above displays this gain and loss together with the difference on return of liabilities separately as "Transfer of substitutional portion of employees' pension fund." If this gain or loss (excluding the difference on return of liabilities) were included in selling, general and administrative expenses and research and development expenses, and the difference on return of liabilities were stated separately, in accordance with U.S. GAAP, the statement would be as shown on the next page.

## Consolidated Statements of Operations

(Millions of yen)

Item	69th term (April 1, 2005 to March 31, 2006)	(Reference) 68th term (April 1, 2004 to March 31, 2005)
	Amount	Amount
Net sales	626,782	608,588
Cost of sales	389,368	358,817
Gross profit	237,414	249,771
Selling, general and administrative expenses	161,310	144,219
Research and development	55,315	49,441
Loss from transfer of obligation with transfer of substitutional portion of employees' pension fund	(41,339)	
Interest expenses (income), net	(609)	(216)
Foreign exchange loss, net	1,306	75
Other expenses, net	(2,921)	3,704
Income before income taxes and minority interests and cumulative effect accounting change	64,352	52,548
Income taxes:	27,238	22,108
(Current)	(23,276)	(20,393)
(Deferred)	(3,962)	(1,715)
Minority interests	150	264
Net income before adjustment for cumulative effect of accounting change	36,964	30,176
Cumulative effect of accounting change (after tax effect considerations)	1,201	
<b>Net income</b>	<b>35,763</b>	<b>30,176</b>

Notes:

- The amounts above are rounded down to the nearest million yen.
- Gain and loss recognized in connection with the return of the substitutional portion of the employees' pension fund (excluding the difference from transfer of obligation) during the fiscal year ended March 31, 2006 are included in selling, general and administrative expenses and research and development expenses under U.S. GAAP. The difference of ¥41,339 million between the accrued benefit obligation and related pension plan assets is stated as "Loss from transfer of obligation with transfer of substitutional portion of employees' pension fund." The difference of ¥8,870 million between the projected benefit obligation and accrued benefit obligation, which is the previously accrued salary progression related to the substitutional portion, was recognized as a return of net periodic pension cost, and the one-time amortization of the unrecognized actuarial balance corresponding to the substitutional portion, which totaled ¥38,294 million, was recognized as a settlement loss. Of the return of the previously accrued salary progression and the settlement loss totaling ¥29,424 million, ¥15,975 million is accounted for in cost of sales, ¥8,635 million in selling, general and administrative expenses, and ¥4,814 million in research and development expenses.

## Consolidated Statements of Cash Flows

(Millions of yen)

	69th term (April 1, 2005 to March 31, 2006)		68th term (April 1, 2004 to March 31, 2005)	
	Amount		Amount	
<b>Operating Activities:</b>				
Net income		35,763		30,176
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	30,825		28,642	
Net gain on sales of short-term investments and investment securities	(4,302)		(987)	
Loss on impairment of investment securities and other assets	757		366	
Loss from transfer of obligation with transfer of substitutional portion of employees' pension fund	(41,339)			
Termination and retirement benefits	29,254		1,956	
Cumulative effect of accounting change	1,201			
Increase in notes and accounts receivable — trade, net	(9,629)		(2,762)	
Increase in inventories	(2,098)		(1,964)	
Increase (decrease) in notes and accounts payable — trade	7,079		(4,908)	
Other, net	4,188		10,557	
<b>Net cash provided by operating activities</b>		15,936		30,900
		51,699		61,076
<b>Investing Activities:</b>				
Capital expenditures		(40,560)		(38,579)
Sale and acquisition of business entities, net		(10,189)		(1,887)
Other, net		7,729		4,416
<b>Net cash used in investing activities</b>		(43,020)		(36,050)
<b>Financing Activities:</b>				
Decrease in interest-bearing debt		(22,507)		(32,174)
Dividends paid		(6,218)		(5,670)
Acquisition of treasury stock		(10,075)		(2,954)
Exercise of stock options		477		95
Disposal of treasury stock		3		19
<b>Net cash used in financing activities</b>		(38,320)		(40,684)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>		1,307		1,218
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>		(28,334)		(14,440)
<b>Cash and Cash Equivalents at Beginning of the Period</b>		80,619		95,059
<b>Cash and Cash Equivalents at End of the Period</b>		52,285		80,619

Note: The amounts above are rounded down to the nearest million yen.

## Significant Accounting Policies

### 1. Preparation of Consolidated Financial Statements

The Company prepares its consolidated financial statements in conformance with the terminology, form and preparation methods based on accounting principles generally accepted in the United States of America, in accordance with Article 179, paragraph 1 of the Commercial Code Enforcement Regulations. However, certain entries and notes required by accounting principles generally accepted in the United States of America have been omitted, in conformance with the same paragraph.

### 2. Inventories are stated principally at the lower of cost or market, with cost determined by the moving-average method.

### 3. Valuation standards and methods for securities

The Company applies Statement of Financial Accounting Standards (“SFAS”) No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” of the U.S. Financial Accounting Standards Board (FASB).

Held-to-maturity securities:	Reported at amortized cost
Available-for-sale securities:	Reported at fair value on the balance sheet date. (Unrealized gains and losses are added directly to shareholders’ equity, and amortized cost is calculated using the moving-average method.)

### 4. Fixed assets are depreciated by the following methods:

Property, plant and equipment:	Declining-balance method
Intangible fixed assets:	Straight-line method (However, in accordance with SFAS No. 142, “Goodwill and Other Intangible Assets,” assets with indefinite useful lives are not amortized but are tested for impairment at least annually.)

### 5. Accounting standards for reserves are as follows:

Allowance for doubtful receivables:	To cover possible losses on notes and accounts receivable, an allowance for doubtful receivables is established in amounts considered to be appropriate based primarily upon the Companies’ past credit loss experience for ordinary receivables and evaluation of potential losses in the receivables outstanding.
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Allowance for retirement benefits:	An allowance for retirement benefits is provided based on the fair value of pension plan assets and projected benefit obligation at the end of the term, in accordance with SFAS No. 87, “Employers’ Accounting for Pensions.” An additional amount is recorded as minimum pension liability adjustments in the amount of the difference between accumulated benefit obligation (projected benefit obligation less future fixed wage increases) and the fair value of pension plan assets.
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Unrecognized prior service cost is expensed using the straight-line method based on the average remaining length of service of employees.

Unrecognized actuarial net losses are expensed using the straight-line method based on the average remaining length of service of employees for the amount exceeding the “corridor” (10% of projected benefit obligation or fair value of plan assets, whichever is greater).

The Company and certain domestic subsidiaries previously used December 31 as the measurement date of projected benefit obligation and plan assets in accounting for pensions. Effective from the 69<sup>th</sup> fiscal year, the Company has changed the measurement date to March 31. The purpose of this change is to enable more timely reflection of factors such as the effect of systematic

changes and personnel increases or reductions in accounting for pensions, in the projected benefit obligation and retirement benefit expenses. The cumulative effect (after tax effect considerations) of this change was accounted for in profit and loss for the 69<sup>th</sup> fiscal year, which reduced net income for the period by ¥1,201 million

6. Consumption taxes are excluded from revenue and expenses.

7. Goodwill and Other Intangible Assets

The Company accounts for goodwill and other intangible assets in accordance with SFAS No. 142, “Goodwill and Other Intangible Assets,” which requires that goodwill no longer be amortized, but instead tested for impairment at least annually.

### **Notes Related to Consolidated Balance Sheet**

1. Accumulated depreciation of property, plant and equipment: ¥163,802 million
2. Accumulated other comprehensive income (loss) includes translation adjustments, unrealized gains on securities, unrealized gains or losses on derivatives, and minimum pension liability adjustments.

### **Notes Related to Consolidated Statement of Operations**

1. Basic net income per share: ¥151.14
2. Diluted net income per share: ¥151.05

### **Subsequent Events**

For significant events that occurred after the balance sheet date, please refer to “2. Company Information, (12) Subsequent Events” in the Business Report.

(Attachment)

## Non-consolidated Balance Sheet

(Millions of yen)

Item	69th term (April 1, 2005 to March 31, 2006)	(Reference) 68th term (April 1, 2004 to March 31, 2005)	Item	69th term (April 1, 2005 to March 31, 2006)	(Reference) 68th term (April 1, 2004 to March 31, 2005)
	Amount	Amount		Amount	Amount
<b>Assets</b>	<b>372,770</b>	<b>370,301</b>	<b>Liabilities</b>	<b>136,271</b>	<b>157,962</b>
<b>Current assets:</b>	<b>119,151</b>	<b>125,749</b>	<b>Current liabilities:</b>	<b>94,528</b>	<b>107,894</b>
Cash and cash equivalents	7,939	12,588	Trade notes payable	3,991	3,094
Trade notes receivable	2,599	3,194	Trade accounts payable	40,059	36,966
Trade accounts receivable	62,456	57,218	Bank loans		10,500
Finished products	8,507	7,278	Short-term loans to affiliated companies	25,985	23,180
Materials	4,669	3,376	Current portion of long-term debt		10,000
Work in process	8,325	5,536	Accounts payable	7,582	5,825
Inventories	231	436	Accrued expenses	8,803	8,159
Short-term loans	7,149	1,190	Deferred income taxes	2,811	3,751
Short-term repurchase loans		15,000	Advance receipts	730	2,037
Accrued agent purchases	6,349	9,054	Deposits received	3,285	3,379
Deferred tax assets	7,609	7,722	Other current liabilities	1,282	1,003
Other current assets	3,505	3,354	<b>Long-term liabilities:</b>	<b>41,743</b>	<b>50,068</b>
Allowance for doubtful receivables	(187)	(197)	Termination and retirement benefits	41,022	49,186
			Other	721	882
<b>Fixed assets:</b>	<b>253,619</b>	<b>244,552</b>			
<b>Property, plant and equipment:</b>	<b>54,284</b>	<b>51,515</b>			
Buildings	25,953	25,652	<b>Shareholders' Equity</b>	<b>236,499</b>	<b>212,339</b>
Structures	2,034	1,765	<b>Common stock</b>	<b>64,100</b>	<b>64,100</b>
Machinery and equipment	1,783	1,842	<b>Capital reserve</b>	<b>88,771</b>	<b>88,776</b>
Vehicles	13	12	Additional paid-in capital	88,771	88,771
Tools, furniture and fixtures	2,531	1,988	Other capital reserve		5
Land	19,148	18,295	<b>Retained earnings</b>	<b>107,030</b>	<b>84,005</b>
Construction in progress	2,822	1,961	Legal reserve	6,774	6,683
<b>Intangible fixed assets:</b>	<b>8,898</b>	<b>8,534</b>	Dividend reserve	3,400	3,400
Software	8,898	8,534	Land devaluation reserve	1,511	1,511
<b>Investments and other assets:</b>	<b>190,437</b>	<b>184,503</b>	Reserve for devaluation of replacement assets	312	347
Investment securities	59,649	44,087	Special reserve	60,500	45,500
Affiliated company stock	93,751	94,926	Unappropriated retained earnings at end of term	34,533	26,564
Investments in affiliated companies	12,814	11,728	<b>Adjustment due to revaluation of land</b>	<b>(9,379)</b>	<b>(9,425)</b>
Long-term loans	50	134	<b>Adjustment due to revaluation of securities, etc.</b>	<b>18,698</b>	<b>8,021</b>
Long-term loans to affiliated companies	6,301	6,696	<b>Treasury stock</b>	<b>(32,721)</b>	<b>(23,138)</b>
Leasehold deposits	5,698	5,738			
Long-term deferred tax assets	7,825	18,541			
Deferred tax assets related to revaluation	6,518	6,550			
Other	1,668	1,499			
Allowance for doubtful accounts	(3,837)	(5,396)			
<b>Total</b>	<b>372,770</b>	<b>370,301</b>	<b>Total</b>	<b>372,770</b>	<b>370,301</b>

Note: The amounts above are rounded down to the nearest million yen.

## Non-consolidated Statement of Operations

(Millions of yen)

Item	69th term (April 1, 2005 to March 31, 2006)	(Reference) 68th term (April 1, 2004 to March 31, 2005)
	Amount	Amount
<b>Ordinary Profit and Loss</b>		
<b>Operating revenue, costs and expenses:</b>		
<b>Operating revenue:</b>	<b>312,072</b>	<b>336,271</b>
Net sales	312,072	336,271
<b>Operating costs and expenses:</b>	<b>300,227</b>	<b>320,966</b>
Cost of sales	190,848	208,912
Selling, general and administrative expenses	109,379	112,054
<b>Operating income</b>	<b>11,845</b>	<b>15,305</b>
<b>Non-operating income and expenses:</b>		
<b>Non-operating income:</b>	<b>24,305</b>	<b>16,696</b>
Interest and dividends received	22,128	14,954
Commissions received	557	285
Other	1,620	1,457
<b>Non-operating expenses:</b>	<b>4,320</b>	<b>3,211</b>
Interest expenses	399	578
Discount expenses	1,402	1,549
Foreign exchange loss	1,719	253
Transfer to allowance for doubtful receivables	9	37
Other	791	794
<b>Ordinary income</b>	<b>31,830</b>	<b>28,790</b>
<b>Extraordinary Gains and Losses</b>		
<b>Extraordinary gains:</b>	<b>11,637</b>	<b>893</b>
Gain on sale of fixed assets	0	27
Gain on sale of marketable securities	565	840
Gain on sale of stock of affiliates	185	
Gain on reversal of allowance for doubtful receivables	166	7
Gain on transfer of substitutional portion of employees' pension fund	10,698	
Other	23	19
<b>Extraordinary losses:</b>	<b>4,378</b>	<b>5,451</b>
Loss on sale and disposal of fixed assets	191	2,362
Loss on impairment of fixed assets	1,625	
Loss on valuation of marketable securities	205	195
Loss on valuation of affiliated company stock	1,152	77
Loss on valuation of investments in affiliated companies	753	182
Business reorganization expenses	430	2,541
Other	22	94
<b>Income before income taxes:</b>	<b>39,089</b>	<b>24,232</b>
Income taxes	5,537	4,728
Adjustment to income taxes	4,920	606
<b>Net income</b>	<b>28,632</b>	<b>18,898</b>
Retained earnings brought forward	8,179	9,771
Loss on disposal of treasury stock	7	
Drawdown of reserve for adjustment due to revaluation of land	(47)	276
Unappropriated retained earnings from merger	633	
Interim dividends paid	2,857	2,381
<b>Unappropriated retained earnings at end of term</b>	<b>34,533</b>	<b>26,564</b>

Note: The amounts above are rounded down to the nearest million yen.

## Significant Accounting Policies

1. Valuation standards and method for securities  
Common stock of subsidiaries and affiliates: Stated at cost using the moving-average method  
  
Other marketable securities:  
Securities to which market value applies: Stated at market value based on market prices, etc.  
(Valuation gains and losses are fully capitalized, and selling prices are determined by the moving-average method.)  
Securities to which market value does not apply: Stated at cost using the moving-average method
2. Derivatives are stated at fair value.
3. Inventories are stated at cost, using the first-in, first-out method.
4. Fixed assets are depreciated by the following methods:  
Property, plant and equipment: Declining balance method (Useful lives of buildings are generally 15-50 years)  
Intangible fixed assets: Straight-line method (Estimated useful life of software is 3-5 years)
5. Deferred charges are charged to income in their full amount when they are paid or incurred.
6. The allowance for doubtful receivables is established based on the Company's past credit loss experience for ordinary receivables, and evaluation of financial condition for receivables at risk of default and receivables from customers in bankruptcy.
7. The allowance for retirement benefits is provided based on the projected amount of pension plan assets and retirement benefit obligations at the end of the term. Prior service cost is expensed using the straight-line method over fifteen years, based on the average remaining length of service of employees at the time the cost is incurred. Actuarial gains or losses are expensed using the straight-line method over fifteen years, starting from the year after the occurrence of each proportionally divided amount, based on the average remaining length of service of employees at the time the gain or loss is incurred.
8. Foreign-currency denominated credits and debts are translated to yen according to spot exchange rates on the balance sheet date. Translation gains or losses are credited or charged to income.
9. Finance leases that are not deemed to transfer to the lessee are treated as ordinary operating leases.
10. The Company uses deferred hedge accounting as its hedge accounting method.
11. Consumption taxes are not included in the Company's financial statements.
12. Starting from the fiscal year ended March 31, 2006, the Company applies accounting standards for impairment of fixed assets ("Opinion regarding Establishment of Accounting Standards for Impairment of Fixed Assets," (Business Accounting Deliberation Council, August 9, 2002)) and "Application Guidelines for Accounting Standards for Impairment of Fixed Assets" (Corporate Accounting Standards Application Guidelines No. 6, October 31, 2003). As a result, income before income taxes decreased ¥1,625 million compared with the previous method.

## Notes to Non-consolidated Balance Sheet

- |   |                       |
|---|-----------------------|
| 1. Short-term credits due from affiliated companies   | ¥35,930 million       |
| Short-term liabilities due to affiliated companies  | ¥49,594 million       |
| 2. Accumulated depreciation for property, plant and equipment   | ¥52,480 million       |
| Note: Includes accumulated impairment loss  |                       |
| 3. In addition to property, plant and equipment stated on the balance sheet, the Company uses lease agreements for manufacturing equipment, information processing equipment and other items.   |                       |
| 4. Guarantees   |                       |
| Guaranteed parties  |                       |
| Affiliated companies  | ¥12 million           |
| Employees   | ¥19 million           |
| Others  | ¥1,169 million        |
| Total   | <u>¥1,200 million</u> |
| 5. Discounted trade notes receivable  | ¥12 million           |
| 6. Revaluation of Land  |                       |
| The Company revalued land used for business operations on the basis prescribed by the Law Concerning Revaluation of Land (Cabinet Order No. 34, March 31, 1998) and the Revised Law Concerning Revaluation of Land (Cabinet Order No. 94, June 29, 2001). The resulting revaluation difference is stated in Shareholders' equity as "Adjustment due to revaluation of land," net of deferred tax assets related to the revaluation. |                       |
| Revaluation method:   |                       |
| The revaluation was based on calculations made with appropriate adjustments to prices registered in the land tax register, pursuant to Article 2, item 3 of Cabinet Order No. 119 (March 31, 1998) of the Law Concerning Revaluation of Land, and on appraisal values given by property appraisers, as provided in Article 2, item 5 of the same cabinet order.   |                       |
| Date of revaluation: March 31, 2002   |                       |
| The difference between the total market value at March 31, 2004, of land used for business operations that was revalued pursuant to Article 10 of the above law, and the total book value of such land after revaluation (the amount of market value less than book value) is ¥4,303 million.   |                       |
| 7. The amount of net assets with dividend restrictions according to the provisions of Article 124, paragraph 3 of the Commercial Code Enforcement Regulations is ¥18,698 million.   |                       |

## Notes to Non-consolidated Statement of Operations

1. Transactions with affiliated companies:
 

Sales to subsidiaries:	¥105,384 million	Other transactions:	¥126,304 million
Purchases from subsidiaries:	¥33,471 million	Non operating transactions:	¥23,618 million
2. Net income per share: ¥120.39
3. Research and development expenses included in operating expenses: ¥41,012 million

### Retirement Benefits

1. Retirement benefit obligations (as of March 31, 2006)
 

Benefit obligation	¥(100,514) million
Pension plan assets	¥58,879 million
Unfunded retirement benefit obligation	¥(41,635) million
Unrecognized actuarial differences	¥18,546 million
Unrecognized prior service cost	¥(17,933) million
Net amount on balance sheet	¥(41,022) million
Allowance for retirement benefits	¥(41,022) million
2. Items related to retirement benefit expenses (April 1, 2005 – March 31, 2006)
 

Service cost	¥2,308 million
Interest cost	¥2,446 million
Expected return	¥(1,656) million
Amortization of actuarial differences	¥1,954 million
Amortization of prior service cost	¥(1,421) million
Retirement benefit expenses	¥3,631 million
3. Basis for calculation of retirement benefit obligations, etc.
 

Method of allocation of estimated pension cost	Straight-line method
Discount rate	2.5%
Expected rate of return on plan assets	3.0%

### Income Taxes

1. Breakdown of major factors giving rise to deferred tax assets and liabilities
 

Deferred tax assets	
Allowance for doubtful receivables	¥1,408 million
Inventories	¥2,258 million
Accrued bonuses	¥2,521 million
Termination and retirement benefits	¥16,819 million
Investment securities	¥2,521 million
Unspecified debt	¥1,478 million
Depreciable assets	¥1,216 million
Others	¥1,496 million
Deferred tax assets, Total	¥29,717 million
Deferred tax liabilities	
Reserve for reduction of fixed asset value	¥1,251 million
Unrealized gain on securities	¥12,993 million
Others	¥39 million
Deferred tax assets, net	¥14,283 million
Net tax assets carried over	¥15,434 million
2. The main factor in the difference between the statutory tax rate and effective tax rate was exclusion from gross revenue related to dividends received from subsidiaries, etc.

### Proposed Appropriation of Unappropriated Retained Earnings

(Yen)

Item	69th term (April 1, 2005 to March 31, 2006)	(Reference) 68th term (April 1, 2004 to March 31, 2005)
<b>Unappropriated retained earnings as of the end of term:</b>	<b>34,532,983,817</b>	<b>26,564,361,544</b>
Reversal of reserve for devaluation of replacement assets	22,734,212	63,447,078
<b>Total</b>	<b>34,555,718,029</b>	<b>26,627,808,622</b>
To be appropriated as follows:		
Dividends	4,220,815,770	3,332,906,934
	Ordinary dividend (¥18.00 per share)	Ordinary dividend (¥14.00 per share)
Bonuses for Members of the Board of Directors	140,200,000	115,600,000
Special reserve	20,000,000,000	15,000,000,000
Retained earnings carried forward to the next term:	10,194,702,259	8,179,301,688

Note: Interim dividends totaling ¥2,856,980,988 (¥12.00 per share) were paid on December 6, 2005.