

Consolidated Financial Statements for the Six Months Ended September 30, 2004

October 28, 2004

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in the United States ("U.S. GAAP") except for Segment Information.

Omron Corporation

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Stock exchange listings: Tokyo, Osaka, Nagoya
Stock Ticker Symbol: 6645

Board of Directors meeting: October 28, 2004
U.S. accounting standards used: Yes

1. Results for the six months from April 1, 2004 to September 30, 2004

Note: All amounts in these financial statements and the attachments thereto are rounded to the nearest million yen.

(1) Sales and Income

| | Net sales (¥ million) | Year-on-year change (%) | Operating income (¥ million) | Year-on-year change (%) | Income before income taxes (¥ million) | Year-on-year change (%) |
|---------------------|--------------------------|----------------------------|------------------------------------|----------------------------|--|----------------------------|
| 6 months ended 9/04 | 302,272 | 11.9 | 31,198 | 44.8 | 29,001 | 49.2 |
| 6 months ended 9/03 | 270,192 | 9.4 | 21,540 | 88.0 | 19,433 | — |
| Year ended 3/04 | 584,889 | | 51,403 | | 47,984 | |

| | Net income (¥ million) | Year-on-year change (%) | Earnings per share (basic) (¥) | Earnings per share (diluted) (¥) |
|---------------------|------------------------------|----------------------------|-----------------------------------|-------------------------------------|
| 6 months ended 9/04 | 16,439 | 113.5 | 68.81 | 67.06 |
| 6 months ended 9/03 | 7,698 | — | 31.70 | 31.08 |
| Year ended 3/04 | 26,811 | | 110.66 | 107.53 |

Notes:

- Equity in earnings of affiliates: Six months ended Sept. 30, 2004: (¥ 38 million)
Six months ended Sept. 30, 2003: ¥13 million Year ended March 31, 2004: ¥ 92 million
- Average number of shares outstanding (consolidated): Six months ended Sept. 30, 2004: 238,915,781 shares
Six months ended Sept. 30, 2003: 242,848,006 shares Year ended March 31, 2004: 242,296,332 shares
- Changes in accounting methods: No
- Year-on-year change for net sales, operating income, income before income taxes and net income is based on the previous interim period.

(2) Financial Position

| | Total assets (¥ million) | Total shareholders' equity (¥ million) | Shareholders' equity ratio (%) | Shareholders' equity per share (¥) |
|---------------------|-----------------------------|---|-----------------------------------|---------------------------------------|
| 6 months ended 9/04 | 571,242 | 300,274 | 52.6 | 1,261.22 |
| 6 months ended 9/03 | 552,521 | 262,128 | 47.4 | 1,079.42 |
| Year ended 3/04 | 592,273 | 274,710 | 46.4 | 1,148.33 |

Note: Number of shares outstanding at end of period (consolidated): Six months ended Sept. 30, 2004: 238,082,623 shares
Six months ended Sept. 30, 2003: 242,840,845 shares Year ended March 31, 2004: 239,224,823 shares

(3) Cash Flows

| | Net cash provided by operating activities (¥ million) | Net cash used in investing activities (¥ million) | Net cash used in financing activities (¥ million) | Cash and cash equivalents at end of period (¥ million) |
|---------------------|---|---|---|--|
| 6 months ended 9/04 | 33,581 | (16,485) | (37,265) | 77,487 |
| 6 months ended 9/03 | 35,545 | (15,551) | (17,941) | 79,259 |
| Year ended 3/04 | 80,687 | (34,484) | (28,119) | 95,059 |

(4) Scope of consolidation and application of the equity method

Consolidated subsidiaries: 140 companies

Unconsolidated subsidiaries accounted for by the equity method: None

Affiliated companies accounted for by the equity method: 12 companies

(5) Changes in scope of consolidation and application of the equity method

Consolidation: (New) 7 companies (Eliminated) 2 companies

Equity method: (New) 1 company (Eliminated) 1 company

2. Projected results for the year ending March 31, 2005 (April 1, 2004 to March 31, 2005)

| | Net sales (¥ million) | Income before income taxes (¥ million) | Net income (¥ million) |
|------------------|--------------------------|---|---------------------------|
| Year ending 3/05 | 615,000 | 56,000 | 34,000 |

Reference: Estimated earnings per share (full year): ¥142.81

Note: Please see pages 9-12 of the attached materials regarding the above projected results.

Summary of Results for the Six Months Ended September 30, 2004

1. Consolidated Results

(Millions of yen, %)

| | Interim Period | | | Full Fiscal Year Forecast | | |
|-----------------------------------|---|---|-----------------------------------|--|---------------------------------|-------------------------|
| | Six months ended September 30, 2004 | Six months ended September 30, 2003 | Change from previous period | Year ending March 31, 2005 (projected) | Year ended March 31, 2004 | Year-on- year change |
| Net sales | 302,272 | 270,192 | 112% | 615,000 | 584,889 | 105% |
| Income before income taxes | 29,001 | 19,433 | 149% | 56,000 | 47,984 | 117% |
| [% of net sales] | [9.6%] | [7.2%] | [+2.4P] | [9.1%] | [8.2%] | [+0.9P] |
| Net income | 16,439 | 7,698 | 214% | 34,000 | 26,811 | 127% |
| Earnings per share (basic) (¥) | 68.81 | 31.70 | +37.11 | 142.81 | 110.66 | +32.15 |

Notes:

1. The financial statements are prepared in accordance with U.S. GAAP.
2. Includes 140 consolidated subsidiaries and 12 affiliated companies accounted for by the equity method.

2. Non-consolidated Results

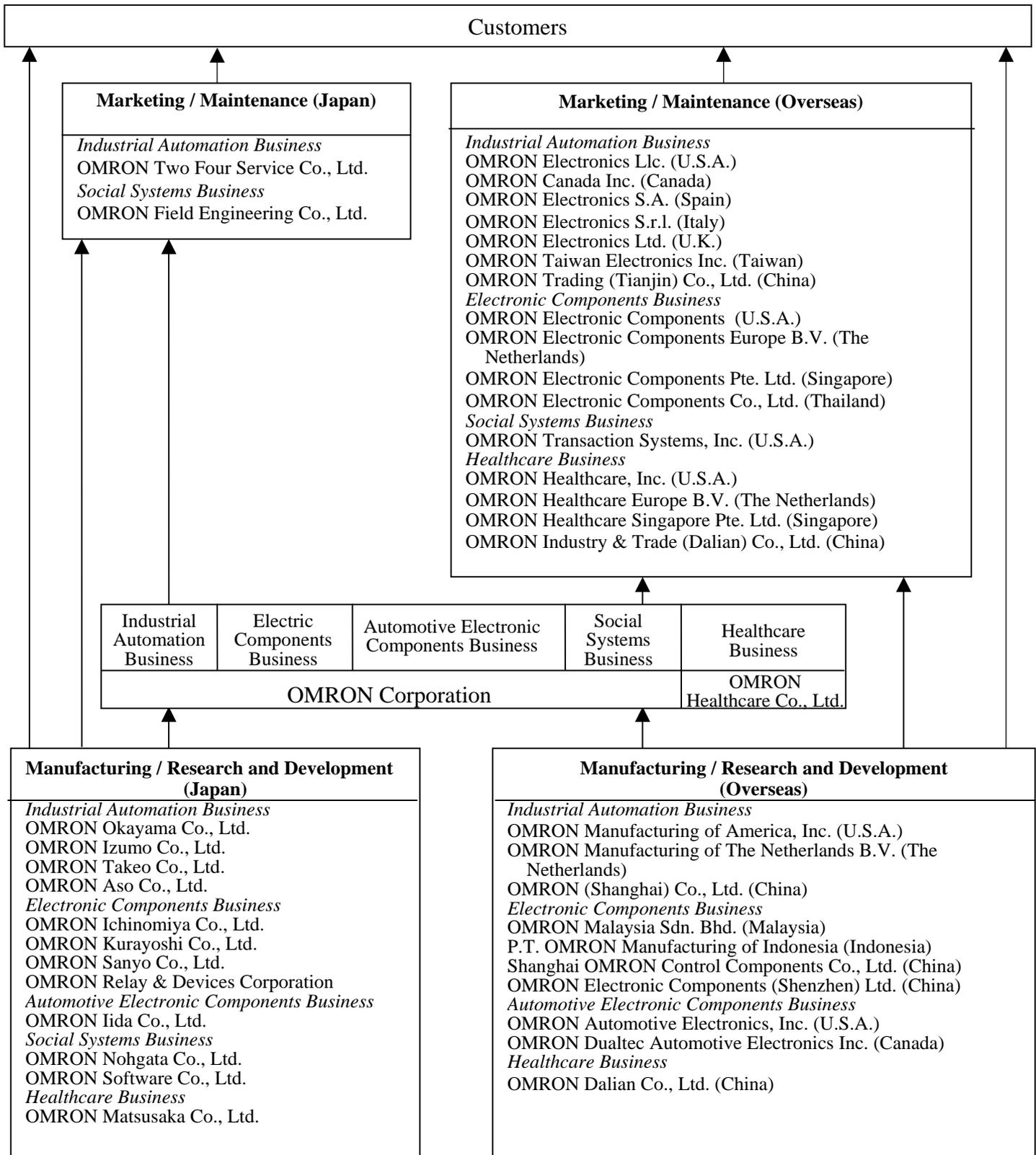
(Millions of yen, %)

| | Interim Period | | | Full Fiscal Year Forecast | | |
|---------------------------------|---|---|-----------------------------------|--|---------------------------------|-------------------------|
| | Six months ended September 30, 2004 | Six months ended September 30, 2003 | Change from previous period | Year ending March 31, 2005 (projected) | Year ended March 31, 2004 | Year-on- year change |
| Net sales | 178,281 | 163,218 | 109% | 337,000 | 351,075 | 96% |
| Ordinary income | 24,322 | 7,180 | 339% | 23,500 | 13,065 | 180% |
| [% of net sales] | [13.6%] | [4.4%] | [+9.2P] | [7.0%] | [3.7%] | [+3.3P] |
| Net income | 15,293 | 4,137 | 370% | 13,500 | 6,273 | 215% |
| Earnings per share (¥) | 64.01 | 17.03 | +46.98 | 56.70 | 25.46 | +31.24 |
| Cash dividends per share (¥) | 10.00 | 6.50 | +3.50 | 20.00 | 20.00 | ±0 |

1. The Omron Group

The Omron Group consists of Omron Corporation and 140 consolidated subsidiaries (45 in Japan, 95 overseas) and 12 affiliates (8 in Japan, 4 overseas). Under the internal company system used by the Group, business activities are carried out by the Industrial Automation Business, Electronic Components Business, Automotive Electronic Components Business, Social Systems Business, Healthcare Business and Others (Business Development Group, etc.).

The following chart shows the position of the main companies that make up the business groups.



Note: 1. "Social Systems Business" includes the Social Systems Solutions and Service Business Company, the Financial Systems Business Company and others
 2. OMRON Ichinomiya Co., Ltd. has changed its company name to OMRON Amusement Co., Ltd. as of October 1, 2004.

2. Management Policies

(1) Basic Management Policy

In fiscal 2001 (ended March 31, 2002), Omron began implementing “Grand Design 2010” (GD2010), a vision that sets the basic policies for management of the Omron Group for the 10 years through fiscal 2010. In accordance with these basic policies, Omron has set the management objectives of maximizing on the Company’s corporate value over the long term, based on its mission of contributing to the advancement of society, with the aim of becoming a “21st century company.”

(2) Basic Policy for Distribution of Profits

Omron views the distribution of profits to shareholders as one of the most important elements of its dividend policy, and as such will apply the following new basic rules starting from the dividend payment for fiscal 2004.

- 1) In order to maximize corporate value, internal capital resources will be secured for measures that will increase corporate value. These measures include investments in R&D and capital investments, which are vital to future business expansion.
- 2) After taking into consideration the required investments for future growth and the level of free cash flow, surplus will be distributed to the shareholders to the maximum extent possible.
- 3) Although subject to the level of internal capital resources, Omron plans to achieve a payout ratio in the 20% range. Omron’s dividend policy is based on the consolidated fiscal year results. However, a minimum payout of ¥10 is guaranteed even during a weak financial year. This is done to effectively fulfill the expectations of long-term shareholders, and to demonstrate the determination of management to establish a solid base for future growth and effectively avoid unexpected deterioration in financial performance.
- 4) Utilizing retained earnings that have been accumulated over a long period of time, Omron intends to systematically repurchase and retire the Company’s stock to benefit shareholders.

(3) Policies on Lowering the Stock Trading Unit

With a view to increasing the liquidity of the Company’s stock and the number of shareholders, Omron has set the minimum stock-trading unit at 100 shares.

(4) Targets for Management Indicators

In the aforementioned GD2010, Omron identified return on equity (ROE) as a management indicator. For fiscal 2004, the Company aims to maintain ROE at the 10% level, further enhancing performance while balancing growth and profitability. The Company is now formulating a new set of targets and implementation plans for the second phase of GD2010 through fiscal 2007, in order to maximize corporate value over the long term.

(5) Long-Term Management Strategies

To ensure the achievement of the mid-term targets established in GD2010 and to crystallize the resources for achieving growth, Omron starting from fiscal 2004 will undertake the policy of “Maintaining ROE of 10% and Establishing a Structure for Growth”. In addition to the above-mentioned policy, a sub-policy, “Continuing Structural Reform Program: Maintaining a Balance between Growth and Profitability” will be established. This will be supported by two structural reforms, one “Structural Reform of Business Domains”, which is aimed to identify new potential markets and technology to effectively redefine the business domain, and two “Operational Structural Reform” targeted to identify an optimal earning structure to continuously enhance profitability.

Based on these management strategies, Omron’s goal for the second stage of GD2010 is to double its total value of the businesses (compared with fiscal 2003) by fiscal 2007. For existing businesses, Omron plans to undertake a review of profit structure, as well as increase its business value in the Chinese market through growing sales. For new businesses, Omron intends to create new value by utilizing its core technologies.

(6) Issues Facing the Company

In order to achieve the new mid-term targets, Omron plans to address the following four issues by balancing growth and profit:

- (1) Omron will work to accelerate business in China. Omron plans to compete in the globally competitive Chinese market by engaging in new business opportunities and making proactive investments. In addition to strengthening the local management capabilities, Omron intends to conduct local strategic meetings. These meetings will be presided over by the president of the Company, so that localized decisions and implementations can be made swiftly and effectively.
- 2) Omron will focus on growth based on technologies. While the Company will endeavor to achieve growth by strengthening the profit structure of existing businesses, it also intends to focus on growth from new businesses, particularly in technology. In order to accomplish this, the Company will determine the core areas of technology

and growth and will promote sophistication of technology and application map to enhance innovative technological development.

- 3) Omron will implement structural reform of SG&A (selling, general and administrative) expenses and production. Omron plans to improve operating income mainly by focusing on restructuring of existing businesses' profit structure.
- 4) Omron will undertake effective management of cash flows. By assessing the value of various businesses within the group and determining its underlying cash generating abilities, Omron aims to effectively manage the Group's operations. Through the introduction of an individual fund allocation system, each internal company will be able to make financial plans and investment decisions more independently.

(7) Fundamental Corporate Governance Stance and Policies

1) Fundamental Corporate Governance Stance

Omron's corporate philosophy emphasizes a commitment to fulfilling public responsibilities, and strives to contribute to society through its operations, as well as its corporate citizenship activities. The management principles underpinning this commitment are: "Maximization of customer satisfaction," "Relentless pursuit of challenges," "Treasure the trust of shareholders," "Respect for individuals," "Commitment to corporate citizenship" and "Highest ethical standard for corporate activities." Recognizing that the pursuit of efficient management produces the best returns for all stakeholders, management places importance on sound corporate governance that brings together the interests of shareholders, customers, employees and others.

Omron reinforces management-monitoring functions (the main role of Board of Directors) and promotes more transparent management practices through timely and appropriate information disclosure. Also by establishing the Managing Officers System and the Internal Company System, and by separating the role of corporate management and business operations, Omron aims to maintain effective corporate governance that effectively meets the changes in the operating environment more flexibly and swiftly.

2) Actions Taken toward Corporate Governance

Omron has always been proactive in separating the roles of directors and managing officers. The Company continues to improve its corporate governance by optimal use of its existing management structure and systems as well as auditor system.

Organizational Structure and Policy

Omron has adopted the auditor system, whereby the Board of Directors and the Board of Corporate Auditors supervise and monitor its business execution. Although Omron believes that the current auditor system is effective, it will continue to study the feasibility of the Company with Committees System.

The Board of Directors consists of a relatively small number of directors totaling seven, including two outside directors. The Board determines important executive business decisions such as management goals and strategies. They also monitor the Representative Director (the President). The Chairman of the Board does not engage in day-to-day business execution, but acts as the representative of the stakeholders, monitoring business activities.

The Board of Corporate Auditors consists of four auditors, including three outside auditors. They supervise corporate governance and monitor business management on a daily basis. They also monitor the activities of all directors.

The Personnel Advisory Committee and the Compensation Advisory Committee have been established as special committees in the Board of Directors. Both Committees are chaired by outside directors, and discuss and make decisions on management personnel and other matters.

In order to separate the responsibility for management and execution, Omron has introduced the Managing Officer System. In addition, under the Internal Company System, decision-making authority is delegated to a great extent to the presidents of each internal company. This system facilitates swift decision-making and enhanced productivity. Furthermore, the commitment of management enables clear allocation of responsibility and promotes salary incentives.

In terms of internal audit function, the Corporate Auditing Division under the President regularly conducts internal audits of the Company and its subsidiaries. In addition, the Corporate Auditing Division also provides concrete advice for improvement of monitoring and operations.

Improvements to the Risk Management Structure

Omron has improved its risk management system as it believes that all risk arising from business operations must be accurately assessed and controlled in order to appropriately manage operations, continue stable growth and secure the required level of management resources. Omron is therefore working to optimize and promote the risk management system, and to assess and monitor risks, for the Group overall.

In order to integrate and strengthen risk management and compliance, the Corporate Ethics & Business Conduct Committee, headed by the President, was established. In addition to reporting on compliance status and current risk analysis, the Committee defines short- to medium-term issues, and examines and implements solutions.

As part of the activities of the above committee, Omron has also established special committees on legal compliance, countermeasures in the event of an earthquake, and information risk to plan and enforce comprehensive measures.

Personnel, Business and Equity Relationship of Outside Directors and Auditors with Omron

Omron and its outside directors have no non-routine business relationships in which the outside directors have a direct interest. Omron has no business relationships with its external auditors.

3) Efforts Made in the Past Year to Enhance Corporate Governance at Omron

- To create a compensation system that better reflects results and performance during the terms of directors and officers, the retirement bonus system for directors and auditors was abolished.
- The responsibilities of outside directors were lightened to make it easier to invite them onto the board and eliminate unnecessary risks in their role of scrutinizing management with an outside perspective.
- To meet stakeholders' needs and expectations toward corporate social responsibility (CSR), the CSR Office was established directly under the President.
- Instead of the Environmental Report it had issued previously, Omron issued a Sustainability Report that widened the scope to from environmental aspects to social responsibility in general.
- Three special committees, the Compliance Special Committee, Earthquake Risk Special Committee and Information Risk Special Committee, were established under the "Corporate Ethics and Conduct Committee.
- The Compliance Special Committee checked the conditions of compliance and established corporate ethics and conduct guidelines as a code of conduct for employees in Europe and the United States, besides Japan, where such guidelines were already in place.
- The Earthquake Risk Special Committee studied measures to respond to earthquakes, assuming an earthquake on the magnitude of the Tokai Earthquake.
- The Information Risk Special Committee is sorting out personal information based on the Personal Information Protection Law that will take effect beginning next year.
- To encourage early detection and take preventive steps, an internal emergency hotline "Whistleblower Helpline" was established in the Corporate General Affairs Division to report suspected unethical conduct or legal violations.

3. Results of Operations and Financial Condition

(a) Results of Operations

(1) Overview of the Interim Period

1) General Overview

During the six months ended September 30, 2004, the Japanese economy overall continued moving toward a recovery centered on exports and capital investment, although it began to show signs of a mild decline due to uncertainties about future prospects through the second half of the period. Overseas, strong growth continued in the U.S. economy as healthy consumer spending fueled increases in production and employment. European economies continued on a moderate recovery footing led by a rebound in external demand reflecting the strength of the U.S. economy. In Asian economies, high growth continued as China maintained a high level of capital investment due to stable growth in consumer spending and expansion of manufacturing. Robust growth also continued in other Asian countries as a result of recovery and expansion in both domestic and external demand.

In markets related to the Omron Group, capital investment demand continued to expand, primarily in the manufacturing sector, which supported solid demand for Omron's control system equipment and consumer and commerce components. As a result, net sales for the Omron Group totaled ¥302,272 million, an increase of 11.9 percent over the same period in the previous year.

As for income, while Omron built the foundations for future growth, the increase in sales and the continuation of the profit structure established through structural reforms up to the previous year resulted in operating income of ¥31,198 million, an increase of 44.8 percent from the same period in the previous year. Income before income taxes was ¥29,001 million, an increase of 49.2 percent, and net income was ¥16,439 million, an increase of 113.5 percent compared with same period in the previous year.

2) Results by Business Segment

● Industrial Automation Business

Economic expansion in the two economic powerhouses of the United States and China contributed to favorable conditions in the global economy. In Japan, a growth trend continued in capital investment in machinery and equipment, particularly among manufacturers of semiconductor manufacturing equipment and automobiles, and sales of control devices increased strongly. Overseas, sales of all types of programmable logic controllers (PLCs) and general-purpose sensors increased in Greater China, where high growth continued, and Southeast Asia, where exports were firm. Sales of PLCs and photoelectric sensors in North America, and motion controllers and smart sensors in Europe, also increased.

As a result, segment sales for the interim period were ¥127,209 million, an increase of 15.0 percent from the same period in the previous year.

● Electronic Components Business

In Japan, firm conditions in semiconductor-related industries and increased production of air conditioners and higher demand for electricity due to a hot summer supported solid demand for relays, switches and connectors for consumer and commerce components. Overseas, sales of LED light modules and flexible printed circuit (FPC) connectors for cellular phones increased against the backdrop of a strong worldwide market for cellular phones. Sales were also favorable for components for the IT industry in Europe and China, where rapid construction of communications infrastructure is taking place, and for air conditioner manufacturers in Southeast Asia.

In the business of backlights for cellular phones, price competition grew increasingly severe, but Omron was able to steadily increase sales.

As a result, segment sales for the interim period were ¥49,956 million, an increase of 14.7 percent from same period in the previous year.

● Automotive Electronic Components Business

During the interim period, automobile production volume was relatively stable in the Japanese and European markets, and increased strongly in China and Southeast Asia. In these conditions, sales in Omron's automotive electronic components business decreased in Japan because of the weak performance of some customers and in North America due to increasing competition. However, as a result of increased sales in Europe and brisk sales for new car models in Korea, sales of this segment totaled ¥30,213 million, an increase of 7.0 percent from the same period in the previous year.

● Social Systems Business

In the electronic fund transfer systems business, prior to the issue of newly designed currency bills in November in the domestic market, demand increased strongly for renewal of ATMs and automated bill changers, as well as conversion of existing machines to handle the new bills. In overseas markets, demand surged in Taiwan for financial equipment that can handle IC cards.

In public transportation-related markets, conversion demand related to the issue of the new currency bills, along with the trend of accelerated capital investment by some customers, resulted in a substantial increase in sales compared with the same period in the previous year.

As a result, segment sales totaled ¥58,872 million, an increase of 9.7 percent from the same period in the previous year.

- **Healthcare Business**

In both Japan and overseas, factors such as growing healthcare needs associated with a rise in the number of hypertension patients and the obese population, as well as government measures to contain medical expenses, resulted in continued solid expansion of the markets relevant to this segment during the interim period. In these conditions, sales of blood pressure monitors, a core product in this segment, remained firm worldwide from the previous year. In addition, sales of body composition monitors increased in Japan, supported by the effect of television commercials, and pedometers also sold well during the interim period.

As a result, segment sales were ¥23,896 million, an increase of 4.8 percent from the same period in the previous year.

- **Others**

The Others segment mainly consists of the Business Development Group, which is responsible for exploring and nurturing new businesses and developing and strengthening businesses that are not formally internal companies. Among existing businesses, in the entertainment business, sales of mainstay photo-sticker vending machines and other commercial game machines were down slightly from the same period in the previous year due to intensified competition, but the launch of businesses such as content distribution for cellular phones resulted in an overall increase in sales over the same period in the previous year. In the computer peripheral business, sales were essentially unchanged from the same period in the previous year. As for new growth themes, the Carmoni series of anti-theft devices for automobiles had a strong market launch, and in the radio frequency identification (RFID) business, Omron developed a critical document management system and an IC tag for individual management of pork products.

As a result, segment sales totaled ¥12,126 million, an increase of 6.8 percent from the same period in the previous year.

3) Distribution of Profits

In accordance with the “Basic Policy for Distribution of Profits” stated above, Omron will increase its interim cash dividend by ¥3.50 per share to ¥10.00 per share. (In the previous fiscal year, the interim dividend was ¥6.50 per share.)

(2) Outlook for the Fiscal Year Ending March 31, 2005

1) General Outlook

Looking toward the economic environment in the second half of the fiscal year ending March 31, 2005, the Japanese economy will still be in a recovery phase, but a deceleration trend is becoming clearer, as seen in the industrial production index and private-sector machinery orders. However, although there are uncertainties in the outlook, including the direction of crude oil prices and exchange rates, the firm growth of the U.S. economy and high growth in Asian economies centered on China should lead to a continuation of the overall recovery trend in the global economy.

Based on this economic outlook, the Omron Group is managing its operations with attention on two objectives: full-scale growth in mainland China and the shift of resources to maximizing the strength of its technology platform and business areas of focus.

The results forecast for the fiscal year is unchanged from the previous announcement on July 29, 2004. This forecast assumes exchange rates of US\$=110 and 1 Euro=¥130 in and after the third quarter.

2) Outlook by Business Segment

Industrial Automation Business

In the second half and thereafter, despite certain concerns such as the sharp rise in crude oil prices and efforts to curb overheating investment in the Chinese economy, Omron will strengthen its domestic sales agent system and work to develop new customers in Japan. Overseas, Omron plans to increase sales by strengthening marketing in key markets, expanding its business in Eastern Europe, building its sales network in Greater China and generating product development in China.

As a result, sales in this segment are projected to increase 10.2 percent year-on-year to ¥253.0 billion.

Electronic Components Business

From the second half, amid a growing sense of uncertainty regarding semiconductor-related industries, overall sales should continue to be firm, centered on backlights and hinges for mobile devices. As for the large-scale backlight business, which Omron entered during the interim period, aggressive business development in Taiwan is planned for the second half. As a result, sales in this segment are projected to increase 19.7 percent year-on-year to ¥106.5 billion.

Automotive Electronic Components Business

Weak automobile production volume among major customers in North America is expected. However, in Japan, Europe and Asia, automobile production volume is projected to increase and Omron will work to strengthen approaches to new model introductions of major customers. As a result, sales in this segment are projected to increase 5.4 percent year-on-year to ¥62.0 billion.

Social Systems Business

In public transportation-related markets, sales for this fiscal year are projected to rise sharply over the previous fiscal year. In addition to demand for conversion of ticket vending machines associated with the planned issue of new currency bills in November, renewal demand will get fully under way in anticipation of the introduction of multi-purpose IC cards.

In the traffic and road management systems sector, sales are projected to decrease year-on-year. While the market for security systems is in an expansion trend, this will not fully compensate for the absence of sales of large-scale management systems recorded in the previous year.

As a result, sales in this segment are projected to decrease 14.7 percent year-on-year to ¥116.0 billion.

Because the electronic fund transfer systems business was separated from Omron into a newly established joint venture company with Hitachi, Ltd. on October 1, 2004, the projected segment sales do not include sales of this business after the separation.

Healthcare Business

Market conditions for the healthcare equipment business are forecast to remain favorable in the second half. Sales of blood pressure monitors, a core product, and body composition monitors, which are selling well in the domestic market, are expected to continue growing. As a result, sales in this segment are projected to increase 8.6 percent year-on-year to ¥51.0 billion.

Others

In the entertainment business, while fierce competition will continue for commercial game machines, Omron will launch new businesses including a content business for cellular phones. The computer peripheral business is expected to remain at the level of the previous year, and Omron will focus on expanding sales in new growth areas.

As a result, sales in this segment are projected to increase 8.3 percent to ¥26.5 billion.

3) Distribution of Profits

In accordance with the “Basic Policy for Distribution of Profits” stated above, Omron plans to pay a year-end cash dividend of ¥10.00 per share, which is ¥3.50 higher per share compared to the previous year.

(b) Financial Condition

(1) Overview of the Six Months Ended September 30, 2004

1) Financial Condition for the Six Months Ended September 30, 2004

Total assets: ¥571,242 million (decrease of ¥21,031 million from the end of the previous fiscal year)

Shareholders' equity: ¥300,274 million (increase of ¥25,564 million from the end of the previous fiscal year)

Shareholders' equity/Total assets: 52.6 percent (increase of 6.2 percentage points from the end of the previous fiscal year)

Total assets decreased ¥21,031 million compared with end of the previous fiscal year. The main factor was a ¥17,572 million decrease in cash and cash equivalents primarily due to the redemption of unsecured convertible bonds.

Shareholders' equity increased ¥25,564 million compared with the end of the previous fiscal year. This was due to the increase from net income of ¥16,439 million and a ¥9,906 million decrease in minimum pension liability adjustments (which increases shareholders' equity) in connection with the change of the retirement pension system.

2) Summary of Cash Flows for the Six Months Ended September 30, 2004

Net cash provided by operating activities was ¥33,581 million, a decrease of ¥1,964 million compared with the same period in the previous year. This was due to an increase in inventories and other factors, which offset the large increase in net income.

Net cash used in investing activities totaled ¥16,485 million, an increase of ¥934 million from the same period in the previous year, mainly due to ongoing investments to strengthen the foundation for future growth.

Net cash used in financing activities was ¥37,265 million, an increase of ¥19,324 million from the same period in the previous year. Principal uses of cash were repayment of convertible bonds and other long-term debt (¥29,912 million), payment of cash dividends including a commemorative dividend (¥3,230 million) and acquisition of treasury stock (¥2,908 million).

As a result, cash and cash equivalents at the end of the interim period were ¥77,487 million, a decrease of ¥17,572 million from the end of the previous fiscal year.

(2) Outlook for the Year Ending March 31, 2005

From the second half of the fiscal year onward, Omron will make growth investments aimed at full-scale growth in China and maximizing the strength of its technology platform. As part of its strategy for growth, Omron will also invest in new product development. Although these investments will increase expenses, operating income is expected to increase over previous fiscal year, so cash flow from operations is expected to be near the level of the previous fiscal year.

Net cash used in investing activities is projected to increase over the previous fiscal year because of the focused investments described above.

In financing activities, Omron will work to ensure an efficient allocation and level of capital throughout the Omron Group, while continuing to flexibly procure funds and repay debt.

Considering the above cash flow projections, Omron believes that the balance of cash and cash equivalents of ¥77,487 million as of September 30, 2004 is more than sufficient for business operations in the present economic conditions.

(3) Cash Flow Indicators and Trends

Cash flow indicators and trends for the three most recent interim periods and the two most recent fiscal years are as follows.

| | Three most recent interim periods | | | Two most recent fiscal years | |
|--|-----------------------------------|----------------------------|----------------------------|------------------------------|----------------------|
| | Six months ended 9/30/2002 | Six months ended 9/30/2003 | Six months ended 9/30/2004 | Year ended 3/31/2003 | Year ended 3/31/2004 |
| Shareholders' equity ratio (%) | 50.3 | 47.4 | 52.6 | 44.3 | 46.4 |
| Shareholders' equity ratio on market value basis (%) | 70.7 | 100.6 | 101.5 | 81.1 | 105.6 |
| Debt repayment period (years) | — | — | — | 1.7 | 0.7 |
| Interest coverage ratio (times) | 20.9 | 57.2 | 49.7 | 29.2 | 66.3 |

Notes:

Shareholders equity ratio: Shareholders' equity/Total assets

Shareholders' equity ratio on market value basis: Total market value of stock/Total assets

Debt repayment period: Interest-bearing liabilities/Net cash provided by operations (not presented for interim periods)

Interest coverage ratio: Net cash provided by operations/Interest expense

1. All indicators are calculated on a consolidated basis.
2. Total market value of stock is calculated by multiplying the total number of shares outstanding at the end of the period (excluding treasury stock) by the closing share price at the end of the period.
3. Net cash provided by operations is as reported in the consolidated statement of cash flows. Interest-bearing liabilities are liabilities stated on the consolidated balance sheets on which interest is paid. Interest expense is as stated in the notes to the consolidated statements of cash flows.

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.

4. Interim Consolidated Financial Statements

Interim Consolidated Statements of Operations

(Millions of yen)

| | Six months ended September 30, 2004 | | Six months ended September 30, 2003 | | Year ended March 31, 2004 | |
|---|--|--------|--|--------|------------------------------|--------|
| | | | | | | |
| Net sales | 302,272 | 100.0% | 270,192 | 100.0% | 584,889 | 100.0% |
| Cost of sales | 174,984 | 57.9 | 157,199 | 58.2 | 344,835 | 59.0 |
| Gross profit | 127,288 | 42.1 | 112,993 | 41.8 | 240,054 | 41.0 |
| Selling, general and administrative expenses | 71,928 | 23.8 | 70,983 | 26.2 | 142,157 | 24.3 |
| Research and development expenses | 24,162 | 8.0 | 20,470 | 7.6 | 46,494 | 7.9 |
| Operating income | 31,198 | 10.3 | 21,540 | 8.0 | 51,403 | 8.8 |
| Interest expense (income), net | (6) | (0.0) | 131 | 0.0 | 317 | 0.1 |
| Foreign exchange loss, net | (362) | (0.1) | 786 | 0.3 | 1,254 | 0.2 |
| Other expenses, net | 2,565 | 0.8 | 1,190 | 0.5 | 1,848 | 0.3 |
| Income before income taxes and minority interests and cumulative effect accounting change | 29,001 | 9.6 | 19,433 | 7.2 | 47,984 | 8.2 |
| Income taxes: | 12,369 | 4.1 | 11,573 | 4.3 | 20,762 | 3.5 |
| Current | 10,781 | | 6,495 | | 13,527 | |
| Deferred | 1,588 | | 5,078 | | 7,235 | |
| Minority interests | 193 | 0.1 | 162 | 0.1 | 411 | 0.1 |
| Net income | 16,439 | 5.4 | 7,698 | 2.8 | 26,811 | 4.6 |

Interim Consolidated Balance Sheets

(Millions of yen)

| | As of September 30, 2004 | | As of September 30, 2003 | | As of March 31, 2004 | |
|--|-----------------------------|---------------|-----------------------------|---------------|-------------------------|---------------|
| | | | | | | |
| ASSETS | | | | | | |
| Current Assets: | 300,493 | 52.6% | 277,706 | 50.3% | 316,226 | 53.4% |
| Cash and cash equivalents | 77,487 | | 79,259 | | 95,059 | |
| Notes and accounts receivable - trade | 116,696 | | 100,258 | | 124,891 | |
| Allowance for doubtful receivables | (2,829) | | (2,847) | | (2,823) | |
| Inventories | 82,340 | | 77,098 | | 70,341 | |
| Deferred income taxes | 17,453 | | 15,458 | | 18,458 | |
| Other current assets | 9,346 | | 8,480 | | 10,300 | |
| Property, Plant and Equipment: | 151,633 | 26.5 | 150,442 | 27.2 | 150,723 | 25.4 |
| Land | 44,725 | | 46,594 | | 45,583 | |
| Buildings | 109,326 | | 110,562 | | 107,852 | |
| Machinery and equipment | 148,837 | | 139,863 | | 141,932 | |
| Construction in progress | 5,780 | | 2,790 | | 3,760 | |
| Accumulated depreciation | (157,035) | | (149,367) | | (148,404) | |
| Investments and Other Assets: | 119,116 | 20.9 | 124,373 | 22.5 | 125,324 | 21.2 |
| Investments in and advances to associates | 2,490 | | 1,228 | | 1,245 | |
| Investment securities | 48,346 | | 38,931 | | 50,331 | |
| Leasehold deposits | 8,711 | | 8,846 | | 8,777 | |
| Deferred income taxes | 40,833 | | 57,313 | | 47,301 | |
| Other | 18,736 | | 18,055 | | 17,670 | |
| Total Assets | 571,242 | 100.0% | 552,521 | 100.0% | 592,273 | 100.0% |

(Millions of yen)

| | As of September 30, 2004 | | As of September 30, 2003 | | As of March 31, 2004 | |
|--|-----------------------------|--------|-----------------------------|--------|-------------------------|--------|
| LIABILITIES | | | | | | |
| Current Liabilities: | 163,633 | 28.6 | 156,943 | 28.4% | 184,548 | 31.2% |
| Bank loans | 14,553 | | 15,681 | | 15,444 | |
| Notes and accounts payable - trade | 79,188 | | 63,899 | | 79,345 | |
| Accrued expenses | 26,573 | | 22,028 | | 26,146 | |
| Income taxes payable | 9,336 | | 5,957 | | 10,114 | |
| Deferred income taxes | 88 | | 86 | | 144 | |
| Other current liabilities | 23,686 | | 19,286 | | 23,319 | |
| Current portion of long-term debt | 10,209 | | 30,006 | | 30,036 | |
| Long-Term Debt | 828 | 0.1 | 11,448 | 2.1 | 11,207 | 1.9 |
| Deferred Income Taxes | 459 | 0.1 | 236 | 0.1 | 483 | 0.1 |
| Termination and Retirement Benefits | 104,233 | 18.2 | 119,341 | 21.6 | 119,738 | 20.2 |
| Other Long-Term Liabilities | 128 | 0.1 | 31 | 0.0 | 140 | 0.0 |
| Minority Interests in Subsidiaries | 1,687 | 0.3 | 2,394 | 0.4 | 1,447 | 0.2 |
| Total Liabilities | 270,968 | 47.4 | 290,393 | 52.6 | 317,563 | 53.6 |
| SHAREHOLDERS' EQUITY | | | | | | |
| Common stock | 64,100 | 11.2 | 64,082 | 11.6 | 64,082 | 10.8 |
| Additional paid-in capital | 98,725 | 17.3 | 98,705 | 17.9 | 98,705 | 16.7 |
| Legal reserve | 7,619 | 1.3 | 7,709 | 1.4 | 7,450 | 1.3 |
| Retained earnings | 189,176 | 33.1 | 159,161 | 28.8 | 175,296 | 29.6 |
| Accumulated other comprehensive income (loss) | (36,291) | (6.3) | (55,455) | (10.1) | (50,559) | (8.6) |
| Foreign currency translation adjustments | (9,787) | | (13,157) | | (15,625) | |
| Minimum pension liability adjustments | (35,332) | | (46,177) | | (45,238) | |
| Net unrealized gains on securities | 8,946 | | 3,738 | | 10,087 | |
| Net gains (losses) on derivative instruments | (118) | | 141 | | 217 | |
| Treasury stock | (23,055) | (4.0) | (12,074) | (2.2) | (20,264) | (3.4) |
| Total Shareholders' Equity | 300,274 | 52.6 | 262,128 | 47.4 | 274,710 | 46.4 |
| Total Liabilities and Shareholders' Equity | 571,242 | 100.0% | 552,521 | 100.0% | 592,273 | 100.0% |

Interim Consolidated Statements of Shareholders' Equity

Six months ended September 30, 2004

(Millions of yen)

| | Common stock | Additional paid-in capital | Legal reserve | Retained earnings | Accumulated other comprehensive income (loss) | Treasury stock |
|--|--------------|----------------------------|---------------|-------------------|---|----------------|
| Balance, March 31, 2004 | 64,082 | 98,705 | 7,450 | 175,296 | (50,559) | (20,264) |
| Net income | | | | 16,439 | | |
| Cash dividends | | | | (2,381) | | |
| Transfer to legal reserve | | | 169 | (169) | | |
| Foreign currency translation adjustments | | | | | 5,838 | |
| Minimum pension liability adjustments | | | | | 9,906 | |
| Unrealized losses on available-for-sale securities | | | | | (1,141) | |
| Net losses on derivative instruments | | | | | (335) | |
| Acquisition of treasury stock | | | | | | (2,908) |
| Disposal of treasury stock | | 2 | | | | 11 |
| Conversion of convertible bonds | 18 | 19 | | | | 1 |
| Exercise of stock options | | (1) | | (9) | | 105 |
| Balance, September 30, 2004 | 64,100 | 98,725 | 7,619 | 189,176 | (36,291) | (23,055) |

Six months ended September 30, 2003

(Millions of yen)

| | Common stock | Additional paid-in capital | Legal reserve | Retained earnings | Accumulated other comprehensive income (loss) | Treasury stock |
|---|--------------|----------------------------|---------------|-------------------|---|----------------|
| Balance, March 31, 2003 | 64,082 | 98,705 | 7,619 | 153,134 | (59,909) | (12,021) |
| Net income | | | | 7,698 | | |
| Cash dividends | | | | (1,578) | | |
| Transfer to legal reserve | | | 90 | (90) | | |
| Foreign currency translation adjustments | | | | | (3,750) | |
| Minimum pension liability adjustments | | | | | 2,531 | |
| Unrealized gains on available-for-sale securities | | | | | 5,454 | |
| Net gains on derivative instruments | | | | | 219 | |
| Acquisition of treasury stock | | | | | | (103) |
| Exercise of stock options | | | | (3) | | 50 |
| Balance, September 30, 2003 | 64,082 | 98,705 | 7,709 | 159,161 | (55,455) | (12,074) |

Year ended March 31, 2003

(Millions of yen)

| | Common stock | Additional paid-in capital | Legal reserve | Retained earnings | Accumulated other comprehensive income (loss) | Treasury stock |
|---|--------------|----------------------------|---------------|-------------------|---|----------------|
| Balance, March 31, 2003 | 64,082 | 98,705 | 7,619 | 153,134 | (59,909) | (12,021) |
| Net income | | | | 26,811 | | |
| Cash dividends | | | | (4,808) | | |
| Drawdown on legal reserve | | | (169) | 169 | | |
| Foreign currency translation adjustments | | | | | (6,218) | |
| Minimum pension liability adjustments | | | | | 3,470 | |
| Unrealized gains on available-for-sale securities | | | | | 11,803 | |
| Net gains on derivative instruments | | | | | 295 | |
| Acquisition of treasury stock | | | | | | (8,411) |
| Exercise of stock options | | | | (10) | | 168 |
| Balance, March 31, 2004 | 64,082 | 98,705 | 7,450 | 175,296 | (50,559) | (20,264) |

Interim Consolidated Statements of Cash Flows

(Millions of yen)

| | Six months ended September 30, 2004 | Six months ended September 30, 2003 | Year ended March 31, 2004 |
|---|--|--|------------------------------|
| Operating Activities: | | | |
| Net income | 16,439 | 7,698 | 26,811 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 14,337 | 13,783 | 27,662 |
| Net loss on sales and disposals of property, plant and equipment | 311 | 59 | 479 |
| Loss on impairment of property, plant and equipment | 33 | — | 41 |
| Net gain on sales of short-term investments and investment securities | (254) | (237) | (1,039) |
| Loss on impairment of investment securities and other assets | 220 | 1,877 | 2,413 |
| Termination and retirement benefits | 1,124 | 2,860 | 5,016 |
| Deferred income taxes | 1,588 | 5,078 | 7,235 |
| Minority interests | 193 | 162 | 411 |
| Net loss on sales of business entities | — | — | 494 |
| Changes in assets and liabilities: | | | |
| Decrease (increase) in notes and accounts receivable — trade, net | 10,724 | 14,379 | (10,853) |
| Decrease (increase) in inventories | (11,146) | (1,419) | 4,105 |
| Decrease in other assets | 1,030 | 2,176 | 891 |
| Increase (decrease) in notes and accounts payable — trade | (1,096) | (5,355) | 10,976 |
| Increase (decrease) in income taxes payable | (843) | 1,829 | 6,015 |
| Increase (decrease) in accrued expenses and other current liabilities | 825 | (7,169) | (52) |
| Other, net | 96 | (176) | 82 |
| Total adjustments | 17,142 | 27,847 | 53,876 |
| Net cash provided by operating activities | 33,581 | 35,545 | 80,687 |
| Investing Activities: | | | |
| Proceeds from sales or maturities of short-term investments and investment securities | 305 | 694 | 1,894 |
| Purchase of short-term investments and investment securities | (255) | (291) | (1,617) |
| Capital expenditures | (17,962) | (19,103) | (38,115) |
| Decrease in leasehold deposits | 98 | 366 | 312 |
| Proceeds from sales of property, plant and equipment | 2,490 | 2,289 | 4,808 |
| Acquisition of minority interests | — | (18) | (1,738) |
| Increase in investment in and loans to affiliates | (1,276) | — | — |
| Proceeds from sale of business entities, net | 115 | 175 | (365) |
| Payment for acquisition of business entities, net | — | 337 | 337 |
| Net cash used in investing activities | (16,485) | (15,551) | (34,484) |
| Financing Activities: | | | |
| Net repayments of short-term bank loans | (1,666) | (4,734) | (4,842) |
| Proceeds from issuance of long-term debt | 400 | 953 | 1,011 |
| Repayments of long-term debt | (29,912) | (12,829) | (13,093) |
| Dividends paid by the Company | (3,230) | (1,214) | (2,792) |
| Dividends paid to minority interests | (57) | (61) | (150) |
| Acquisition of treasury stock | (2,908) | (103) | (8,411) |
| Disposal of treasury stock | 13 | — | — |
| Exercise of stock options | 95 | 47 | 158 |
| Net cash used in financing activities | (37,265) | (17,941) | (28,119) |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | 2,597 | (2,713) | (2,944) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (17,572) | (660) | 15,140 |
| Cash and Cash Equivalents at Beginning of the Period | 95,059 | 79,919 | 79,919 |
| Cash and Cash Equivalents at End of the Period | 77,487 | 79,259 | 95,059 |
| Notes to cash flows from operating activities: | | | |
| Interest paid | 676 | 621 | 1,217 |
| Taxes paid | 11,494 | 4,632 | 7,508 |
| Note to investing and financing activities not involving cash flow: | | | |
| Debt related to capital expenditures | 2,102 | 2,711 | 3,848 |
| Stock issued due to conversion of bonds | 38 | — | — |

Preparation of the Interim Consolidated Financial Statements

1. Scope of Consolidation and Application of the Equity Method

(1) Number of consolidated subsidiaries and companies accounted for by the equity method

| | Six months ended September 30, 2004 | Year ended March 31, 2004 | Increase (decrease) |
|--|--|------------------------------|------------------------|
| Consolidated subsidiaries | 140 | 135 | 5 |
| Unconsolidated subsidiaries accounted for by the equity method | — | — | — |
| Affiliates accounted for by the equity method | 12 | 12 | 0 |
| Total | 152 | 147 | 5 |

(2) Names of principal subsidiaries and affiliates

Consolidated subsidiaries: OMRON Relay & Devices Corporation, OMRON Europe B.V.

Companies accounted for by the equity method: Sanko Industrial Automation Co., Ltd.

(3) Changes in scope of consolidation and application of the equity method:

Consolidated subsidiaries

(New) 7 companies (Tama FineOpt Co., Ltd. and six others)

(Eliminated) 2 companies

Affiliates accounted for by the equity method:

(New) 1 company

(Eliminated) 1 company

2. Comprehensive Income

Comprehensive income in addition to other comprehensive income in net income is as follows:

Six months ended September 30, 2004: ¥30,707 million

Six months ended September 30, 2003: ¥12,152 million

Year ended March 31, 2004: ¥36,161 million

Other comprehensive income includes changes in foreign currency translation adjustments, minimum pension liability adjustments, unrealized gains or losses on available-for-sale securities and net gains or losses on derivative instruments.

3. Major Components of Other Expenses, Net

The major components of "Other expenses, net" are as follows:

| | | (Millions of yen) |
|-------------------------------------|--|-------------------|
| Six months ended September 30, 2004 | Business structure reform expenses | ¥1,767 |
| Six months ended September 30, 2003 | Loss on impairment of investment securities and other assets | ¥1,877 |
| Year ended March 31, 2004 | Loss on impairment of investment securities and other assets | ¥2,413 |
| | Loss on sales of marketable securities (net) | (1,039) |

5. Segment Information

1. Business Segment Information

Six months ended September 30, 2004

(Millions of yen)

| | Industrial Automation Business | Electronic Components Business | Automotive Electronic Components Business | Social Systems Business | Healthcare Business | Others | Total | Eliminations & Corporate | Consolidated |
|---|--------------------------------------|--------------------------------------|--|-------------------------------|------------------------|--------|---------|--------------------------------|--------------|
| Net sales: | | | | | | | | | |
| (1) Sales to outside customers | 127,209 | 49,956 | 30,213 | 58,872 | 23,896 | 12,126 | 302,272 | — | 302,272 |
| (2) Intersegment sales and transfers | 3,762 | 10,235 | 1,461 | 3,632 | 210 | 25,231 | 44,531 | (44,531) | — |
| Total | 130,971 | 60,191 | 31,674 | 62,504 | 24,106 | 37,357 | 346,803 | (44,531) | 302,272 |
| Operating expenses | 107,346 | 51,843 | 32,383 | 58,766 | 21,106 | 35,356 | 306,800 | (35,726) | 271,074 |
| Operating income | 23,625 | 8,348 | (709) | 3,738 | 3,000 | 2,001 | 40,003 | (8,805) | 31,198 |

Notes: 1. "Social Systems Business" includes the Social Systems Solutions and Service Business Company and the Advanced Module Business Company.
2. "Others" includes the Business Development Group and other divisions.

Six months ended September 30, 2003

(Millions of yen)

| | Industrial Automation Business | Electronic Components Business | Automotive Electronic Components Business | Social Systems Business | Healthcare Business | Others | Total | Eliminations & Corporate | Consolidated |
|---|--------------------------------------|--------------------------------------|--|-------------------------------|------------------------|--------|---------|--------------------------------|--------------|
| Net sales: | | | | | | | | | |
| (1) Sales to outside customers | 110,605 | 43,542 | 28,224 | 53,658 | 22,812 | 11,351 | 270,192 | — | 270,192 |
| (2) Intersegment sales and transfers | 3,683 | 10,638 | 1,384 | 3,766 | 143 | 25,419 | 45,033 | (45,033) | — |
| Total | 114,288 | 54,180 | 29,608 | 57,424 | 22,955 | 36,770 | 315,225 | (45,033) | 270,192 |
| Operating expenses | 97,956 | 46,672 | 29,241 | 56,552 | 19,143 | 34,910 | 284,474 | (35,822) | 248,652 |
| Operating income | 16,332 | 7,508 | 367 | 872 | 3,812 | 1,860 | 30,751 | (9,211) | 21,540 |

Year ended March 31, 2004

(Millions of yen)

| | Industrial Automation Business | Electronic Components Business | Automotive Electronic Components Business | Social Systems Business | Healthcare Business | Others | Total | Eliminations & Corporate | Consolidated |
|---|--------------------------------------|--------------------------------------|--|-------------------------------|------------------------|--------|---------|--------------------------------|--------------|
| Net sales: | | | | | | | | | |
| (1) Sales to outside customers | 229,638 | 88,988 | 58,824 | 135,997 | 46,962 | 24,480 | 584,889 | — | 584,889 |
| (2) Intersegment sales and transfers | 7,465 | 21,857 | 2,583 | 7,782 | 357 | 51,204 | 91,248 | (91,248) | — |
| Total | 237,103 | 110,845 | 61,407 | 143,779 | 47,319 | 75,684 | 676,137 | (91,248) | 584,889 |
| Operating expenses | 202,922 | 96,250 | 60,406 | 133,410 | 40,140 | 71,881 | 605,009 | (71,523) | 533,486 |
| Operating income | 34,181 | 14,595 | 1,001 | 10,369 | 7,179 | 3,803 | 71,128 | (19,725) | 51,403 |

Notes: 1. "Social Systems Business" includes the Social Systems Solutions and Service Business Company and the Advanced Module Business Company.
2. "Others" includes the Creative Service Business, the Business Development Group and other divisions.

2. Geographical Segment Information

Six months ended September 30, 2004 (Millions of yen)

| | Japan | North America | Europe | Asia | Total | Eliminations & Corporate | Consolidated |
|--------------------------------------|---------|---------------|--------|--------|---------|--------------------------|--------------|
| Net sales: | | | | | | | |
| (1) Sales to outside customers | 192,690 | 32,295 | 44,374 | 32,913 | 302,272 | — | 302,272 |
| (2) Intersegment sales and transfers | 46,018 | 254 | 278 | 19,595 | 66,145 | (66,145) | — |
| Total | 238,708 | 32,549 | 44,652 | 52,508 | 368,417 | (66,145) | 302,272 |
| Operating expenses | 208,223 | 31,176 | 40,844 | 48,489 | 328,732 | (57,658) | 271,074 |
| Operating income | 30,485 | 1,373 | 3,808 | 4,019 | 39,685 | (8,487) | 31,198 |

Six months ended September 30, 2003 (Millions of yen)

| | Japan | North America | Europe | Asia | Total | Eliminations & Corporate | Consolidated |
|--------------------------------------|---------|---------------|--------|--------|---------|--------------------------|--------------|
| Net sales: | | | | | | | |
| (1) Sales to outside customers | 167,214 | 33,207 | 40,517 | 29,254 | 270,192 | — | 270,192 |
| (2) Intersegment sales and transfers | 42,383 | 141 | 374 | 18,890 | 61,788 | (61,788) | — |
| Total | 209,597 | 33,348 | 40,891 | 48,144 | 331,980 | (61,788) | 270,192 |
| Operating expenses | 187,503 | 30,774 | 37,098 | 45,331 | 300,706 | (52,054) | 248,652 |
| Operating income | 22,094 | 2,574 | 3,793 | 2,813 | 31,274 | (9,734) | 21,540 |

Year ended March 31, 2004 (Millions of yen)

| | Japan | North America | Europe | Asia | Total | Eliminations & Corporate | Consolidated |
|--------------------------------------|---------|---------------|--------|--------|---------|--------------------------|--------------|
| Net sales: | | | | | | | |
| (1) Sales to outside customers | 376,349 | 64,613 | 84,286 | 59,641 | 584,889 | — | 584,889 |
| (2) Intersegment sales and transfers | 83,529 | 537 | 649 | 35,371 | 120,086 | (120,086) | — |
| Total | 459,878 | 65,150 | 84,935 | 95,012 | 704,975 | (120,086) | 584,889 |
| Operating expenses | 408,198 | 60,868 | 77,762 | 89,533 | 636,361 | (102,875) | 533,486 |
| Operating income | 51,680 | 4,282 | 7,173 | 5,479 | 68,614 | (17,211) | 51,403 |

3. Overseas Sales

(Millions of yen)

| | Six months ended September 30, 2004 | Six months ended September 30, 2003 | Year ended March 31, 2004 |
|--|-------------------------------------|-------------------------------------|---------------------------|
| North America (Percentage of total sales) | 32,378 10.7% | 33,320 12.3% | 64,832 11.1% |
| Europe (Percentage of total sales) | 45,228 15.0% | 41,583 15.4% | 86,117 14.7% |
| Asia (Percentage of total sales) | 43,741 14.4% | 35,727 13.2% | 72,888 12.5% |
| Total (Percentage of total sales) | 121,347 40.1% | 110,630 40.9% | 223,837 38.3% |

6. Securities

In accordance with Statement of Financial Accounting Standards (“SFAS”) No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” among marketable securities held by the Company and its subsidiaries, available-for-sale securities are stated at fair value reflecting unrealized gains and losses.

Investment securities include debt securities and equity securities. For marketable securities included among these, the acquisition cost or amortized cost, unrealized gain and loss, and fair value are as follows.

As of September 30, 2004

Available-for-sale securities

(Millions of yen)

| | Cost* | Gross unrealized gain | Gross unrealized loss | Fair value |
|-----------------------------|--------|-----------------------|-----------------------|------------|
| Debt securities | 1,062 | 213 | — | 1,275 |
| Equity securities | 26,856 | 17,097 | (410) | 43,543 |
| Total investment securities | 27,918 | 17,310 | (410) | 44,818 |

As of September 30, 2003

Available-for-sale securities

(Millions of yen)

| | Cost* | Gross unrealized gain | Gross unrealized loss | Fair value |
|-----------------------------|--------|-----------------------|-----------------------|------------|
| Debt securities | 57 | — | — | 57 |
| Equity securities | 26,907 | 8,179 | (107) | 34,979 |
| Total investment securities | 26,964 | 8,179 | (107) | 35,036 |

As of March 31, 2004

Available-for-sale securities

(Millions of yen)

| | Cost* | Gross unrealized gain | Gross unrealized loss | Fair value |
|-----------------------------|--------|-----------------------|-----------------------|------------|
| Debt securities | 62 | — | — | 62 |
| Equity securities | 26,949 | 18,915 | (81) | 45,783 |
| Total investment securities | 27,011 | 18,915 | (81) | 45,845 |

*Indicates amortized cost for debt securities and acquisition cost for equity securities.

7. Breakdown of Sales

Net sales by consolidated business segment

(Millions of yen)

| | Six months ended September 30, 2004 | | Six months ended September 30, 2003 | | Increase (decrease) |
|---|--|--------------|--|--------------|----------------------------|
| | | | | | |
| Industrial Automation Business | 127,209 | 42.1% | 110,605 | 40.9% | 15.0% |
| Electronic Components Business | 49,956 | 16.5 | 43,542 | 16.1 | 14.7 |
| Automotive Electronic Components Business | 30,213 | 10.0 | 28,224 | 10.4 | 7.0 |
| Social Systems Business | 58,872 | 19.5 | 53,658 | 19.9 | 9.7 |
| Healthcare Business | 23,896 | 7.9 | 22,812 | 8.4 | 4.8 |
| Other | 12,126 | 4.0 | 11,351 | 4.3 | 6.8 |
| Total | 302,272 | 100.0 | 270,192 | 100.0 | 11.9 |

Notes:

1. For the six months ended September 30, 2003, "Social Systems Business" includes the Social Systems Solutions and Service Business Company and the Advanced Module Business Company.
2. For the six months ended September 30, 2004, "Social Systems Business" includes the Social Systems Solutions and Service Business Company, the Financial Systems Business Company and others.

Projected net sales for the fiscal year ending March 31, 2005 by consolidated business segment

(Millions of yen)

| | Year ending March 31, 2005 (est.) | | Year ended March 31, 2004 | | Increase (decrease) |
|---|--------------------------------------|--------------|------------------------------|--------------|----------------------------|
| | | | | | |
| Industrial Automation Business | 253,000 | 41.1% | 229,638 | 39.3% | 10.2% |
| Electronic Components Business | 106,500 | 17.3 | 88,988 | 15.2 | 19.7 |
| Automotive Electronic Components Business | 62,500 | 10.1 | 58,824 | 10.1 | 5.4 |
| Social Systems Business | 116,000 | 18.9 | 135,997 | 23.3 | (14.7) |
| Healthcare Business | 51,000 | 8.3 | 46,962 | 8.0 | 8.6 |
| Other | 26,500 | 4.3 | 24,480 | 4.1 | 8.3 |
| Total | 615,000 | 100.0 | 584,889 | 100.0 | 5.1 |

Notes:

1. For the year ended March 31, 2004, "Social Systems Business" includes the Social Systems Solutions and Service Business Company and the Advanced Module Business Company.
2. For the projections for the year ending March 31, 2005, "Social Systems Business" includes the Social Systems Solutions and Service Business Company, the Financial Systems Business Company and others.

Results for the Six Months Ended September 30, 2004: Supplemental Materials

Consolidated Performance

Net sales by business segment

(Billions of yen)

| | | Six months ended September 30, 2004 | Six months ended September 30, 2003 | Year-on-year change (%) |
|--------|--------------|--|--|----------------------------|
| IAB | Domestic | 65.7 | 54.5 | 20.4 |
| | Overseas | 61.5 | 56.1 | 9.8 |
| | Total | 127.2 | 110.6 | 15.0 |
| ECB | Domestic | 25.2 | 23.5 | 7.0 |
| | Overseas | 24.8 | 20.0 | 23.9 |
| | Total | 50.0 | 43.5 | 14.7 |
| AEC | Domestic | 12.6 | 11.7 | 8.1 |
| | Overseas | 17.6 | 16.5 | 6.3 |
| | Total | 30.2 | 28.2 | 7.0 |
| SSB | Domestic | 54.2 | 48.3 | 12.0 |
| | Overseas | 4.7 | 5.4 | (11.1) |
| | Total | 58.9 | 53.7 | 9.7 |
| HCB | Domestic | 11.4 | 10.4 | 9.5 |
| | Overseas | 12.5 | 12.4 | 0.7 |
| | Total | 23.9 | 22.8 | 4.8 |
| Others | Domestic | 11.9 | 11.2 | 7.7 |
| | Overseas | 0.2 | 0.2 | (25.1) |
| | Total | 12.1 | 11.4 | 6.8 |
| Total | Domestic | 181.0 | 159.6 | 13.4 |
| | Overseas | 121.3 | 110.6 | 9.7 |
| | [% of total] | [40.1%] | [40.9%] | [-0.8P] |
| | Total | 302.3 | 270.2 | 11.9 |

Note:

The following divisions are included in each business segment.

IAB: Industrial Automation Business Company

ECB: Electronic Components Business Company

AEC: Automotive Electronic Components Company

SSB: (For the six months ended September 30, 2003) Social Systems Solutions and Service Business Company and Advanced Module Business Company

(For the six months ended September 30, 2004) Social Systems Solutions and Service Business Company, Financial Systems Business Company and others

HCB: Healthcare Business Company

Other: Business Development Group and others

Geographical segment sales

| | | | | |
|-----------------------|-----------------|-------|-------|-------|
| Domestic | Omron | 133.4 | 114.1 | 16.8% |
| | Subsidiaries | 47.6 | 45.5 | 4.7 |
| Total domestic sales | | 181.0 | 159.6 | 13.4 |
| Direct exports | | 11.7 | 7.7 | 53.8 |
| Overseas subsidiaries | North America | 32.3 | 33.2 | (2.7) |
| | Europe | 44.4 | 40.5 | 9.5 |
| | Asia and Others | 32.9 | 29.2 | 12.5 |
| Total overseas sales | | 121.3 | 110.6 | 9.7 |

Average currency exchange rate
in yen)

(One unit of currency,

| | | | |
|-----|-------|-------|--------|
| USD | 109.5 | 118.1 | (-8.6) |
| EUR | 132.8 | 133.3 | (-0.5) |

Projected Results for the Fiscal Year Ending March 31, 2005

Consolidated Performance

Net sales by business segment

(Billions of yen)

| | | Year ending March 31, 2005 (est.) | Year ended March 31, 2004 | Year-on-year change (%) |
|--------|--------------|--------------------------------------|------------------------------|----------------------------|
| IAB | Domestic | 130.0 | 117.1 | 11.0 |
| | Overseas | 123.0 | 112.5 | 9.3 |
| | Total | 253.0 | 229.6 | 10.2 |
| ECB | Domestic | 53.5 | 47.5 | 12.8 |
| | Overseas | 53.0 | 41.5 | 27.5 |
| | Total | 106.5 | 89.0 | 19.7 |
| AEC | Domestic | 26.0 | 24.8 | 4.6 |
| | Overseas | 36.0 | 34.0 | 6.0 |
| | Total | 62.0 | 58.8 | 5.4 |
| SSB | Domestic | 111.0 | 126.4 | (12.2) |
| | Overseas | 5.0 | 9.6 | (47.9) |
| | Total | 116.0 | 136.0 | (14.7) |
| HCB | Domestic | 23.0 | 21.3 | 8.0 |
| | Overseas | 28.0 | 25.7 | 9.1 |
| | Total | 51.0 | 47.0 | 8.6 |
| Others | Domestic | 26.0 | 24.0 | 8.6 |
| | Overseas | 0.5 | 0.5 | (7.2) |
| | Total | 26.5 | 24.5 | 8.3 |
| Total | Domestic | 369.5 | 361.1 | 2.3 |
| | Overseas | 245.5 | 223.8 | 9.7 |
| | [% of total] | [39.9%] | [38.3%] | [+1.6P] |
| | Total | 615.0 | 584.9 | 5.1 |

Net sales by overseas geographical segment

| | | | | |
|-----------------------|-----------------|-------|-------|-------|
| Direct exports | | 22.5 | 15.3 | 47.1% |
| Overseas subsidiaries | North America | 67.5 | 64.6 | 4.5 |
| | Europe | 90.0 | 84.3 | 6.8 |
| | Asia and Others | 65.5 | 59.6 | 9.8 |
| Total overseas sales | | 245.5 | 223.8 | 9.7 |

Income and loss

| | | | |
|----------------------------|-------|-------|------|
| Net sales | 615.0 | 584.9 | 5.1% |
| Operating income | 60.0 | 51.4 | 16.7 |
| Income before income taxes | 56.0 | 48.0 | 16.7 |
| Net income | 34.0 | 26.8 | 26.8 |

Return on equity

| | | | |
|--|-------|-------|---------|
| | 11.5% | 10.2% | (+1.3P) |
|--|-------|-------|---------|

Capital expenditures / Depreciation / R&D expenses

| | | | |
|----------------------|------|------|------|
| Capital expenditures | 39.0 | 38.0 | 2.6% |
| Depreciation | 30.0 | 27.7 | 8.5 |
| R&D expenses | 49.0 | 46.5 | 5.4 |

Average currency exchange rate

(One unit of currency, in yen)

| | | | |
|-----|-------|-------|--------|
| USD | 109.8 | 113.4 | (-3.6) |
| EUR | 131.5 | 132.4 | (-0.9) |