# Consolidated Financial Results
# for the Fiscal Year Ended March 31, 2005

*Note: All financial information has been prepared in accordance with generally accepted accounting principles in Japan. This document has been translated from the Japanese original as a guide to non-Japanese investors and contains forward-looking statements that are based on managements' estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. Amounts shown in this financial statement have been rounded down to the nearest million yen.*

# Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2005

**OMRON Corporation (6645)**

| | |
|---|---|
| Exchanges Listed: | Tokyo, Osaka, Nagoya Stock Exchanges, First Section |
| Principal Office: | Kyoto, Japan |
| Homepage: | http://www.omron.com |
| Representative: | Hisao Sakuta, President and CEO |
| Contact: | Masaki Haruta, General Manager, Corporate Planning Division, Financial and Accounting Department |
| Telephone: | +81-75-344-7070 |
| U.S. (GAAP) accounting standard: | Adopted, except for segment information |

## 1. Preparation of Summary Fiscal 2005 Results

| | | |
|---|---|---|
| Simplification of accounting methods: | Yes. Some simplified methods are applied in accounting standards for reserves and allowances. | |
| Changes in consolidated accounting methods: | No | |
| Changes in scope of consolidation and application of equity method: | Yes | |
| Consolidation: | (New) 11 companies | (Eliminated) 4 companies |
| Equity Method: | (New) 6 companies | (Eliminated) 1 company |

## 2. Consolidated Results for Fiscal 2005 (April 1, 2004 – March 31, 2005)

### (1) Sales and Income

| | Millions of Yen - Except Per Share Data and Percentages | | | |
|---|---|---|---|---|
| | Fiscal Year Ended March 31, | | | |
| | 2005 | % | 2004 | % |
| Net sales | 608,588 | 4.1 | 584,889 | 9.3 |
| Operating income | 56,111 | 9.2 | 51,403 | 59.1 |
| Income before income taxes | 52,548 | 9.5 | 47,984 | 914.0 |
| Net income | 30,176 | 12.6 | 26,811 | — |
| Net income per share (yen) | 126.52 | | 110.66 | |
| Net income per share, diluted | 124.75 | | 107.53 | |

Note: Percentages for net sales, operating income, income before income taxes, and net income represent changes compared with the previous fiscal year .

## (2) Consolidated Financial Position

| | Millions of Yen - Except Per Share Data and Percentages | |
|---|---|---|
| | Fiscal Year Ended March 31, | |
| | 2005 | 2004 |
| Total assets | 585,429 | 592,273 |
| Shareholders' equity | 305,810 | 274,710 |
| Shareholders' equity ratio | 52.2 | 46.4 |
| Shareholders' equity per share | 1,284.81 | 1,148.33 |

## (3) Consolidated Cash Flows

| | Millions of Yen - Except Per Share Data and Percentages | |
|---|---|---|
| | Fiscal Year Ended March 31, | |
| | 2005 | 2004 |
| Net cash provided by operating activities | 61,076 | 80,687 |
| Net cash used in investing activities | (36,050) | (34,484) |
| Net cash used in financing activities | (40,684) | (28,119) |
| Cash and cash equivalents at end of period | 80,619 | 95,059 |

## 3. Projected Results for the Fiscal Year Ending March 31, 2006 (April 1, 2005 – March 31, 2006)

| | Millions of Yen except per Share | |
|---|---|---|
| | Six Months Ending Sept. 30, 2005 | Full Year Ending March 31, 2006 |
| Net sales | 285,000 | 625,000 |
| Income before income taxes | 30,000 | 63,000 |
| Net income | 17,000 | 36,000 |

Note: Please see pages 14 – 19 of the attached materials regarding assumptions of the results projected above and cautionary statements concerning the use of these projections.

April 27, 2005
Omron Corporation

# Summary of Results for the Year Ended March 31, 2005

## 1. Consolidated Results

(Millions of yen, %)

| | Year ended March 31, 2005 | Year ended March 31, 2004 | Year-on-year change |
|---|---|---|---|
| Net sales | 608,588 | 584,889 | 104% |
| Operating income<br>[% of net sales] | 56,111<br>[9.2%] | 51,403<br>[8.8%] | 109%<br>[+0.4P] |
| Income before income taxes<br>[% of net sales] | 52,548<br>[8.6%] | 47,984<br>[8.2%] | 110%<br>[+0.4P] |
| Net income | 30,176 | 26,811 | 113% |
| Net income per share (basic) (¥) | 126.52 | 110.66 | +15.86 |
| Return on equity | 10.4% | 10.2% | +0.2P |

Notes:
1. The financial statements are prepared in accordance with U.S. GAAP.
2. Includes 142 consolidated subsidiaries and 17 affiliated companies accounted for by the equity method.

## 2. Non-consolidated Results

(Millions of yen, %)

| | | Year ended March 31, 2005 | Year ended March 31, 2004 | Year-on-year change |
|---|---|---|---|---|
| Net sales | | 336,271 | 351,075 | 96% |
| Operating income<br>[% of net sales] | | 15,305<br>[4.6%] | 9,787<br>[2.8%] | 156%<br>[+1.8P] |
| Ordinary income<br>[% of net sales] | | 28,790<br>[8.6%] | 13,065<br>[3.7%] | 220%<br>[+4.9P] |
| Net income | | 18,898 | 6,273 | 301% |
| Net income per share (¥) | | 78.75 | 25.46 | +53.29 |
| Cash dividends per share (¥) | Interim | 10.00 | 6.50 | +3.50 |
| | Year-end | 14.00 | 13.50 | +0.50 |

## Consolidated Performance

### 3. Net sales by Business Segment

(Billions of yen)

| | | Year ended March 31, 2005 | Year ended March 31, 2004 | Year-on-year change (%) |
|---|---|---|---|---|
| IAB | Domestic | 130.2 | 117.1 | 11.1 |
| | Overseas | 120.1 | 112.5 | 6.8 |
| | Total | 250.3 | 229.6 | 9.0 |
| ECB | Domestic | 51.8 | 47.5 | 9.2 |
| | Overseas | 49.3 | 41.5 | 18.7 |
| | Total | 101.1 | 89.0 | 13.6 |
| AEC | Domestic | 26.0 | 24.8 | 4.6 |
| | Overseas | 38.6 | 34.0 | 13.5 |
| | Total | 64.6 | 58.8 | 9.7 |
| SSB | Domestic | 108.6 | 126.4 | (14.1) |
| | Overseas | 6.6 | 9.6 | (31.3) |
| | Total | 115.2 | 136.0 | (15.3)* |
| HCB | Domestic | 23.1 | 21.3 | 8.2 |
| | Overseas | 27.5 | 25.7 | 7.3 |
| | Total | 50.6 | 47.0 | 7.7 |
| Others | Domestic | 26.4 | 24.0 | 10.4 |
| | Overseas | 0.4 | 0.5 | (33.0) |
| | Total | 26.8 | 24.5 | 9.4 |
| Total | Domestic | 366.1 | 361.1 | 1.4 |
| | Overseas | 242.5 | 223.8 | 8.4 |
| | [% of total] | [39.9%] | [38.3%] | [+1.6P] |
| | Total | 608.6 | 584.9 | 4.1 |

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 year ended March 31, 2004) Social Systems Solutions and Service Business Company and Advanced Module Business Company
(For the year ended March 31, 2005) Social Systems Solutions and Service Business Company, Financial Systems Business Company and others
HCB: Healthcare Business (Omron Healthcare Co., Ltd. and others)
Others: Business Development Group and others

*SSB: As of October 1, 2004, the ATM and other information equipment businesses (equipment such as automated bill changers) that was included in the Social Systems Business was transferred to an affiliate accounted for using the equity method.

### 4. Capital expenditures / Depreciation / R&D expenses

| | | | |
|---|---|---|---|
| Capital expenditures | 37.4 | 38.0 | (1.6)% |
| Depreciation | 28.6 | 27.7 | 3.5 |
| R&D expenses | 49.4 | 46.5 | 6.3 |

## Projected Results for the Fiscal Year Ending March 31, 2006

### Consolidated Performance

Net sales by business segment (Billions of yen)

| | | Year ending March 31, 2006 (est.) | Year ended March 31, 2005 | Year-on-year change (%) |
|---|---|---|---|---|
| IAB | Domestic | 135.5 | 130.2 | 4.1 |
| | Overseas | 132.0 | 120.1 | 9.9 |
| | Total | 267.5 | 250.3 | 6.9 |
| ECB | Domestic | 55.0 | 51.8 | 6.2 |
| | Overseas | 59.0 | 49.3 | 19.6 |
| | Total | 114.0 | 101.1 | 12.7 |
| AEC | Domestic | 28.0 | 26.0 | 7.7 |
| | Overseas | 44.0 | 38.6 | 14.1 |
| | Total | 72.0 | 64.6 | 11.5 |
| SSB | Domestic | 88.0 | 108.6 | (19.0) |
| | Overseas | 3.0 | 6.6 | (54.4) |
| | Total | 91.0 | 115.2 | (21.0)* |
| HCB | Domestic | 25.0 | 23.1 | 8.5 |
| | Overseas | 29.0 | 27.5 | 5.3 |
| | Total | 54.0 | 50.6 | 6.8 |
| Others | Domestic | 26.5 | 26.4 | 0.3 |
| | Overseas | 0.0 | 0.4 | — |
| | Total | 26.5 | 26.8 | (1.1) |
| Total | Domestic | 358.0 | 366.1 | (2.2) |
| | Overseas | 267.0 | 242.5 | 10.1 |
| | [% of total] | [42.7%] | [39.9%] | [+2.8P] |
| | Total | 625.0 | 608.6 | 2.7 |

Note: The figures for SSB for the fiscal year ending March 2006 include the Social Systems Solutions and Service Business Company and other operations.

* As of October 1, 2004, the ATM and other information equipment businesses (equipment such as automated bill changers) that was included in the Social Systems Business was transferred to an affiliate accounted for using the equity method.

Income and loss

| | | | |
|---|---|---|---|
| Net sales | 625.0 | 608.6 | 102.7% |
| Operating income | 65.0 | 56.1 | 115.8 |
| Income before income taxes | 63.0 | 52.5 | 119.9 |
| Net income | 36.0 | 30.2 | 119.3 |

Return on equity

| | | | |
|---|---|---|---|
| | 10.8% | 10.4% | (+0.4P) |

Capital expenditures／Depreciation／R&D expenses

| | | | |
|---|---|---|---|
| Capital expenditures | 42.0 | 37.4 | 112.3% |
| Depreciation | 30.0 | 28.6 | 104.7 |
| R&D expenses | 50.0 | 49.4 | 101.1 |

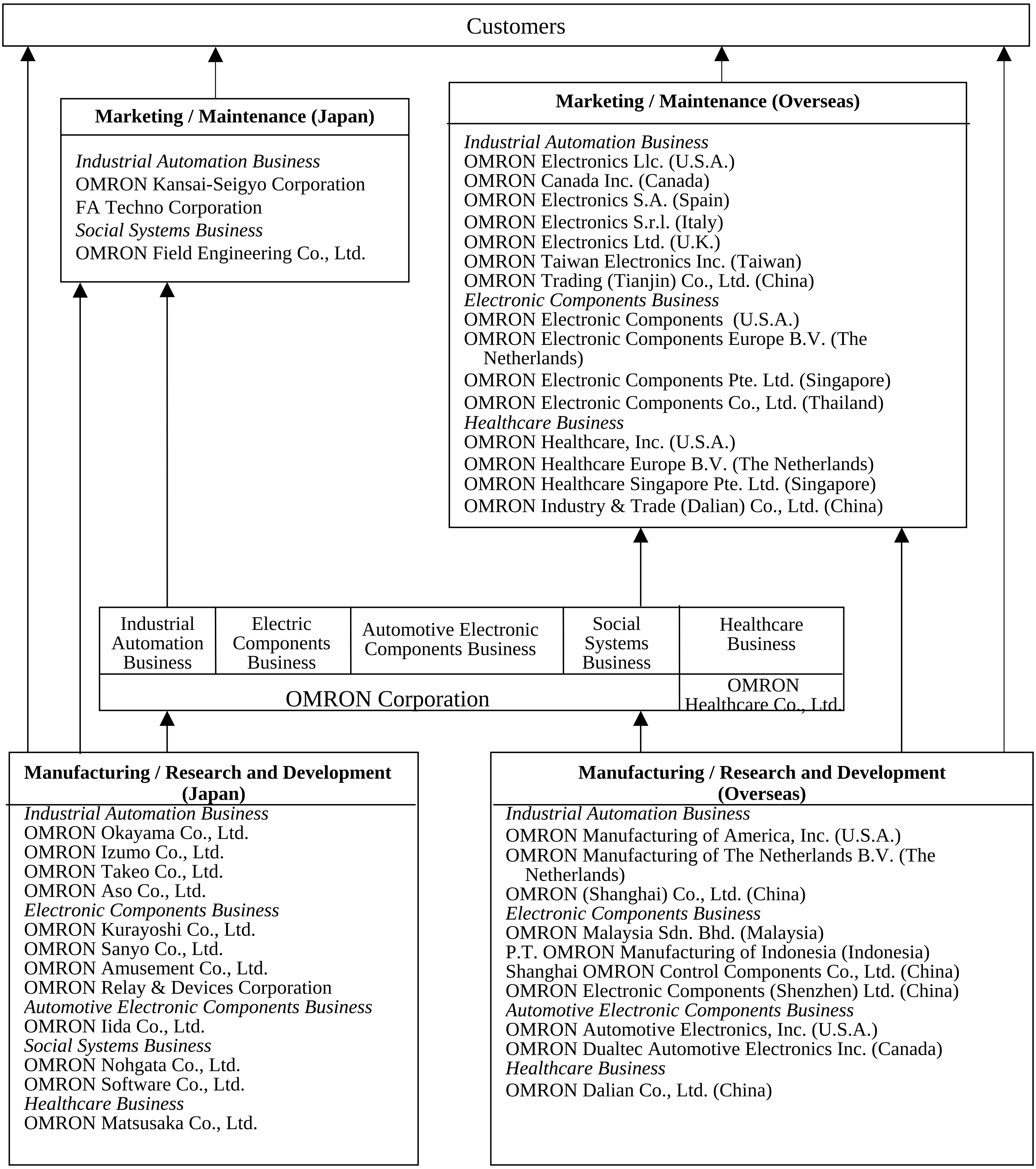
Average currency exchange rate (One unit of currency, in yen)

| | | | |
|---|---|---|---|
| USD | 100.0 | 107.3 | (-7.3) |
| EUR | 130.0 | 135.0 | (-5.0) |

## 1. The Omron Group

The Omron Group consists of Omron Corporation and 142 consolidated subsidiaries (45 in Japan, 97 overseas) and 17 affiliates (13 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: "Social Systems Business" includes the Social Systems Solutions and Service Business Company, the Financial Systems Business Company and others

## 2. Management Policies

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." Aiming to be "Small but Global," as a management objective Omron will work to be a profitable growth company that maximizes corporate value.

**(2) Basic Policy for Distribution of Profits**

Omron will distribute profits to shareholders based on the following basic rules.

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) Omron will make every effort to maintain the payout ratio in the 20% range, although this is subject to the level of internal capital resources necessary in each fiscal year. 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) Rationale and Policies Regarding Lowering the Stock-Trading Unit**

With a view to increasing the liquidity of the Company's stock and the number of shareholders, Omron carefully considered stock price and minimum amount of investment and then set a basic policy of revising the minimum stock-trading unit to facilitate investment in Omron stock.

In line with this policy, Omron has set the minimum stock-trading unit at 100 shares. As of March 31, 2005, Omron had 30,947 shareholders, an increase of 14.5 percent from 27,020 as of March 31, 2004. The participation of investors in the market will continue to be promoted, and at present Omron intends to maintain the current stock-trading unit.

**(4) Long-Term Management Strategies**

The goal of the first stage of GD2010, which covered the period from fiscal 2001 to fiscal 2004, was ROE of 10%. Omron achieved this goal in fiscal 2003, one year ahead of plan. The second stage of GD2010 covers the four years from fiscal 2004 to fiscal 2007. In working to increase corporate value, during the second stage Omron will shift its focus to growth from its focus on creating a profit structure in the first stage. This focus on growth will entail striking a balance between growth and profitability. Omron will implement constant structural reforms through two structural reforms. These are "Operational Structural Reform" to continuously enhance profitability by defining the profit structure Omron's businesses should have to advance toward a strong profit structure, and "Business Domain Reform" aiming to identify target growth markets and technologies to effectively redefine the business domain. Omron aims to revise the profit structure in existing domains and grow sales in China to increase business value, as well as utilize its core technologies in new domains to create new business value.

**(5) Targets for Management Indicators**

In the second stage of GD2010, Omron has set the mid-term management target of "Double the Total Business Value of Fiscal 2003" to capture both growth and profitability. Also, Omron has set the target of consolidated return on invested capital (ROIC) of 10% or higher as a profitability target.

**(6) Issues Facing the Company**

From fiscal 2005, Omron will fully implement the second stage of GD2010. Omron has positioned this second stage as a milestone to be reached toward realizing its envisioned profit and growth structures for fiscal 2007, and will constantly implement structural reforms.

The operating environment in fiscal 2005 is projected to remain unpredictable. The policy for fiscal 2005 of "Advance toward a Strong Structure of High Profitability" will entail prioritizing the investments necessary to steadily achieve the targets for fiscal 2007, assuming growth in sales and profits.

In addition, Omron is aiming for full-scale growth in China. While macroeconomic controls and other factors have slowed the rate of growth, China is the fastest-growing market in the world, and is a microcosm of global competition. Therefore, Omron sees success in the Chinese market as crucial to achieving the goals of the second stage of GD2010. China will continue to be a key area, and Omron has set the target of increasing fiscal 2007 sales there by ¥100 billion over fiscal 2003 by embracing new business themes and decisively making concentrated, proactive investments.

Technology will be the cornerstone of growth. Up to the present, Omron has set core technology and growth areas to strengthen at the corporate level, created a detailed map of technology and applications as a process of steadily developing technology, and moved toward the establishment of a profit structure for growth. In addition to efforts in the new areas of energy and radio frequency identification (RFID), Omron will steadily work toward the fiscal 2007 target of increasing net sales by ¥500 billion compared to fiscal 2003 and prepare for future growth thereafter.

Moreover, Omron is revising the profit structure of existing businesses. Despite the impact of factors such as the appreciation of the yen and rising raw material prices, Omron will continue to implement structural reforms of selling, general and administrative expenses and production in advancing toward the profit structure targeted for fiscal 2007.

Omron is working to reduce the environmental impact of its business activities and to create products and technologies that contribute to environmental protection. By promoting these efforts, Omron aims to be a company that demonstrates environmental leadership in terms of both ecology and economy. In fiscal 2005, Omron will accelerate its response to regulated chemical substances, and will work to complete its global-level response in advance of the Restriction of Hazardous Substances (RoHS) in Electrical and Electronic Equipment directive that will go into effect in Europe from July 2006.

### (7) Fundamental Corporate Governance Stance and Policies

#### 1) Fundamental Corporate Governance Stance

With the goal of being in touch with stakeholder expectations, Omron's aim is "Maximizing Long-term Corporate Value" in capital markets. While efficiently implementing competitive management, Omron practices "corporate value management" and is always aware of its obligations to execute with accountability, manage with a high level of transparency and act ethically.

#### 2) Actions Taken toward Corporate Governance

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.

**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.

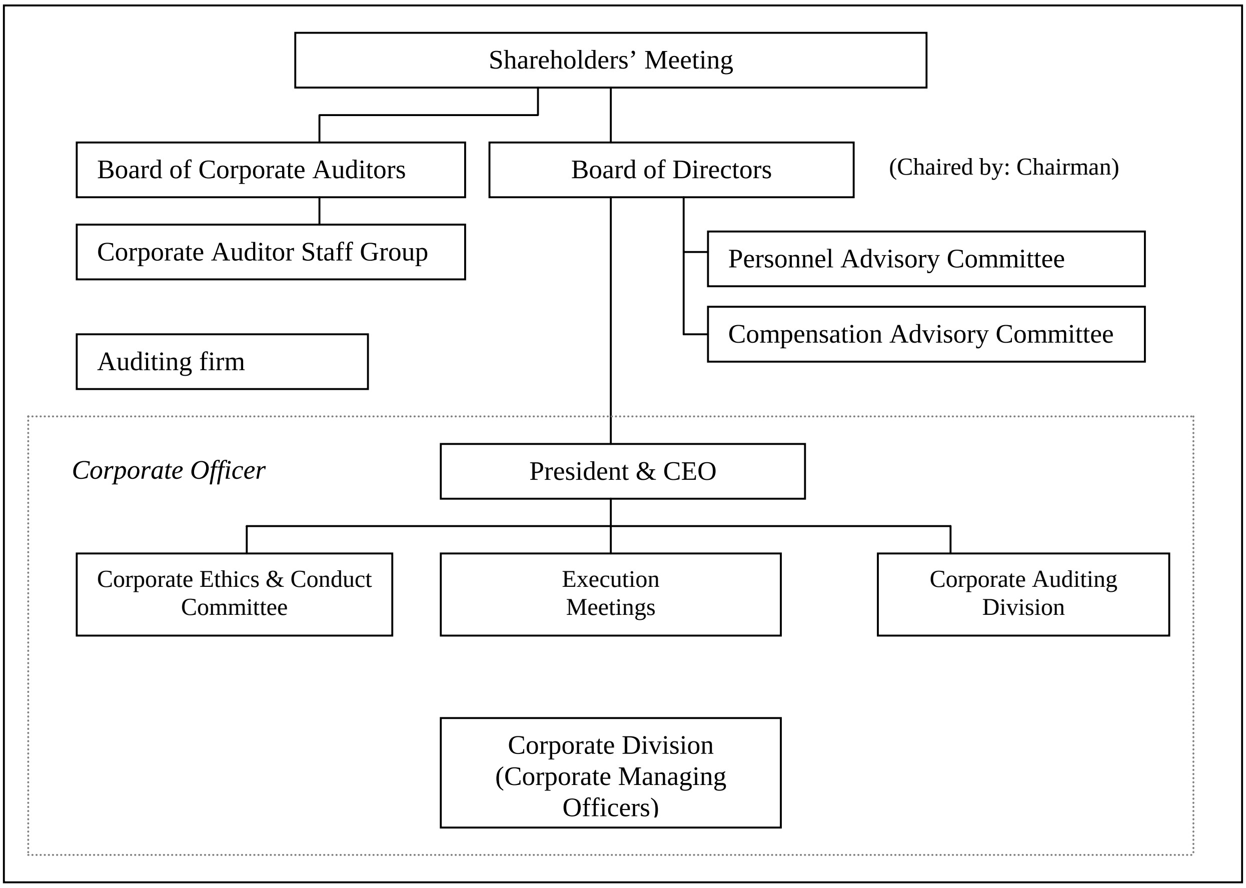
The Board of Directors consists of a relatively small number of directors totaling seven, including two outside directors. The Board determines important executive business decisions such as management goals and strategies. They also monitor business execution (the President). The Chairman of the Board does not engage in day-to-day business execution, but acts as the representative of the stakeholders, monitoring business activities. The outside directors are not assigned staff. However, they are served by the staff of the Corporate General Affairs Division and the Corporate Planning Headquarters as appropriate.

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 outside auditors are not assigned staff. However, they are served by the staff of the Corporate Auditing Division as appropriate.

The Personnel Advisory Committee and the Compensation Advisory Committee have been established as special committees in the Board of Directors. The Personnel Advisory Committee consults with the Chairman and the Chief Executive Officer and formulates selection standards for directors, corporate auditors and managing officers; selects candidates; and appraises current officers. The Compensation Advisory Committee consults with the Chairman and the Chief Executive Officer and sets the compensation system for directors, corporate auditors and managing officers; sets evaluation standards; and appraises current officers.

In order to separate the responsibility for management and execution, Omron has introduced the Managing Officer System. The Chief Executive Officer chairs the Executive Body, which discusses and resolves important business execution issues within the scope of the Chief Executive Officer's authority. 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 Chief Executive Officer regularly conducts internal audits of the accounting, operations, business risk, compliance and other issues of each of the Company's divisions and each of the internal companies. The Corporate Auditing Division also provides concrete advice for improvement of monitoring and operations. Omron's business execution and management auditing mechanism and system of internal control are outlined in the following chart.




**Improvements to the Risk Management Structure**

Omron is improving 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. To this end, Omron is firmly establishing risk management systems for detecting, analyzing, countering and monitoring risk in each division and internal company. Moreover, the Corporate General Affairs Division is responsible for risk management oversight functions, and Omron is improving and promoting its risk management system and working to understand and control risk throughout the Group.

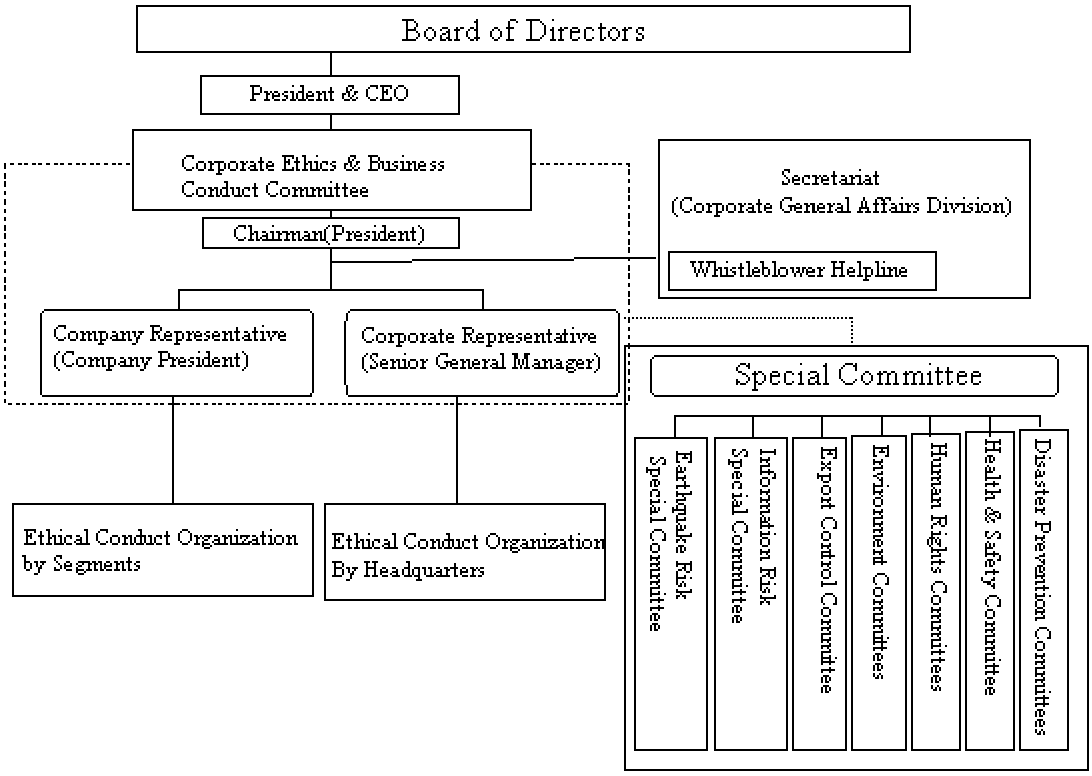
In addition, Omron believes that acting ethically is essential to sound, efficient corporate management, and is promoting ethical practices throughout its Group. Omron has instituted the Corporate Code of Ethics as a fundamental policy for conducting corporate activities, and the Corporate Ethics & Business Conduct Guidelines to provide standards for employee conduct.

Omron established the Corporate Ethics & Business Conduct Committee, chaired by the Chief Executive Officer, in April 2003 to carry out strong, comprehensive promotion of risk management and corporate ethics. It is involved in planning for overall policies, monitoring status and progress, and discussing and coordinating key issues.

The general manager of each division and the president of each company are members of the Corporate Ethics & Business Conduct Committee. They report on corporate ethics efforts for their respective organizations in accordance with Omron's corporate ethics and conduct framework and on the status of response to each risk. Moreover, the Corporate Ethics & Business Conduct Committee has established an internal emergency hotline at its offices within the Corporate General Affairs Division and is preparing a system for receiving reports directly from employees and their families. Specifically, Omron is protecting the security and anonymity of those who make reports in working to rapidly detect violation of laws and its Corporate Ethics & Business Conduct Guidelines, promptly convey such information to senior management, and swiftly rectify violations.

As part of these activities, Omron holds "Corporate Ethics Month" each year in October. Activities include corporate ethics meetings at each work site, lectures, and corporate ethics training, education and other activities for Group employees. Moreover, as a response to issue risk, Omron has thorough controls for confidential Company and customer information, and information risk countermeasures as a means of appropriately safeguarding personal information. Omron has formulated earthquake risk countermeasures with the goal of quickly restoring business operations to continue generating the returns expected by stakeholders, including local communities, and safeguarding Omron's business resources in the event of a major earthquake. Omron has established clearly defined special committees to plan for and deal with these issues.

The chart below presents an overview of Omron's risk management and corporate ethics system.




**Internal Audits, Corporate Auditor Audits, and Accounting Audits**

1) Internal Audits and Corporate Auditor Audits

In Omron's system of internal audits, the Auditing Division (7 people) at the head office serves the Group audit function, conducting audits of matters shared company-wide from the perspective of risk management. Each internal company has a Company Audit Division (11 people). These divisions take instructions from the president of their respective company and conduct regular audits of accounting, operations, legal compliance and other issues. They also advise on how each business division can improve its operations.

Corporate auditors conduct daily monitoring in ways such as grasping management conditions by participating in key meetings and conducting visiting audits and interviews. Moreover, the Board of Corporate Auditors contributes to the agenda of the Board of Directors by providing timely advice and recommendations regarding issues including corporate governance at Board of Directors meetings and other times.

Internal audits, corporate auditor audits and accounting audits are closely interrelated. Once a month, the head of the Auditing Division at headquarters attends a meeting of the Board of Corporate Auditors to receive a report on audit results. In addition, the corporate auditors ascertain the audit plan of the accounting auditors and receive explanations regarding the audit system of the accounting auditors, the auditing methods they will use, and the internal controls for matters such as domestic and overseas subsidiaries. The corporate auditors will undertake studies themselves if necessary.

2) Accounting Audits

Omron uses the accounting firm Deloitte Touche Tohmatsu for accounting auditors based on the Commercial Code and audits based on the Securities and Exchange Law. Deloitte Touche Tohmatsu and the auditors it assigns to handle audits for Omron have no non-routine business relationships with Omron. In addition, Deloitte Touche Tohmatsu takes voluntary measures to ensure that its auditors are not involved in audits of Omron's accounts for longer than a certain period of time. The relationship between Omron and Deloitte Touche Tohmatsu is governed by a written contract stipulating the compensation Omron pays for Commercial Code audits and Securities and Exchange Law audits. The names of the certified public accountants who performed auditing services during the fiscal year ended March 31, 2005 and an outline of people who assisted in auditing work are listed below.

Certified Public Accountants Who Performed Auditing Work

Designated employees who performed auditing work: Ikuo Furukawa, Taizo Ando, Yuji Morita

Outline of Assistants

Certified public accountants: 2; U.S. certified public accountants: 2; accounting assistants: 5; other: 1

**Director Compensation, Auditor Compensation, and Other Issues**

**Information on director compensation and auditor compensation follows.**

**Director Compensation**

Compensation paid to Omron directors and corporate auditors

| | |
|---|---|
| Directors (7) | ¥409 million |
| Corporate auditors (4) | ¥73 million |
| Total (11) | ¥482 million |

The above figures include bonuses to directors and corporate auditors approved at the general meeting of shareholders held on June 24, 2004.

**Compensation Paid for Audits**

Compensation paid to Deloitte Touche Tohmatsu, the accounting firm that provides accounting auditors to Omron

| | |
|---|---|
| Total compensation paid by Omron and subsidiaries | ¥112 million |
| Portion of compensation paid by Omron and its consolidated subsidiaries for certified audit work | ¥91 million (Omron ¥76 million; consolidated subsidiaries ¥15 million) |

**Personal, Business and Equity Relationship of Outside Directors and Auditors with Omron**

Outside director Shozo Hashimoto is Chairman of the Nomura Research Institute, which Omron engages for management consulting and other services. Outside director Noriyuki Inoue is Chairman and CEO of Daikin Industries, Ltd., which purchases Omron's products. In addition, while various Omron companies conduct routine transactions with both companies, the outside directors have no personal, direct business relationships with Omron.

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

The following is an overview of principal efforts during the past year.

- Omron moved to complement management by adding one more director to further strengthen monitoring and supervision of execution.
- The retirement bonus system for directors and auditors that emphasized deferred compensation was abolished and replaced with a system that better reflects annual results and performance.
- To make inviting outside directors onto the board simpler, an internal provision was established to enable outside directors to sign a contract limiting their company's obligation to Omron within the scope of laws and regulations, and this contract was put into effect.
- Internal emergency hotlines were established at a non-company location (an attorney's office), and in North America.
- Omron prepared editions of its Group "Corporate Ethics and Conduct Guidelines" for Japan, North America, Europe, China and Asia-Pacific, and provided additional training for domestic employees and training for managers at companies overseas.
- As part of Corporate Ethics Month in October 2004, employees worldwide were given a "Corporate Ethics Card," which raised awareness of corporate ethics practices among each individual employee.

# 3. Results of Operations and Financial Condition

## (a) Results of Operations

### ● Overview of the Fiscal Year

**1) General Overview**

During the year ended March 31, 2005, the Japanese economy moved toward a recovery centered on exports and capital investment during the first half. However, factors such as a rise in crude oil prices and the start of an adjustment phase in IT and digital demand led to a slowdown beginning in the fall. Overseas, general expansionary trends continued despite signs of a slowdown due to factors such as slower growth in the Chinese market resulting from the impact of macroeconomic controls.

In markets related to the Omron Group, the contribution of expanded capital investment demand, primarily in the domestic and overseas manufacturing sectors, and the implementation of aggressive sales measures in Japan and overseas resulted in solid demand for Omron’s core control system equipment and consumer and commerce components.

In this environment, the Omron Group followed the policy of “Maintaining ROE of 10% and Establishing a Structure for Growth” and a sub-policy of “ Constant Structural Reform: Maintaining a Balance between Growth and Profitability” in clarifying domains for future growth and concentrating management resources in them. Moreover, Omron promoted lasting efficiency gains to support the realization of its target profit structure. Specifically, Omron 1) worked to build a powerful business infrastructure system in China to support full-scale business growth in China; 2) , made a series of major investments in designated core technologies in emerging growth markets as part of its technology-centered growth strategy; 3) implemented continuous reforms in working toward its target profit structure; and 4) concentrated on the critical issues of implementing and upgrading cash flow management.

As a result, in the Omron Group’s core Industrial Automation Business, Electronic Components Business and Healthcare Business, sales were solid until the fall due to factors including continued market expansion and the aggressive implementation of sales measures. Sales in the Social Systems Business (consisting of the Social Systems Solutions and Service Business Company and the Financial Systems Business Company) also continued to be firm due to the impact of demand related to the issuance of new banknotes in Japan. Sales in the Automotive Electronic Components Business were firm despite the impact of weak performance among major customers. As a result of the above, net sales for the fiscal year ended March 31, 2005 totaled ¥608,588 million, an increase of 4.1 percent over net sales of ¥584,889 million for the previous fiscal year, with both domestic and overseas operations contributing to sales growth.

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 ¥56,111 million, an increase of 9.2 percent from the previous fiscal year. Income before income taxes was ¥52,548 million, an increase of 9.5 percent, and net income was ¥30,176 million, an increase of 12.6 percent compared with the previous fiscal year. Omron achieved record high income in each of these categories.

**2) Results by Business Segment**

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. The figures for net sales do not include sales of the transferred business after October 1, 2004.

#### ● Industrial Automation Business

In Japan, the markets related to mobile phones and digital home appliances were firm in the first half, but entered a correction phase in the second half. However, investment to raise quality and safety remained firm among manufacturers in industries including semiconductors, flat-panel displays (FPD), electronic components, automobiles, food, machine tools, transportation equipment and packaging equipment. Omron provides IT deployment support for the manufacturing industry and quality enhancing solution, which resulted in significantly expanded sales of PCB inspection systems, displacement sensors, vision sensors, networking equipment, motion controllers, safety-related devices and other products.

In overseas markets, growth in mainland China exhibited signs of slowing due to the impact of macroeconomic controls. However, sales in Greater China and Southeast Asia expanded substantially due to direct marketing to customers, strengthening and expansion of sales bases, strengthening of channels, stronger efforts to participate in social infrastructure projects, and other factors. In Europe, sales in Northern and Eastern Europe expanded rapidly, while sales in other countries remained firm. In the United States, performance remained solid, centered on the automotive industry.

As a result, segment sales were ¥250,329 million, an increase of 9.0 percent from the previous fiscal year.

#### ● Electronic Components Business

In Japan, firm conditions in semiconductor-related industries, higher demand for electricity due to an extremely hot summer, growth in the market for flat-panel televisions and other digital household appliances and other factors supported solid demand for relays, switches and connectors for consumer and commerce components. Overseas, sales of

LED backlight modules and flexible printed circuit (FPC) connectors for cellular phones increased against the backdrop of a strong worldwide market for cellular phones and portable music devices.

In the business of backlights for cellular phones, price competition grew increasingly severe, but sales remained firm due to expansion in the market for cellular phones. In addition, 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.

As a result, segment sales were ¥101,127 million, an increase of 13.6 percent from the previous fiscal year.

- **Automotive Electronic Components Business**

In the automotive electronic components market, domestic automobile production volume increased marginally. Although reduction in sales volume among some customers impacted Omron, sales of new products including laser radar devices, electric power steering controllers and door lock controllers increased, contributing to higher sales.

Overseas, challenging conditions continued in the U.S. market due to factors including a decrease in automobile unit production volume among the Big Three U.S. auto manufacturers and some Japanese car companies, the persistently strong yen, and continued intense price competition in the automotive relay market. However, in the markets of Europe, Korea and Asia, where future growth is expected, Omron's aggressive development of new customers and other factors resulted in steady sales growth. In particular, exports from Korea to the U.S. market remained strong, and Omron benefited from the acquisition of a relay company in Europe.

As a result, segment sales totaled ¥64,558 million, an increase of 9.7 percent from the previous fiscal year.

- **Social Systems Business**

In the electronic fund transfer systems business, during the first half, the issue of newly designed currency bills in the domestic market resulted in a strong increase in demand for renewal of automated teller machines (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 the station management and settlement system markets, the issue of the new currency bills resulted in renewal demand. The extension of train lines and the start of service on new lines resulted in broad, large-scale demand. Demand increased for settlement equipment that can use IC cards to prevent counterfeiting. These and other factors resulted in a substantial increase in sales compared with the previous fiscal year.

In the traffic and road management systems market, large-scale demand from urban highway projects in the previous fiscal year did not recur. Demand for new road management systems slowed. The impact of administrative and budgetary pressures and intensifying market competition caused demand for traffic management systems to decrease. Due to these and other factors, sales decreased substantially.

As a result, segment sales totaled ¥115,205 million, a decrease of 15.3 percent from the previous fiscal year that in part reflected the transfer of the ATM and other information equipment business.

- **Healthcare Business**

The rise in the number of hypertension patients and the obese population, as well as government measures to contain medical expenses, supported solid market expansion in Japan and overseas. As a result of Omron's efforts to maintain and expand share in the markets it serves, the Company achieved sales growth compared to the previous fiscal year in all areas, excluding China. By product, sales of blood pressure monitors, a core product, and pedometers remained firm worldwide from the previous year. Sales of body composition monitors remained solid, as sales increased rapidly in Japan supported by the effect of television commercials, and also increased substantially in the United States.

As a result, segment sales were ¥50,583 million, an increase of 7.7 percent from the previous fiscal year.

- **Others**

Among existing businesses, in the entertainment business, competition in the commercial game machine business continued to intensify. Mobile content and other new domains continued to expand steadily. Overall, sales increased compared to the previous fiscal year. In the computer peripheral business, sales of modems, broadband routers and other equipment remained firm. Sales in the systems integration business also remained firm against a backdrop of solid corporate investment in IT.

In nurturing new businesses, in the wireless sensing business sales of Carmoni, a simple anti-theft device for automobiles, expanded firmly. Sales also expanded steadily in the radio frequency identification (RFID) business.

As a result, segment sales totaled ¥26,786 million, an increase of 9.4 percent from the previous fiscal year.

**2) Distribution of Profits**

In accordance with the "Basic Policy for Distribution of Profits" stated above and in consideration of results in the fiscal years ended March 2005 and 2004, Omron will pay a year-end cash dividend of ¥14.00 per share. Combined with the interim cash dividend of ¥10.00 per share, Omron expects to pay cash dividends totaling ¥24.00 per share for the fiscal year ending March 2005.

## (2) Outlook for the Fiscal Year Ending March 31, 2006

### 1) General Outlook

The outlook for the economic environment in the fiscal year ending March 31, 2006 is that the deceleration trend evident in the second half of the past fiscal year will continue into the first half of the next fiscal year. IT and digital-related demand will remain in an adjustment phase, crude oil prices will be high and growth will slow in China. However, a mild upturn is expected in the middle of the fiscal year.

In this environment, Omron will continuously implement structural reforms, secure higher sales and profits and make necessary investments. From the viewpoint of achieving a milestone during the next fiscal year, the second year of the second stage of GD2010, Omron has set the policy for the fiscal year of “Advance toward a Strong Structure of High Profitability.” Omron will concentrate management resources in the domains it has identified for future growth. In working toward the profit structure targets of the second stage of GD2010, Omron will promote lasting efficiency gains. Specifically, Omron will 1) work to build a powerful business infrastructure in China to support full-scale business growth in China; 2) make a series of focused investments in designated core technologies in emerging growth markets as a technology-centered growth strategy; and 3) implement continuous reforms in working toward the target profit structure.

Dealing with regulated chemical substances and moving to further increase quality are other key themes for the fiscal year ending March 2006.

The outlook for the fiscal year ending March 2006 is that Omron will continue to reinforce the profit structure of existing businesses to increase operating income. On the other hand, Omron expects to aggressively make growth investments in China and in new domains. Omron therefore projects net sales of ¥625.0 billion, operating income of ¥65.0 billion, income before income taxes of ¥63.0 billion, and net income of ¥36.0 billion. This forecast assumes exchange rates of US$=100 and 1 Euro=¥130.

### 2) Outlook by Business Segment

#### Industrial Automation Business

In the year ending March 2006, Omron projects that the domestic environment for capital investment will remain challenging, with the exception of some industries such as automobiles. Omron will work to increase sales by aggressively expanding its domestic sales agent system and solutions business and by working to develop new customers. Moreover, Omron will work to develop new business. In China, Omron will work to expand sales by means including strengthening sales and production capabilities and introducing new products.

As a result, sales in this segment are projected to increase 6.9 percent year-on-year to ¥267.5 billion.

#### Electronic Components Business

In Japan, the consumer and commerce components market entered an adjustment phase in the second half of the fiscal year ended March 2005. However, Omron projects a moderate recovery in the fiscal year ending March 2006. In the growing IT and mobile markets, Omron will work to strengthen sales and marketing in Europe and the United States, and projects that sales will increase.

Moreover, to achieve rapid expansion of business in China, Omron will construct a plating plant to establish a uniform production system from the component stage. Increased production capacity will further reduce costs and expand production capabilities. Omron will also increase the number of salespeople and sales bases in working to strengthen its sales capabilities.

In the large sized backlight business, which Omron entered during the fiscal year ended March 2005, Omron will continue to expand its sales and production bases in Taiwan, and during the fiscal year ending March 2006 expects this business to make a full-fledged contribution to sales growth.

As a result, sales in this segment are projected to increase 12.7 percent year-on-year to ¥114.0 billion.

#### Automotive Electronic Components Business

The outlook for the operating environment for the automotive electronic components business for the year ending March 2006 is that unit sales volume will vary by region and country, though it should increase modestly overall. However, the number of electronic components per automobile will continue to increase, and Omron projects that the firm results of the year ended March 2005 will continue in the next fiscal year. In this environment, Omron will work to strengthen approaches to new model introductions of customers in Japan and overseas and fortify the automotive devices business. Sales in this segment are projected to increase 11.5 percent year-on-year to ¥72.0 billion.

#### Social Systems Business

In the station management and settlement system business, Omron projects that the move toward IC train tickets will result in renewal and conversion, and demand for settlement terminals will increase. However, in the fiscal year ended

March 2005, the issue of new currency bills resulted in large conversion and renewal demand for ticket vending machines and other machines, and Omron projects a substantial decrease in sales in the year ending March 2006.

In the traffic and road management systems business, despite the continued difficult business environment, centered on traffic management demand, resulting from the impact of administrative and budgetary pressures and intensifying market competition, Omron projects demand will occur for new road management systems. Sales are projected to remain firm.

Due to the above factors and the transfer of the ATM and other information equipment business to an equity method affiliate, segment sales are projected to decrease 21.0 percent year-on-year to ¥91.0 billion.

**Healthcare Business**

Health consciousness continues to rise in Japan and overseas. By product, demand for electronic blood pressure monitors and body composition monitors is projected to continue expanding. In particular, sales of electronic blood pressure monitors in China and Europe and sales of body composition monitors in Japan are projected to increase sharply. Segment sales are projected to increase 6.8 percent year-on-year to ¥54.0 billion.

**Others**

While the market environment is competitive, in existing businesses, Omron aims for growth in the prize business and cellular phone content distribution, which are part of the entertainment business. In the computer peripherals businesses, Omron aims for steady expansion in sales of communications equipment and power supply equipment. Moreover, in nurturing new businesses, Omron will work to further expand sales of the Carmoni series of anti-theft devices for automobiles. In the radio frequency identification (RFID) business, Omron will accelerate expansion in the North American market.

Sales in this segment are projected to decrease 1.1 percent year-on-year to ¥26.5 billion.

**3) Distribution of Profits**

In accordance with the “Basic Policy for Distribution of Profits” stated above, Omron plans to pay an annual cash dividend of ¥24.00 per share (interim cash dividend per share: ¥12.00).

## (b) Financial Condition

### (1) Overview of the Fiscal Year Ended March 31, 2005

#### 1) Financial Condition for the Fiscal Year Ended March 31, 2005

Total assets: ¥585,429 million (a decrease of ¥6,844 million from a year earlier)
Shareholders’ equity: ¥305,810 million (an increase of ¥31,100 million from a year earlier)
Shareholders’ equity/Total assets: 52.2% (an increase of 5.8 percentage points from a year earlier)

Total assets decreased ¥6,844 million compared with end of the previous fiscal year. The main factor was a ¥14,440 million decrease in cash and cash equivalents primarily due to the redemption of unsecured convertible bonds.

Shareholders’ equity increased ¥31,100 million compared with the end of the previous fiscal year. This was due to the increase from net income of ¥30,176 million, a ¥4,115 million decrease in minimum pension liability adjustments (which increases shareholders’ equity) in connection with the change of the retirement pension system, and a ¥5,071 million decrease in foreign currency translation adjustments (which increases shareholders’ equity).

#### 2) Summary of Cash Flows for the Fiscal Year Ended March 31, 2005

Net cash provided by operating activities was ¥61,076 million, a decrease of ¥19,611 million compared with the same period in the previous year. Higher tax payments and other factors offset the increase in net income.

Net cash used in investing activities totaled ¥36,050 million, an increase of ¥1,566 million from the same period in the previous year, mainly due to investments to strengthen the foundation for future growth and aggressive investment in affiliates.

Net cash used in financing activities was ¥40,684 million, an increase of ¥12,565 million from the same period in the previous year. Principal uses of cash were repayment of long-term debt and payment of increased cash dividends.

As a result, cash and cash equivalents at the end of the fiscal year were ¥80,619 million, a decrease of ¥14,440 million from the end of the previous fiscal year.

### (2) Outlook for the Year Ending March 31, 2006

For the year ending March 31, 2006, Omron projects that despite continued growth in net income, aggressive investments in growth including investment in the Company’s infrastructure in China, investment in new product development as part of the Company’s growth strategy, and investment to eradicate the use of regulated chemical substances will result in a year-on-year decrease in free cash flow, calculated as net cash provided by operating activities less net cash used in investing activities.

In financing activities, despite the above capital requirements, Omron will flexibly manage sources and uses of capital, taking financial conditions into consideration while efficiently deploying capital and maintaining appropriate capital levels throughout the Group.

Considering the above cash flow projections, Omron believes that the balance of cash and cash equivalents of ¥80,619 million as of March 31, 2005 is more than sufficient for business operations in the present economic conditions.

## (3) Cash Flow Indicators and Trends

Consolidated cash flow indicators and trends for the five most recent fiscal years are as follows.

| Fiscal Years Ended March 31 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---|---|---|---|---|
| Shareholders' equity ratio (%) | 55.0 | 54.3 | 44.3 | 46.4 | 52.2 |
| Shareholders' equity ratio on market value basis (%) | 88.6 | 86.8 | 81.1 | 105.6 | 95.1 |
| Debt repayment period (years) | 1.3 | 1.7 | 1.7 | 0.7 | 0.4 |
| Interest coverage ratio (times) | 28.8 | 26.7 | 29.2 | 66.3 | 55.6 |

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
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.

### (c) Business and Other Risks

The following risks may influence the Omron Group's management results and financial condition (including share price), and Omron believes that these items may substantially affect investor decisions.

Note that items referring to the future reflect the Omron Group's forecasts and assumptions as of April 27, 2005, the date of publication of these materials.

### 1. Economic Conditions

The primary business of the Omron Group is consumer and commerce electronic components used in the manufacture of control system equipment and other electrical and electronic equipment by the manufacturing sector and in capital investment related areas. Accordingly, demand for Omron Group products is affected by economic conditions in these markets. Also, the Omron Group procures raw materials and semi-finished products in a wide variety of forms, and rapid increases in demand could result in supply shortages and/or sudden increases in prices that could halt production and/or cause sudden increases in costs.

Both in Japan and overseas, therefore, market forces affecting suppliers to, and purchasers from, the Omron Group can result in the contraction of demand for our products, thereby possibly having a negative impact on the Group's operating results and financial condition.

### 2. Risks Accompanying Overseas Business Activities

The Omron Group actively conducts business activities such as production and sales in overseas markets. The Group may be subject to operating difficulties in overseas countries related to possible social unrest due to factors including differences in culture or religion, political turmoil and uncertainty in economic trends, differences in business customs in areas such as the structure of relationships with local businesses and collection of receivables, specific legal systems and investment regulations, changes in tax systems, labor shortages and problems in the labor-management relationship, epidemics, and terrorism, wars, and other political circumstances.

These various risks associated with overseas operations may have a negative impact on the Omron Group's operating results and financial condition.

### 3. Exchange Rate Fluctuation

The Omron Group has 97 overseas affiliated companies and continues to reinforce its business operations in overseas markets, such as China for which major market growth is anticipated in the future. The percentages of consolidated net sales accounted for by overseas sales during the fiscal years ended March 2004 and March 2005 were 38.3 percent and 39.9 percent, respectively, and Omron expects further increases in the overseas operations ratio due to factors such as production shifts. The Omron Group seeks to hedge against exchange rate risk in such ways as balancing imports and exports denominated in foreign currencies. Exchange rate fluctuations, however, could have a negative impact on the Group's operating results and financial condition.

**4. Product Defects**

The Omron Group is committed to the management philosophy of maximizing customer satisfaction, and implements the philosophy by providing the best quality products and services based on the Group's motto of "quality first." The Group has strict quality control standards in place, and develops and manufactures its products accordingly. The Corporate General Affairs Division of the parent company conducts quality audits, and a Group-wide quality check system is in place for the ongoing improvement of the quality of the Group's entire line of products and services. Nevertheless, there is no assurance that all of the Group's products are without defects, and that recalls will not occur in the future. Large-scale recalls and/or product defects resulting in liability-related damages could impose huge costs, could severely influence evaluations of the Omron Group, and could result in reduced sales. Such events could exert a negative impact on the Group's operating results and financial condition.

**5. Regulated Chemical Substances**

The Omron Group currently manufactures products with materials containing regulated chemical substances such as lead and cadmium that will be banned from use in the EU from July 2006. At present, in cooperation with suppliers the Omron Group has nearly completed an investigation of the status of regulated chemical substances in all of the components and materials the Group uses, and is accelerating efforts to switch to substitute components and materials that do not contain regulated chemical substances. The Omron Group has constructed an IT system to support the steady, efficient implementation of the investigation of materials and components and the switch to substitute materials and components, and is working to make Omron Group products throughout the world "environmentally warranted products" by the end of March 2006. However, delays in the switchover due to shortages of substitute parts and materials could impact negatively on our operating results and financial condition.

**6. Information Leakage**

All aspects of the operations of the Omron Group depend on personal computers and an IT environment, including production, R&D, sales, and management, with external data exchange being conducted in the course of sales and procurement activities. With recent rapid advances in the Internet and large-capacity media, moreover, there is an increasing possibility that important internal information such as customer information could be leaked to the outside of the Group. The Omron Group is strengthening its security measures to prevent external entry into its internal information systems, and a special committee has been established centering on the Corporate General Affairs Division. Steps are accordingly being taken to reinforce control over the information we handle, and to further improve employees' information literacy.

The Omron Group acquires information (including information on individuals) regarding the privacy and credit information of customers and other entities and other types of classified information through its business processes and important information in the course of business. The Omron Group is strengthening security to prevent external entry into its internal information systems and misappropriation by third parties, and a special committee has been established centering on the Corporate General Affairs Division. Steps are being taken to reinforce control over the information the Group handles, and to further improve employees' information literacy.

Unanticipated leakage of internal information, however, due for example to invasion of internal information systems using technology exceeding implemented security levels, could exert a negative impact on the Omron Group's operating results and financial condition.

**7. Counterfeiting of Omron Group Products**

The Omron Group has accumulated technology and expertise allowing it to differentiate its products from those of its competitors. However, it is impossible to completely protect all of the Group's intellectual property consisting of proprietary technology and expertise, due to legal restrictions in specific regions, including China, and conditions that allow only limited protection. At present, the Omron Group is working on intellectual property protection against imitation products, through such measures as the placement of full-time personnel (including local staff) in Shanghai. However, it is possible that the Group will not be able to completely prevent third parties from using its intellectual property in the manufacture of imitation products.

In China, skills in the methods needed to manufacture and sell imitations of the Omron Group's products improve each year, and organizations that manufacture and market counterfeit products have become extremely troublesome. The circulation of low-quality counterfeits that fraudulently use the Omron Group brand in Asia, including China, could damage trust in the Omron Group's products and the Group's brand image, and could exert a negative impact on the Omron Group's operating results and financial condition.

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 affecting 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.

(Attachment)

## 4. Consolidated Financial Statements

### Consolidated Statements of Operations

(Millions of yen)

| | Year ended March 31, 2005 | | Year ended March 31, 2004 | | Increase (decrease) |
|---|---|---|---|---|---|
| Net sales | 608,588 | 100.0% | 584,889 | 100.0% | 23,699 |
| Cost of sales | 358,817 | 59.0 | 344,835 | 59.0 | 13,982 |
| Gross profit | 249,771 | 41.0 | 240,054 | 41.0 | 9,717 |
| Selling, general and administrative expenses | 144,219 | 23.7 | 142,157 | 24.3 | 2,062 |
| Research and development expenses | 49,441 | 8.1 | 46,494 | 7.9 | 2,947 |
| Operating income | 56,111 | 9.2 | 51,403 | 8.8 | 4,708 |
| Interest expense (income), net | (216) | (0.0) | 317 | 0.1 | (533) |
| Foreign exchange loss, net | 75 | 0.0 | 1,254 | 0.2 | (1,179) |
| Other expenses, net | 3,704 | 0.6 | 1,848 | 0.3 | 1,856 |
| Income before income taxes and minority interests and cumulative effect accounting change | 52,548 | 8.6 | 47,984 | 8.2 | 4,564 |
| Income taxes: | 22,108 | 3.6 | 20,762 | 3.5 | 1,346 |
| Current | 20,393 | | 13,527 | | 6,866 |
| Deferred | 1,715 | | 7,235 | | (5,520) |
| Minority interests | 264 | 0.0 | 411 | 0.1 | (147) |
| Net income | 30,176 | 5.0 | 26,811 | 4.6 | 3,365 |

(Attachment)

## Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2005 | | As of March 31, 2004 | | Increase (decrease) |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Current Assets: | 295,940 | 50.6% | 316,226 | 53.4% | (20,286) |
| Cash and cash equivalents | 80,619 | | 95,059 | | (14,440) |
| Notes and accounts receivable — trade | 124,409 | | 124,891 | | (482) |
| Allowance for doubtful receivables | (2,757) | | (2,823) | | 66 |
| Inventories | 68,585 | | 70,341 | | (1,756) |
| Deferred income taxes | 17,240 | | 18,458 | | (1,218) |
| Other current assets | 7,844 | | 10,300 | | (2,456) |
| Property, Plant and Equipment: | 154,689 | 26.4 | 150,723 | 25.4 | 3,966 |
| Land | 43,794 | | 45,583 | | (1,789) |
| Buildings | 110,367 | | 107,852 | | 2,515 |
| Machinery and equipment | 143,111 | | 141,932 | | 1,179 |
| Construction in progress | 5,946 | | 3,760 | | 2,186 |
| Accumulated depreciation | (148,529) | | (148,404) | | (125) |
| Investments and Other Assets: | 134,800 | 23.0 | 125,324 | 21.2 | 9,476 |
| Investments in and advances to associates | 17,343 | | 1,245 | | 16,098 |
| Investment securities | 49,764 | | 50,331 | | (567) |
| Leasehold deposits | 8,595 | | 8,777 | | (182) |
| Deferred income taxes | 41,499 | | 47,301 | | (5,802) |
| Other | 17,599 | | 17,670 | | (71) |
| Total Assets | 585,429 | 100.0% | 592,273 | 100.0% | (6,844) |

(Attachment)

(Millions of yen)

| | As of March 31, 2005 | | As of March 31, 2004 | | Increase (decrease) |
|---|---|---|---|---|---|
| LIABILITIES | | | | | |
| Current Liabilities: | 162,988 | 27.8 | 184,548 | 31.2% | (21,560) |
| Bank loans | 12,424 | | 15,444 | | (3,020) |
| Notes and accounts payable －trade | 75,866 | | 79,345 | | (3,479) |
| Accrued expenses | 26,701 | | 26,146 | | 555 |
| Income taxes payable | 12,724 | | 10,114 | | 2,610 |
| Deferred income taxes | 97 | | 144 | | (47) |
| Other current liabilities | 24,673 | | 23,319 | | 1,354 |
| Current portion of long-term debt | 10,503 | | 30,036 | | (19,533) |
| Long-Term Debt | 1,832 | 0.3 | 11,207 | 1.9 | (9,375) |
| Deferred Income Taxes | 1,199 | 0.2 | 483 | 0.1 | 716 |
| Termination and Retirement Benefits | 111,988 | 19.1 | 119,738 | 20.2 | (7,750) |
| Other Long-Term Liabilities | 63 | 0.0 | 140 | 0.0 | (77) |
| Minority Interests in Subsidiaries | 1,549 | 0.4 | 1,447 | 0.2 | 102 |
| Total Liabilities | 279,619 | 47.8 | 317,563 | 53.6 | (37,944) |
| | | | | | |
| SHAREHOLDERS' EQUITY | | | | | |
| Common stock | 64,100 | 10.9 | 64,082 | 10.8 | 18 |
| Additional paid-in capital | 98,726 | 16.9 | 98,705 | 16.7 | 21 |
| Legal reserve | 7,649 | 1.3 | 7,450 | 1.3 | 199 |
| Retained earnings | 199,551 | 34.1 | 175,296 | 29.6 | 24,255 |
| Accumulated other comprehensive income (loss) | (41,009) | (7.0) | (50,559) | (8.6) | 9,550 |
| Foreign currency translation adjustments | (10,554) | | (15,625) | | 5,071 |
| Minimum pension liability adjustments | (41,123) | | (45,238) | | 4,115 |
| Net unrealized gains on securities | 10,909 | | 10,087 | | 822 |
| Net gains (losses) on derivative instruments | (241) | | 217 | | (458) |
| Treasury stock | (23,207) | (4.0) | (20,264) | (3.4) | (2,943) |
| Total Shareholders' Equity | 305,810 | 52.2 | 274,710 | 46.4 | 31,100 |
| Total Liabilities and Shareholders' Equity | 585,429 | 100.0% | 592,273 | 100.0% | (6,844) |

(Attachment)

## Consolidated Statements of Shareholders' Equity

(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) |
| Net income | | | | 30,176 | | |
| Cash dividends | | | | (5,713) | | |
| Transfer to legal reserve | | | 199 | (199) | | |
| Foreign currency translation adjustments | | | | | 5,071 | |
| Minimum pension liability adjustments | | | | | 4,115 | |
| Unrealized gains on available-for-sale securities | | | | | 822 | |
| Net losses on derivative instruments | | | | | (458) | |
| Acquisition of treasury stock | | | | | | (3,065) |
| Disposal of treasury stock | | 3 | | | | 16 |
| Conversion of convertible bonds | 18 | 19 | | | | 1 |
| Exercise of stock options | | (1) | | (9) | | 105 |
| Balance, March 31, 2005 | 64,100 | 98,726 | 7,649 | 199,551 | (41,009) | (23,207) |

(Attachment)

## Consolidated Statements of Cash Flows

(Millions of yen)

| | Year ended March 31, 2005 | Year ended March 31, 2004 | Increase (decrease) |
|---|---|---|---|
| **Operating Activities:** | | | |
| Net income | 30,176 | 26,811 | 3,365 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 28,642 | 27,662 | |
| Net loss on sales and disposals of property, plant and equipment | 918 | 479 | |
| Loss on impairment of property, plant and equipment | 614 | 41 | |
| Net gain on sales of short-term investments and investment securities | (987) | (1,039) | |
| Loss on impairment of investment securities and other assets | 366 | 2,413 | |
| Bad debt expense | 140 | 0 | |
| Termination and retirement benefits | 1,956 | 5,016 | |
| Deferred income taxes | 1,715 | 7,235 | |
| Minority interests | 264 | 411 | |
| Equity in earnings of affiliates | 1,483 | (92) | |
| Net loss on sales of business entities | — | 494 | |
| Changes in assets and liabilities: | | | |
| Increase in notes and accounts receivable — trade, net | (2,762) | (10,853) | |
| Decrease (increase) in inventories | (1,964) | 4,105 | |
| Decrease in other assets | 934 | 891 | |
| Increase (decrease) in notes and accounts payable — trade | (4,908) | 10,976 | |
| Increase in income taxes payable | 2,423 | 6,015 | |
| Increase (decrease) in accrued expenses and other current liabilities | 2,114 | (52) | |
| Other, net | (48) | 174 | |
| Total adjustments | 30,900 | 53,876 | (22,976) |
| Net cash provided by operating activities | 61,076 | 80,687 | (19,611) |
| **Investing Activities:** | | | |
| Proceeds from sales or maturities of short-term investments and investment securities | 1,867 | 1,894 | (27) |
| Purchase of short-term investments and investment securities | (267) | (1,617) | 1,350 |
| Capital expenditures | (38,579) | (38,115) | (464) |
| Decrease in leasehold deposits | 221 | 312 | (91) |
| Proceeds from sales of property, plant and equipment | 4,343 | 4,808 | (465) |
| Acquisition of minority interests | (515) | (1,738) | 1,223 |
| Increase in investment in and loans to affiliates | (1,233) | — | (1,233) |
| Proceeds from sale of business entities, net | (1,111) | (365) | (746) |
| Payment for acquisition of business entities, net | (776) | 337 | (1,113) |
| Net cash used in investing activities | (36,050) | (34,484) | (1,566) |
| **Financing Activities:** | | | |
| Net repayments of short-term bank loans | (3,860) | (4,842) | 982 |
| Proceeds from issuance of long-term debt | 1,924 | 1,011 | 913 |
| Repayments of long-term debt | (30,238) | (13,093) | (17,145) |
| Dividends paid by the Company | (5,611) | (2,792) | (2,819) |
| Dividends paid to minority interests | (59) | (150) | 91 |
| Acquisition of treasury stock | (2,954) | (8,411) | 5,457 |
| Disposal of treasury stock | 19 | — | 19 |
| Exercise of stock options | 95 | 158 | (63) |
| Net cash used in financing activities | (40,684) | (28,119) | (12,565) |
| **Effect of Exchange Rate Changes on Cash and Cash Equivalents** | 1,218 | (2,944) | 4,162 |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | (14,440) | 15,140 | (29,580) |
| **Cash and Cash Equivalents at Beginning of the Period** | 95,059 | 79,919 | 15,140 |
| **Cash and Cash Equivalents at End of the Period** | 80,619 | 95,059 | (14,440) |
| Notes to cash flows from operating activities: | | | |
| Interest paid | 1,098 | 1,217 | (119) |
| Taxes paid | 17,815 | 7,508 | 10,307 |
| Note to investing and financing activities not involving cash flow: | | | |
| Debt related to capital expenditures | 2,671 | 3,848 | (1,177) |
| Stock issued due to conversion of bonds | 38 | — | 38 |
| Transfer of assets and liabilities to affiliate created through joint venture | 16,270 | — | 16,270 |

(Attachment)

## Preparation of the 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

| | Year ended March 31, 2005 | Year ended March 31, 2004 | Increase (decrease) |
|---|---|---|---|
| Consolidated subsidiaries | 142 | 135 | 7 |
| Unconsolidated subsidiaries accounted for by the equity method | — | — | — |
| Affiliates accounted for by the equity method | 17 | 12 | 5 |
| Total | 159 | 147 | 12 |

(2) Names of principal subsidiaries and affiliates

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

Companies accounted for by the equity method: Hitachi-Omron Terminal Solutions, Corp.

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

Consolidated subsidiaries

(New) 11 companies (Tama FineOpt Co., Ltd. and 10 others)

(Eliminated) 4 companies

Affiliates accounted for by the equity method:

(New) 6 companies

(Eliminated) 1 company

2. Comprehensive Income

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

Year ended March 31, 2005: ¥39,726 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 (income), net" are as follows:

(Millions of yen)

| | | |
|---|---|---|
| Year ended March 31, 2005 | Business restructuring expenses | ¥1,767 |
| | Loss in equity of affiliates | 1,483 |
| 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) |

(Attachment)

## 5. Segment Information

### 1. Business Segment Information

Year ended March 31, 2005 (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 | 250,329 | 101,127 | 64,558 | 115,205 | 50,583 | 26,786 | 608,588 | — | 608,588 |
| (2) Intersegment sales and transfers | 8,747 | 20,734 | 2,983 | 8,021 | 413 | 47,410 | 88,308 | (88,308) | — |
| Total | 259,076 | 121,861 | 67,541 | 123,226 | 50,996 | 74,196 | 696,896 | (88,308) | 608,588 |
| Operating expenses | 217,651 | 105,795 | 68,418 | 116,793 | 43,375 | 70,400 | 622,432 | (69,955) | 552,477 |
| Operating income | 41,425 | 16,066 | (877) | 6,433 | 7,621 | 3,796 | 74,464 | (18,353) | 56,111 |

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

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 Business Development Group and other divisions.

(Attachment)

## 2. Geographical Segment Information

Year ended March 31, 2005 (Millions of yen)

| | Japan | North America | Europe | Asia | Total | Eliminations & Corporate | Consolidated |
|---|---|---|---|---|---|---|---|
| Net sales: | | | | | | | |
| (1) Sales to outside customers | 387,627 | 65,612 | 92,239 | 63,110 | 608,588 | — | 608,588 |
| (2) Intersegment sales and transfers | 88,587 | 439 | 846 | 36,272 | 126,144 | (126,144) | — |
| Total | 476,214 | 66,051 | 93,085 | 99,382 | 734,732 | (126,144) | 608,588 |
| Operating expenses | 419,870 | 63,493 | 83,997 | 94,147 | 661,507 | (109,030) | 552,477 |
| Operating income | 56,344 | 2,558 | 9,088 | 5,235 | 73,225 | (17,114) | 56,111 |

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)

| | Year ended March 31, 2005 | Year ended March 31, 2004 | Increase(decrease) |
|---|---|---|---|
| North America<br>(Percentage of total sales) | 65,612<br>10.8% | 64,832<br>11.1% | 1.2% |
| Europe<br>(Percentage of total sales) | 93,130<br>15.3% | 86,117<br>14.7% | 8.1% |
| Asia<br>(Percentage of total sales) | 83,791<br>13.8% | 72,888<br>12.5% | 15.0% |
| Total<br>(Percentage of total sales) | 242,533<br>39.9% | 223,837<br>38.3% | 8.4% |

(Attachment)

## 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 March 31, 2005
Available-for-sale securities (Millions of yen)

| | Cost* | Gross unrealized gain | Gross unrealized loss | Fair value |
|---|---|---|---|---|
| Debt securities | 1,064 | 237 | — | 1,301 |
| Equity securities | 24,600 | 19,584 | (381) | 43,803 |
| Total investment securities | 25,664 | 19,821 | (381) | 45,104 |

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.

(Attachment)

## 7. Breakdown of Sales

Net sales by consolidated business segment

(Millions of yen)

| | Year ended March 31, 2005 | | Year ended March 31, 2004 | | Increase (decrease) |
|---|---|---|---|---|---|
| Industrial Automation Business | 250,329 | 41.1% | 229,638 | 39.3% | 9.0% |
| Electronic Components Business | 101,127 | 16.6 | 88,988 | 15.2 | 13.6 |
| Automotive Electronic Components Business | 64,558 | 10.6 | 58,824 | 10.1 | 9.7 |
| Social Systems Business | 115,205 | 18.9 | 135,997 | 23.3 | (15.3)* |
| Healthcare Business | 50,583 | 8.3 | 46,962 | 8.0 | 7.7 |
| Other | 26,786 | 4.5 | 24,480 | 4.1 | 9.4 |
| Total | 608,588 | 100.0 | 584,889 | 100.0 | 4.1 |

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 year ended March 31, 2005, “Social Systems Business” includes the Social Systems Solutions and Service Business Company and the Financial Systems Business Company.

Projected net sales for the fiscal year ending March 31, 2006 by consolidated business segment

(Millions of yen)

| | Year ending March 31, 2006 (est.) | | Year ended March 31, 2005 | | Increase (decrease) |
|---|---|---|---|---|---|
| Industrial Automation Business | 267,500 | 42.8% | 250,329 | 41.1% | 6.9% |
| Electronic Components Business | 114,000 | 18.2 | 101,127 | 16.6 | 12.7 |
| Automotive Electronic Components Business | 72,000 | 11.5 | 64,558 | 10.6 | 11.5 |
| Social Systems Business | 91,000 | 14.6 | 115,205 | 18.9 | (21.0)* |
| Healthcare Business | 54,000 | 8.6 | 50,583 | 8.3 | 6.8 |
| Other | 26,500 | 4.3 | 26,786 | 4.5 | (1.1) |
| Total | 625,000 | 100.0 | 608,588 | 100.0 | 2.7 |

Notes:

1. For the projections for the year ending March 31, 2006, “Social Systems Business” includes the Social Systems Solutions and Service Business Company, the Financial Systems Business Company and others.

*SSB: As of October 1, 2004, the ATM and other information equipment businesses (equipment such as automated bill changers) that was included in the Social Systems Business was transferred to an affiliate accounted for using the equity method.