

# Consolidated Financial Statements for the Fiscal Year Ended March 31, 2004

May 6, 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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President and Chief Executive Officer:

Hisao Sakuta

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Board of Directors meeting: May 6, 2004

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U.S. accounting standards used: Yes

Stock exchange listings: Tokyo, Osaka, Nagoya

Stock ticker number: 6645

## 1. Results for Fiscal 2003 (April 1, 2003-March 31, 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 (loss) before income taxes (¥ million)	Year-on-year change (%)
Fiscal 2003	584,889	9.3	51,403	59.1	47,984	914.0
Fiscal 2002	535,073	0.2	32,313	665.5	4,732	—

	Net income (loss) (¥ million)	Year-on-year change (%)	Earnings (loss) per share (basic) (¥)	Earnings per share (diluted) (¥)	Return on equity (%)	Income (loss) before income taxes /total assets (%)	Income (loss) before income taxes /net sales (%)
Fiscal 2003	26,811	—	110.66	107.53	10.2	8.3	8.2
Fiscal 2002	511	—	2.07	—	0.2	0.8	0.9

Notes: 1. Equity in earnings of affiliates: ¥92 million (Fiscal 2002: ¥59 million)

2. Average number of shares outstanding (consolidated): 242,296,332 shares (Fiscal 2002: 247,336,015 shares)

3. Changes in accounting methods: Yes

4. Year-on-year change for net sales, operating income, income (loss) before income taxes and net income (loss) is based on the previous fiscal year.

### (2) Financial Position

	Total assets (¥ million)	Shareholders' equity (¥ million)	Shareholders' equity/total assets (%)	Shareholders' equity per share (¥)
Fiscal 2003	592,273	274,710	46.4	1,148.33
Fiscal 2002	567,399	251,610	44.3	1,036.01

Note: Number of shares outstanding at end of period (consolidated): 239,224,823 shares (Fiscal 2002: 242,864,183 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)
Fiscal 2003	80,687	(34,484)	(28,119)	95,059
Fiscal 2002	41,854	(30,633)	(1,996)	79,919

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

Consolidated subsidiaries: 135 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) 9 companies (Eliminated) 6 companies

Equity method: (New) 3 companies (Eliminated) 1 company

## 2. Projected Results for Fiscal 2004 (April 1, 2004-March 31, 2005)

	Net sales (¥ million)	Income (loss) before income taxes (¥ million)	Net income (loss) (¥ million)
6 months ending 9/04	289,000	21,000	12,000
Fiscal 2004	610,000	50,000	29,000

Reference: Estimated earnings per share (fiscal 2004): ¥121.22

Note: Please see pages 12-14 of the attached materials regarding the above projected results.

**Summary of Results for Fiscal 2003 (April 1, 2003 – March 31, 2004)****1. Consolidated results**

(Millions of yen, %)

	Year ended March 31, 2004	Year ended March 31, 2003	Year-on-year change (%)
<b>Net sales</b>	584,889	535,073	109%
<b>Operating Income</b> [% of net sales]	51,403 [8.8%]	32,313 [6.0%]	159 [+2.8P]
<b>Income before income taxes</b> [% of net sales]	47,984 [8.2%]	4,732 [0.9%]	1014 [+7.3P]
<b>Net income</b>	26,811	511	5247
<b>Earnings per share (basic) (¥)</b>	110.66	2.07	+108.59
<b>ROE</b>	10.2%	0.2%	+10.0P

Notes:

1. The financial statements are prepared in accordance with U.S. GAAP.
2. Includes 135 consolidated subsidiaries and 12 affiliated companies accounted for by the equity method.

**2. Non-consolidated results**

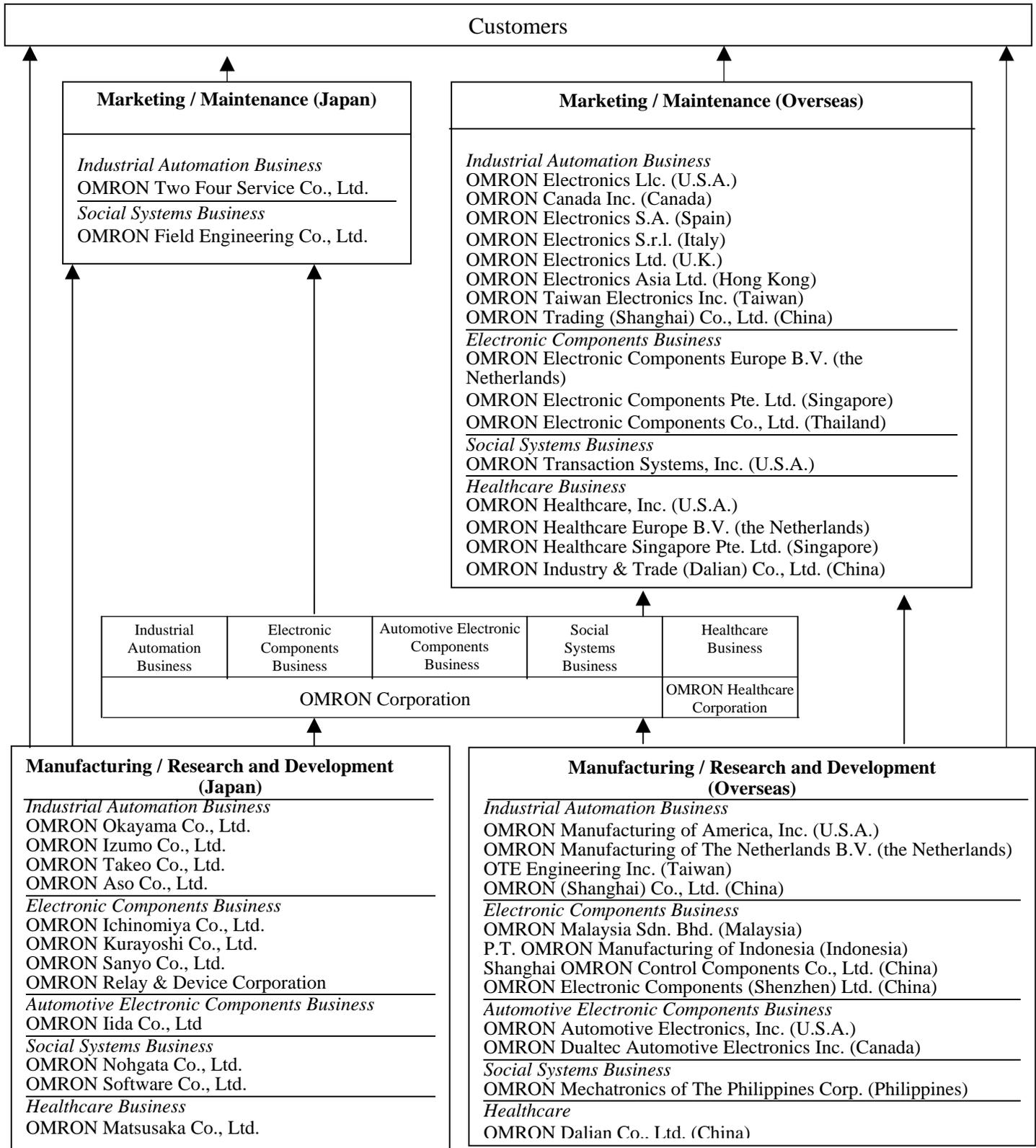
(Millions of yen, %)

	Year ended March 31, 2004	Year ended March 31, 2003	Year-on-year change (%)
<b>Net sales</b>	351,075	350,459	100%
<b>Operating Income</b> [% of net sales]	9,787 [2.8%]	8,166 [2.3%]	120 [+0.5P]
<b>Ordinary income (loss)</b> [% of net sales]	13,065 [3.7%]	6,815 [1.9%]	192 [+1.8P]
<b>Net income (loss)</b>	6,273	(10,291)	—
<b>Earnings per share (¥)</b>	25.46	(41.61)	—
<b>Cash dividends per share (¥)</b>	6.50 (interim) 13.50 (fiscal year)	5.00 (interim) 5.00 (fiscal year)	+1.50 +8.50

### 1. The Omron Group

The Omron Group consists of Omron Corporation and 135 consolidated subsidiaries (45 in Japan, 90 overseas) and 12 affiliates (8 in Japan, 4 overseas). Under the internal company system used by Omron 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 Omron Group.



Note: The Social Systems Solutions and Service Business Company, Advanced Modules Business Company are included in the Social Systems Business.

## **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 “21<sup>st</sup> century company.”

In fiscal 2003 the Company successfully accomplished, a year ahead of schedule, the medium-term goal of attaining return on equity (ROE) of 10%. For the current fiscal year ending March 31, 2005, Omron aims to not only maintain this level of ROE but will also strive to establish a structure for growth.

### **(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 for a long period of time, Omron intends to systematically repurchase and retire the Company’s stock to benefit shareholders. As for the fiscal year under review, Omron will consider the consolidated fiscal year results and will distribute the profits based on the fundamental policy of valuing stability and continuity.

### **(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 reduced the minimum stock-trading unit from 1,000 to 100 shares effective August 1, 2003. As a result, the total number of shareholders has increased by 15% to 27,020 (as of March 31<sup>st</sup> 2004) from the corresponding figure in previous year of 23,574. In order to further promote the widespread investor participation, Omron intends to make timely and appropriate information disclosures.

### **(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. During fiscal 2004, the company intends to lay out a new set of targets and implementation plans for the second phase of GD2010.

### **(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 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 values by utilizing its core technologies.

(Attachment)

## **(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 subsidiary 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 towards 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 Auditing System, whereby the Board of Directors and the Board of Corporate Auditors supervise and monitor its business execution. Although Omron believes that the current auditing 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 six, 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. Although there is no full time external auditing staff, staff members from Corporate General Affairs Division and Corporate Planning Division extend support and assistance as necessary.

(Attachment)

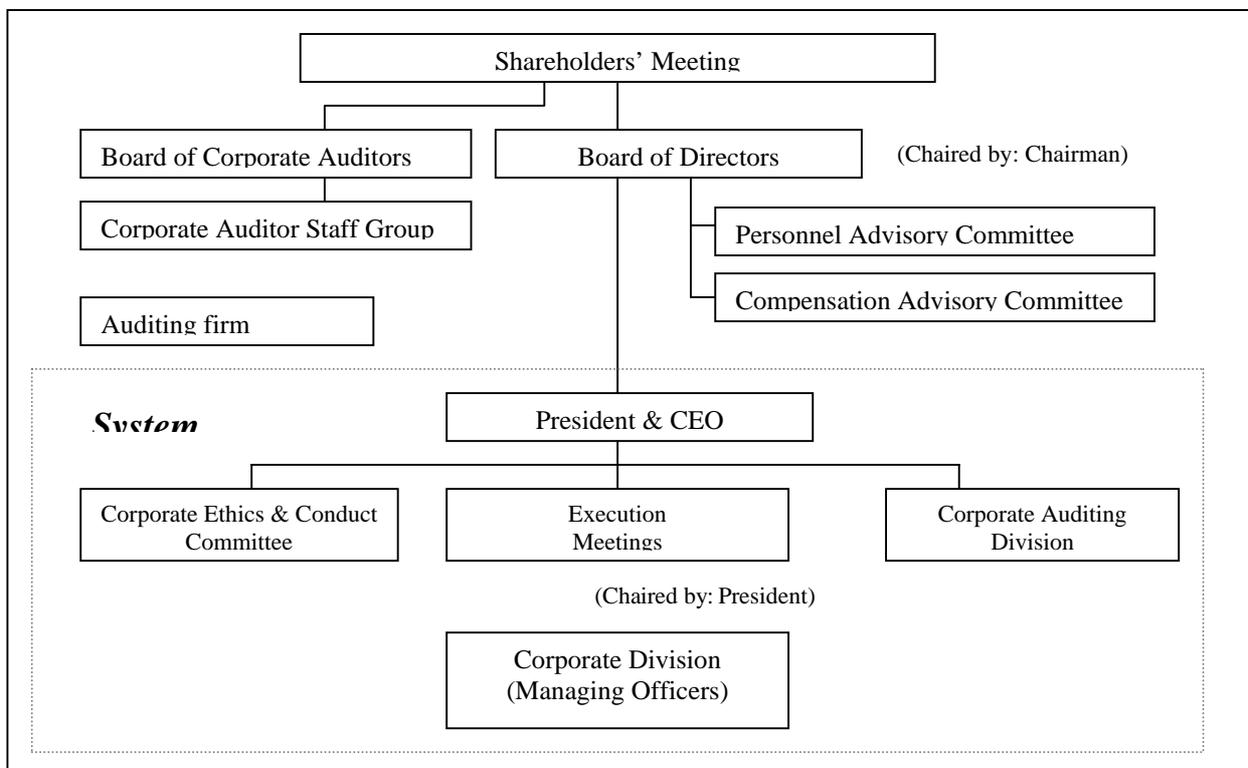
The Board of Corporate Auditors consists of four auditors, including three outside auditors. They supervise corporate governance and monitor business management on a daily basis. They also monitor the activities of all directors. Although there is no full time external staff, staff members from Corporate General Affairs Division and Corporate Auditor Staff Group extend support and assistance as necessary.

In addition to the Personnel Advisory Committee that was set under the Board of Directors in 1995, the Compensation Advisory Committee was established during the fiscal year under review. Both Committees are chaired by outside directors. The Personnel Advisory Committee receives advice from the Chairman of the Board and the President. This committee determines the selection procedure, makes the selections and performs appraisals of directors, auditors and managing officers. The Compensation Advisory Committee also receives advice from the Chairman and the President. This committee determines the compensation structure, sets appraisal guidelines and also performs appraisals of directors, auditors and managing officers.

In order to separate the responsibility for management and execution, Omron has introduced the Managing Officer System. Execution meetings attended by managing officers and chaired by the President are conducted. In these execution meetings, vital decisions are made on all matter that fall within the defined authority of the President. In addition, the Internal Company System delegates to a great extent the decision-making capabilities to the presidents of each subsidiary 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 monitors accounting procedures, operations, business risk and compliance for all divisions of the company and the subsidiaries. In addition, the Corporate Auditing Division also provides concrete advice for improvement in audit and operations.

The diagram below details the business execution and internal monitoring system.



(Attachment)

## Improvements to the Risk Management Structure

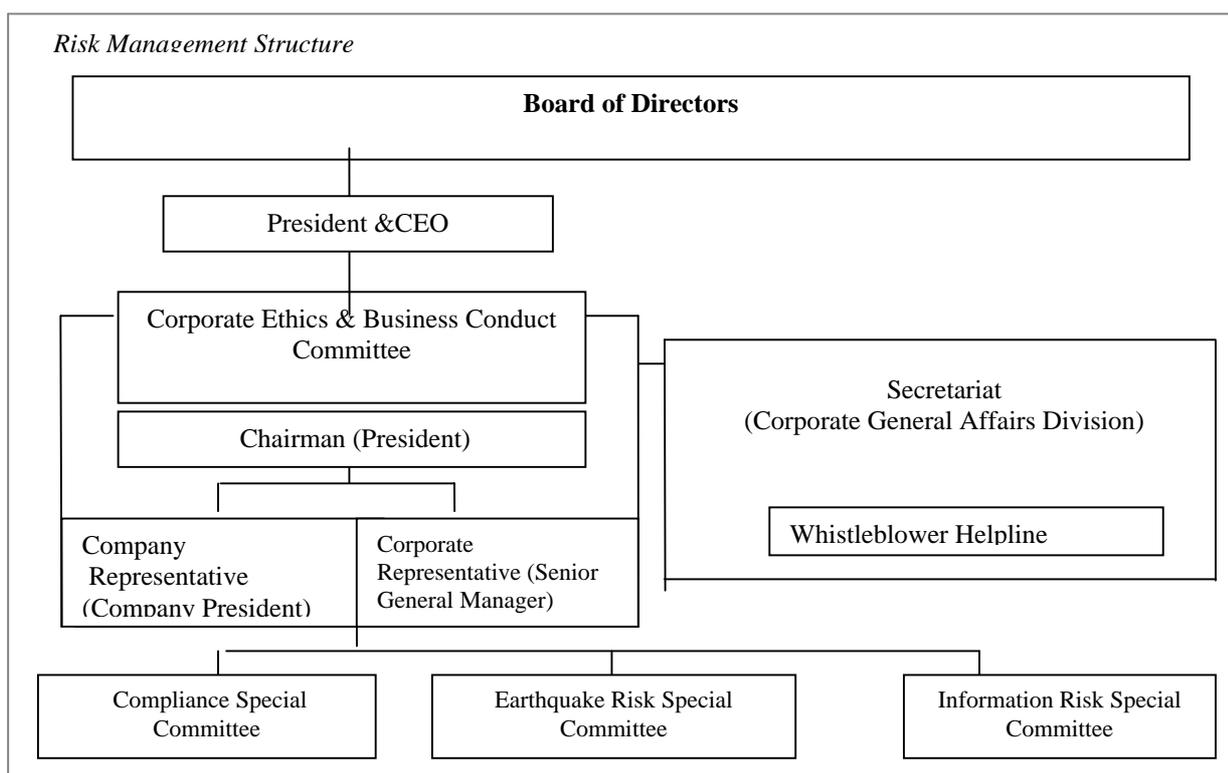
Omron has improved its risk management system as it believes that all risk arising from business operations must be accurately assessed and controlled in order to appropriately manage operations, continue stable growth and secure the required level of management resources. The risk control system of detection, analysis, policy and monitoring is implemented at each department of the holding company and at the subsidiary level. The risk control function for the Group overall is centralized at the Corporate General Affairs Division.

In order to integrate and strengthen risk management and compliance, The “Corporate Ethics & Business Conduct Committee,” headed by the President, was established during the period under review. Members are comprised of the division heads from the holding companies and presidents of each subsidiary. Reporting on compliance status and current risk analysis, short to medium-term issues are defined, solutions are examined and implemented.

Issues to be addressed by the “Corporate Ethics & Business Conduct Committee” are as follows:

- (1) Global implementation of corporate ethics and compliance.
- (2) Categorized as “information risk”, including the confidential information on business and customers, as well as the appropriate protection of individual information.
- (3) Protection of the local community and management resources in the event of a major earthquake; the business recovery plan to protect expected interests of stakeholders. Under a Special Committee, comprehensive measures are vetted for each situation.

The diagram below details the current risk management system



## Personnel, business and equity relationship of outside directors and auditors to Omron

Our outside director Shozo Hashimoto is Chairman of Nomura Research Institute, Ltd. Nomura Research Institute provides Omron with consulting services. Another outside director at Omron is Noriyuki Inoue, the Chairman of Daikin Industries, Ltd. Omron products are sold to Daikin Industries. Both business relationships are routine transactions between the firms, and our outside directors do not have any direct interest from these transactions.

Omron has no business transactions with its external auditors.

(Attachment)

Efforts made in fiscal2003 to enhance Corporate Governance at Omron:

- To improve objectivity in management and revitalize the function of the Board of Directors, the number of outside directors increased from one to two.
- To improve fairness and transparency, a new outside auditor was added to the current two external auditors.
- The Chairman of the Board of Directors and the President & CEO functions were separated to strengthen the management monitoring function.
- The "Compensation Advisory Committee" headed by an outside director was established to determine fair compensation for board members, auditors and managing officers.
- Board members' benefit structure was revised to clearly specify responsibilities and reflect compensation accordingly.
- As the most important issue in corporate governance, an integrated promotion to strengthen risk management and compliance was implemented. The "Corporate Ethics and Conduct Committee" headed by the President & CEO, examined and analyzed all management related risks. Subsequently, three provisional Special Committees have been set up to focus on imminent risks issues.
- Reporting to the "Corporate Ethics and Conduct Committee," the "Compliance Special Committee" was established to review and enforce legal compliance, and to determine comprehensive measures.
- The "Information Risk Special Committee" also reporting to the "Corporate Ethics and Business Conduct Committee" was established to protect customer confidentiality, misuse and leakage of individual information. The "Earthquake Risk Special Committee" was formed to investigate measures in the event of major earthquakes.
- 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.
- To improve disclosure and transparency standards and timely information dissemination, quarterly reporting (US accounting standard) has been implemented.

(Attachment)

### **(3) Results of Operations and Financial Position**

#### **(a) Results of Operations**

##### **Overview of the Fiscal Year**

###### **General Overview**

During fiscal 2003, ended March 31, 2004, the economic recovery in the domestic economy continued with the support from strong exports and capital expenditures. In 2004, this trend in the domestic economy was further accelerated. Overseas, the U.S. economy steadily grew with the support of strong capital expenditure and consumer spending. Furthermore, the Asian economies registered gradual growth on the back of increased exports. However, the pace of economic recovery for European economies was slow and lackluster, with little signs of transitioning from its weak economic state.

In market sectors relevant to Omron, demand surged for the Company's core products, control system equipment and consumer and commerce components. This was largely a result of the strong increase in capital expenditure, particularly among large manufacturing companies.

In fiscal 2003, Omron continued to pursue the policy of "Maximization of Business Strength" set in fiscal 2002. During the first half, the Company emphasized the policy of "Accomplishing Group Productivity Structural Reforms." In the second half, the Company focused on maintaining and strengthening its earnings base and progressively prepare the foundation for growth. Sales for the Industrial Automation Business, Electronic Components Business, Omron's core businesses, and Healthcare Business drew strength from domestic and international economic recovery as well as Omron's marketing efforts. Sales of the Social Systems Business (including Social Systems Solutions and Service Business Company, and Advanced Modules Business Company) was also strong as a result of demand created by the issuance on new currency bills. Sales of the Automotive Components Business were on a positive trend, despite weakness experienced among some customers. In Other segments, sales of the Business Development Group was adversely affected by the maturity in the market for photo-sticker machines, as well as the depressed prices for computer peripherals. As a result, overall consolidated net sales for the fiscal year under review increased by 9.3 percent to ¥584,889 million from ¥535,073 million for the previous fiscal year.

In income categories, the increase in sales, together with the benefits of continued fixed costs reduction through structural reform programs, resulted in a significant increase in profits. Operating income increased by 59.1 percent year-on-year to ¥51,403 million, up from ¥32,313 million in the previous year. Net income before taxes increased approximately 10 times to ¥47,984 million, compared to ¥4,732 million in the previous fiscal year. Similarly, net income increased approximately 52 times to ¥26,811, compared to ¥511 million in the previous fiscal year. These reported income figures are a record high for the company. Furthermore, Omron was able to attain ROE of 10 %, the management indicator set in the GD 2010, a year ahead of its target schedule.

###### **Segment Information**

From fiscal 2003, the Automotive Electronic Components Business has been classified separately from the Electronics Components Business. Consequently, prior year results for segment sales have been recalculated to show a more realistic comparison.

###### **Industrial Automation Business**

Sales of various types of control devices increased in China, Southeast Asia and Japan as a result of the overall increase in capital investments for machinery and equipment. By industry, sales in the semiconductor and flat panel display (FPD) industries registered significant growth, while sales to the automotive industry were strong. Among applications, sales related to equipment quality, safety and environment registered strong growth.

In the domestic market, from the second half of the fiscal year the rapid increase in popularity of digital home electronics supported capital investments in the semiconductor and FPD related markets. Omron strengthened its strategic activities in the semiconductors, FPD, electronic parts, automotive and food industries, machinery, transportation and packaging industries. Furthermore, efforts to provide solutions that promote the use of IT among manufacturers supported a significant increase in sales of such devices as base inspection systems, displacement sensors, visual sensors, motion control devices and safety-related products.

(Attachment)

Overseas, sales in North America registered strong sales across the product range. In Europe, despite the appreciation of the euro and weak capital expenditures, sales remained firm as a result of Omron's strong marketing efforts in the region. Sales in Southeast Asia and greater China increased strongly, supported by factors including direct marketing, efforts to strengthen sales channels and heightened emphasis on social infrastructure projects.

As a result, net sales in this segment increased 13.4 percent year-on-year to ¥229,638 million.

### **Electronic Components Business**

While the global economy was in the midst of an economic recovery, there were significant changes in the business environment, including the sudden appreciation of the yen, and an accelerated shift of Europe and US based customers to China. Despite a harsh business environment resulting from price competition and falling prices, strong sales were supported by devices for the household electronics industry, telecommunication industry and mobile products. In particular, sales of backlights for cellular phones, which were introduced in 2001, nearly doubled year-on-year. In addition, sales in the segment were strengthened by strong sales of mobile devices, FPC (Flexible Print Circle) connector for cellular phones that leverage advance precision technology, and LED light module for cellular phones. Sales of base relays registered strong growth with the launch of the telecommunication infrastructure market in China and Europe.

As a result, net sales of this segment increased 12.1 percent year-on-year to ¥88,988 million.

### **Automotive Electronic Components Business**

In the market for automotive electronic components, in the domestic market car production figures remained largely flat. However, the introduction of laser radars, electronic power steering controllers, door lock controllers and other new products, contributed to the increase in sales. It is from these new products that strong growth in the future is projected.

Overseas, North American car production, comprising primarily of the Big Three automakers, declined. Furthermore, the impact of the strong yen and fierce price competition for automobile relays added to the adverse business environment for the North American market. Sales in Europe, Korea and Asia were relatively strong, particularly sales of automotive relays to European electronic component manufactures, which helped boost sales significantly.

As a result, net sales of this segment declined 1.1 percent year-on-year to ¥58,824 million.

### **Social Systems Business**

Sales in the electronic funds transfer system business increased substantially as a result of strong demand for renewing and remodeling ATMs (Automated Teller Machines) and automated bill changers capable of handling the newly designed currency bills that are scheduled to be introduced in the second half of the next fiscal year. Overseas business also registered a steady increase.

In the public transportation systems sector, sales showed an upward trend due to demand from equipment upgrades associated with enhancement of passenger services such as introduction of IC-cards capabilities.

In the traffic control and road information systems, sales were strong due to large-scale demand relating to urban highways.

As a result, net sales of this segment increased 16.6 percent year-on-year to ¥135,997 million.

(Attachment)

### **Healthcare Business**

Domestic and overseas sales increased significantly, supported by restraints in public medical expenditure and increasing levels of health consciousness. In the domestic market, sales for digital blood pressure monitors was strong due to the increasing use of personal monitors devices among patients with high blood pressure conditions. In addition, the market share of body composition analyzers rose due to introduction of new products and increased advertisement expenditure. Furthermore, the demand for compact sized chair massagers contributed to the increase in sales.

In the overseas market, overall sales registered strong growth, particularly supported by demand from patients with high blood pressure. In America, in addition to the sale of digital blood pressure monitors, sales of nebulizers for patients with COPD (Chronic Obstructive Pulmonary Disease) were strong. In China, sales rose dramatically as a result of the increase in the number of marketing and service centers, as well as from heightened customer demand stemming from increased advertising and PR efforts.

As a result, net sales of this segment increased by 10.9 percent year-on-year to ¥46,962 million.

### **Others**

The Business Development Group is responsible for exploring and nurturing new businesses, as well as developing and strengthening businesses that are not formally internal companies. In the course of exploring and nurturing of new business, the marketability of monitoring systems for machine-to-machine field was assessed. As for existing business, the computer peripheral business experienced falling market prices, and in the entertainment business commercial games continued to be faced with fierce competition.

As a result, net sales of this segment decreased by 29.5 percent year-on-year to ¥24,480 million, which also reflects the impact of the exclusion of OMRON Alphatech Corporation.

### **Distribution of Profits**

Following the basic policy for shareholder dividends described above, taking into account results for the fiscal year under review and the previous fiscal year, Omron will pay cash dividends for the fiscal year ended March 31, 2004 of ¥20.00 per share. This consists of interim cash dividend of ¥6.5 per share, a year-end cash dividend of ¥6.5 per share and a 70<sup>th</sup> anniversary memorial dividend of ¥7.0 per share.

(Attachment)

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

### **General Outlook**

Looking ahead at the economic environment for fiscal year ending March 31, 2005, the U.S. economy should continue to enjoy economic growth supported by increasing capital expenditure and consumer spending. For Asian economies, rising exports are expected to gradually increase capital investments and consumer spending in the region. In Japan, the appreciation of the yen and increasing cost of raw materials are concerns, but a gradual recovery is expected to be supported by the U.S. led global economic growth and continued strength in the IT/Digital sector.

In this environment, Omron, with a view to maintaining its ROE level of 10 % and show its determination for a growth, will undertake the policy of “Maintaining ROE of 10% and Establishing a Structure for Growth” starting from fiscal 2004. Furthermore, the Company will take the subdivision of this new policy “Continuing Structural Reform Program: Maintaining a Balance between Growth and Profitability”, and continue with structural reform to balance growth and profits. For future growth, Omron will identify its business areas and concentrate management resources, while also endeavoring to continuously improve efficiency to achieve the optimal profit structure. Specifically, Omron will (1) establish a solid business infrastructure in China to accelerate the growth of business there; (2) leverage its core technology and make focused investments in technological applications that have strong potential; (3) make continuous structural reform to achieve the optimal profit structure; and (4) introduce and maintain effective cash flow management.

Effective October 1<sup>st</sup> 2004, Omron and Hitachi Limited will establish a joint venture combining their ATM and other businesses.

For fiscal year 2004, existing business is likely to register increases in operating income as a result of improvement in profit structure. However, to achieve future growth Omron projects an increase in capital expenditure relating to its China business, new businesses, as well as higher costs relating to regulated chemicals substances. The Company therefore projects net sales of ¥610,000 million, operating income of ¥54,000 million, income before income tax of ¥50,000 million, and net income of ¥29,000 million. Omron anticipates exchange rates of US\$1= ¥105 and 1 Euro= ¥125.

### **Outlook by Business Segment**

#### **Industrial Automation Business**

Net sales are projected to increase by 4.1 percent. Strength in capital expenditure is projected due to the continued favorable economic environment. Sales in Japan are projected to increase through the domestic sales agent system and the expansion of the Solutions Business. Overseas sales volume is projected to increase through the expansion of business in China and introduction of new products.

#### **Electronic Components Business**

Net sales are projected to increase by 20.2 percent. A recovery is expected in the economic environment relating to consumer and commerce components. Though fierce price competition is expected, Omron intends to increase the price competitiveness and marketing of its Micro Lens Alleys, expand business activity in the large-scale backlight market, introduce original products for the mobile industry, and increase and strengthen production and sales in China.

#### **Automotive Electronic Components Business**

Net sales are projected to increase by 6.2 percent. Domestic unit sales of automobiles are projected to increase slightly, while North American unit sales of automobiles are projected to recover. Omron's sales should draw support as its core domestic and overseas customers are projected to introduce new car models, as well as the strengthening of sales of automotive devices.

(Attachment)

### **Social Systems Business**

Net sales are projected to decrease by 8.1 percent. In the public transportation systems sector, sales are expected to be strong due to the expected demand to cope with IC Card related upgrade in the Kansai Area and the issuance of new currency bills. However, for the electronic fund transfer systems sector, sales are projected to be weak due to a large fall in demand from recent upgrades in connection with the issuance of new currency bills. Similarly, the traffic and road management systems sector is also likely to be weak because of restrained public investment.

### **Healthcare Business**

Net sales are projected to increase by 5.4 percent. With continued higher levels of health consciousness in Japan and overseas, demand for digital blood pressure monitors, body composition analyzers and nebulizers is expected to enjoy strong growth. Furthermore, in the domestic market, sales of chair massagers are expected to grow with the expansion of sales channels. In China, Omron is increasing its focus on development of the medical equipment market, especially in metropolitan areas.

### **Others**

Net sales are projected to increase by 10.3 percent. The Business Development Group's communication devices should draw support with the increase of broadband users.

### **Distribution of Profits**

Following the basic policy for shareholder dividends described above, Omron expects to pay cash dividends for the fiscal year ending March 31, 2005 of ¥20.00 per share. This will consist of an interim cash dividend of ¥10.00 per share and a year-end cash dividend of ¥10.00 per share.

## **(b) Financial Condition**

### **(1) For Fiscal Year ended March 31, 2004**

#### **Financial Condition for the Fiscal Year ended March 31, 2004**

Total assets: ¥592,273 million (year-on-year increase of ¥24,874 million)

Shareholder' equity: ¥ 274,710 million (year-on-year increase of ¥23,100 million)

Shareholder' equity/ Total assets: 46.4 percent (year-on-year increase of 2.1 percentage points)

Total assets grew ¥24,874 million compared with the previous fiscal year. Listed securities were higher by ¥19,470 million because of an increase in market value. Cash and cash equivalents increased ¥15,140 million because of factors including the increase in net income. In addition, notes and accounts receivable increased by ¥11,296 million, mainly as a result of higher sales. On the other hand, the market value of marketable securities and decrease in losses at individual companies resulted in a decrease of deferred income tax assets of ¥18,485 million.

Shareholders' equity increased ¥23,100 million compared to end of the previous fiscal year. The increase can be attributed to the rise in net income of ¥26,811 million and an increase of ¥11,803 million in unrealized gains on securities.

#### **Cash Flows for the Fiscal Year ended March 31, 2004**

Cash flow provided by operating activities increased by ¥38,833 million from the previous fiscal year. Factors such as the increase in net income, deferred income tax, and termination and retirement benefits contributed to the reported net cash provided by operating activities of ¥80,687 million.

Net cash used in investing activities totaled ¥34,484 million, an increase of ¥3,851 million from the previous fiscal year. This was mainly the result of proactive capital spending on infrastructure development in the second half of the period under review.

(Attachment)

Net cash used in financing activities totaled ¥28,119 million, an increase of ¥26,123 million from the previous fiscal year. This was mainly the result of cash used for treasury stock (¥8,411 million) and repayment of debt from financial institutions (¥17,935 million)

As a result, cash and cash equivalents at the end of the fiscal year under review totaled ¥95,059 million, an increase of ¥15,140 million from the previous fiscal year.

## (2) Outlook for the year ending March 31, 2005

For the fiscal year ending March 31, 2005, Omron intends to increase in capital expenditure relating to infrastructure development for growth in China. As part of its strategy for growth, investments will also be made on new product development as well as regulated chemicals substances.

Despite the expected increase in capital expenditures, Omron expects to maintain operating income at the same level as in fiscal 2003. Similarly, net cash provided by operating activities is projected to be at the same level as reported in fiscal 2003.

Net cash used in investing activities is projected to increase during fiscal year 2004, mainly as a result of capital expenditure relating to investments mentioned above.

In financing activities, while monitoring financial conditions, Omron will work to secure an efficient allocation and level of capital throughout the Omron Group, while continuing to flexibly raise and repay funds. In addition, the current portion of long-term debt of ¥30,036 million as of March 31, 2004, was comprised largely of unsecured convertible bonds maturing the first half of fiscal 2004.

Considering the above cash flow projections, the reported cash and cash equivalents balance of ¥95,059 million as of March 31, 2004 is expected to be more than sufficient for business operations in the current economic environment.

## (3) Cash Flow Indicators and Trends

(Years ended March 31)

	2000	2001	2002	2003	2004
Shareholders' equity ratio (%)	58.0	55.0	54.3	44.3	46.4
Shareholders' equity ratio on market value basis (%)	129.4	88.6	86.8	81.1	105.6
Debt repayment period (years)	1.2	1.3	1.7	1.7	0.7
Interest coverage ratio (times)	30.3	28.8	26.7	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

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.

(Attachment)

#### 4. Consolidated Financial Statements

##### Consolidated Statements of Operations

(Millions of yen)

	Year ended March 31, 2004		Year ended March 31, 2003		Increase (decrease)
Net sales	584,889	100.0%	535,073	100.0%	49,816
Cost of sales	344,835	59.0	327,413	61.2	17,422
<b>Gross profit</b>	<b>240,054</b>	<b>41.0</b>	<b>207,660</b>	<b>38.8</b>	<b>32,394</b>
Selling, general and administrative expenses	142,157	24.3	135,112	25.3	7,045
Research and development	46,494	7.9	40,235	7.5	6,259
<b>Operating income</b>	<b>51,403</b>	<b>8.8</b>	<b>32,313</b>	<b>6.0</b>	<b>19,090</b>
Interest expenses, net	317	0.1	348	0.1	(31)
Foreign exchange loss, net	1,254	0.2	575	0.1	679
Other expenses, net	1,848	0.3	26,658	4.9	(24,810)
<b>Income before income taxes and minority interests and cumulative effect accounting change</b>	<b>47,984</b>	<b>8.2</b>	<b>4,732</b>	<b>0.9</b>	<b>43,252</b>
Income taxes:	20,762	3.5	3,936	0.7	16,826
Current	13,527		7,851		5,676
Deferred	7,235		(3,915)		11,150
Minority interests	411	0.1	285	0.1	126
<b>Net income</b>	<b>26,811</b>	<b>4.6</b>	<b>511</b>	<b>0.1</b>	<b>26,300</b>

(Attachment)

**Consolidated Balance Sheets**

(Millions of yen)

	As of March 31, 2004		As of March 31, 2003		Increase (decrease)
<b>ASSETS</b>					
<b>Current Assets:</b>	316,226	53.4%	295,113	52.0%	21,113
Cash and cash equivalents	95,059		79,919		15,140
Notes and accounts receivable - trade	124,891		113,595		11,296
Allowance for doubtful receivables	(2,823)		(3,484)		661
Inventories	70,341		75,446		(5,105)
Deferred income taxes	18,458		20,139		(1,681)
Other current assets	10,300		9,498		802
<b>Property, Plant and Equipment:</b>	150,723	25.4	149,045	26.3	1,678
Land	45,583		46,094		(511)
Buildings	107,852		99,455		8,397
Machinery and equipment	141,932		137,710		4,222
Construction in progress	3,760		11,313		(7,553)
Accumulated depreciation	(148,404)		(145,527)		(2,877)
<b>Investments and Other Assets:</b>	125,324	21.2	123,241	21.7	2,083
Investments in and advances to associates	1,245		1,187		58
Investment securities	50,331		30,861		19,470
Leasehold deposits	8,777		9,173		(396)
Deferred income taxes	47,301		64,305		(17,004)
Other	17,670		17,715		(45)
<b>Total Assets</b>	<b>592,273</b>	<b>100.0%</b>	<b>567,399</b>	<b>100.0%</b>	<b>24,874</b>

(Attachment)

(Millions of yen)

	As of March 31, 2004		As of March 31, 2003		Increase (decrease)
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>	184,548	31.2%	151,577	26.7%	32,971
Bank loans	15,444		18,948		(3,504)
Notes and accounts payable - trade	79,345		67,773		11,572
Accrued expenses	26,146		24,394		1,752
Income taxes payable	10,114		4,095		6,019
Deferred income taxes	144		643		(499)
Other current liabilities	23,319		23,727		(408)
Current portion of long-term debt	30,036		11,997		18,039
<b>Long-Term Debt</b>	11,207	1.9	40,315	7.1	(29,108)
<b>Deferred Income Taxes</b>	483	0.1	643	0.1	(160)
<b>Termination and Retirement Benefits</b>	119,738	20.2	120,730	21.3	(992)
<b>Other Long-Term Liabilities</b>	140	0.0	52	0.1	88
<b>Minority Interests in Subsidiaries</b>	1,447	0.2	2,472	0.4	(1,025)
Total Liabilities	317,563	53.6	315,789	55.7	1,774
<b>SHAREHOLDERS' EQUITY</b>					
Common stock	64,082	10.8	64,082	11.3	—
Additional paid-in capital	98,705	16.7	98,705	17.4	—
Legal reserve	7,450	1.3	7,619	1.3	(169)
Retained earnings	175,296	29.6	153,134	27.0	22,162
Accumulated other comprehensive loss	(50,559)	(8.6)	(59,909)	(10.6)	9,350
Foreign currency translation adjustments	(15,625)		(9,407)		(6,218)
Minimum pension liability adjustments	(45,238)		(48,708)		3,470
Net unrealized gain (loss) on securities	10,087		(1,716)		11,803
Net unrealized loss on derivatives	217		(78)		295
Treasury stock	(20,264)	(3.4)	(12,021)	(2.1)	(8,243)
Total Shareholders' Equity	274,710	46.4	251,610	44.3	23,100
<b>Total Liabilities and Shareholders' Equity</b>	<b>592,273</b>	<b>100.0%</b>	<b>567,399</b>	<b>100.0%</b>	<b>24,874</b>

(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, 2002	64,082	98,705	7,660	155,069	(25,363)	(1,919)
Net income				511		
Cash dividends				(2,455)		
Drawdown on legal reserve			(41)	41		
Foreign currency translation adjustments					(2,005)	
Minimum pension liability adjustments					(27,484)	
Unrealized loss on securities					(5,047)	
Unrealized loss on derivatives					(10)	
Acquisition of treasury stock						(10,218)
Disposal of treasury stock				(32)		116
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 gain on securities					11,803	
Unrealized gain on derivatives					295	
Acquisition of treasury stock						(8,411)
Disposal of treasury stock				(10)		168
Balance, March 31, 2004	64,082	98,705	7,450	175,296	(50,559)	(20,264)

(Attachment)

**Consolidated Statements of Cash Flows**

(Millions of yen)

	Year ended March 31, 2004	Year ended March 31, 2003	Increase (decrease)
<b>Operating Activities:</b>			
Net income	26,811	511	26,300
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	27,662	29,676	
Net loss on sales and disposals of property, plant and equipment	479	11	
Loss on impairment of property, plant and equipment	41	4,231	
Net loss (gain) on sales of short-term investments and investment securities	(1,039)	1,221	
Loss on impairment of investment securities and other assets	2,413	2,269	
Bad debt expenses	0	465	
Termination and retirement benefits	5,016	(1,087)	
Deferred income taxes	7,235	(3,915)	
Minority interests	411	285	
Net gain on sale of business	494	(1,550)	
Changes in assets and liabilities:			
Notes and accounts receivable - trade, net	(10,853)	1,363	
Inventories	4,105	(1,918)	
Other assets	891	214	
Notes and accounts payable - trade	10,976	9,770	
Income taxes payable	6,015	232	
Accrued expenses and other	(52)	130	
Other, net	82	(54)	
Total adjustments	53,876	41,343	12,533
Net cash provided by operating activities	80,687	41,854	38,833
<b>Investing Activities:</b>			
Proceeds from sales or maturities of short-term investments and investment securities	1,894	1,388	506
Purchase of short-term investments and investment securities	(1,617)	(739)	(878)
Capital expenditures	(38,115)	(34,454)	(3,661)
Decrease in leasehold deposits	312	592	(280)
Proceeds from sales of property, plant and equipment	4,808	1,641	3,167
Acquisition of minority interests	(1,738)	(101)	(1,637)
Proceeds from sale of business [net amount]	(365)	1,450	(1,815)
Payment for acquisition of business [net amount]	337	(410)	747
Net cash used in investing activities	(34,484)	(30,633)	(3,851)
<b>Financing Activities:</b>			
Net borrowings of short-term bank loans	(4,842)	2,909	(7,751)
Proceeds from issuance of long-term debt	1,011	10,358	(9,347)
Repayments of long-term debt	(13,093)	(1,960)	(11,133)
Dividends paid by parent company	(2,792)	(2,855)	63
Dividends paid to minority interests	(150)	(230)	80
Treasury stock	(8,411)	(10,218)	1,807
Exercise of stock options	158	—	158
Net cash used in financing activities	(28,119)	(1,996)	(26,123)
<b>Effect of exchange rate changes on cash and cash equivalents</b>			
	(2,944)	(85)	(2,859)
Net increase (decrease) in cash and cash equivalents	15,140	9,140	6,000
Cash and cash equivalents at beginning of the year	79,919	70,779	9,140
Cash and cash equivalents at end of the year	95,059	79,919	15,140

Notes to cash flows from operating activities:			
Interest paid	1,217	1,431	(214)
Taxes paid	7,508	7,588	(80)
Notes to investing and financing activities not involving cash flow:			
Debt related to capital expenditures	3,848	1,320	2,528
Fair value of equity in minority interests acquired through distribution of treasury stock	—	84	(84)

(Attachment)

## Preparation of the Consolidated Financial Statements

### 1. Scope of Consolidation and Application of the Equity Method

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

	Year ended March 31, 2004	Year ended March 31, 2003	Increase (decrease)
Consolidated subsidiaries	135	132	3
Unconsolidated subsidiaries accounted for by the equity method	—	—	—
Affiliates accounted for by the equity method	12	10	2
Total	147	142	5

Names of principal subsidiaries and affiliates

Consolidated subsidiaries: OMRON Relay & Device Corporation, OMRON EUROPE B.V.

Affiliates accounted for by the equity method: Sanko Industrial Automation

Changes in scope of consolidation and application of the equity method:

Consolidated subsidiaries

(New) 9 companies (OMRON Healthcare Co., Ltd., OMRON Entertainment Co., Ltd. and 7 others)

(Eliminated) 6 companies

Affiliates accounted for by the equity method:

(New) 3 companies

(Eliminated) 1 company

### 2. Comprehensive Income

Comprehensive income (loss) in addition to other comprehensive income (loss) in net income is as follows.

Year ended March 31, 2004:	¥36,161 million
Year ended March 31, 2003:	(¥34,035 million)

Other comprehensive income (loss) includes changes in foreign currency translation adjustments, minimum pension liability adjustments, unrealized gain on available-for-sale securities and unrealized loss on derivatives.

### 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, 2004	Loss on impairment of investment securities and other assets	2,413
	Loss on sales of marketable securities (net)	1,039
Year ended March 31, 2003	Personnel expenses in connection with an early retirement program	18,968
	Loss on impairment of investment securities and other assets	2,269
	Loss on impairment of property, plant and equipment	4,231

(Attachment)

## 5. Segment Information

### 1. Business Segment Information

Fiscal 2003 (April 1, 2003-March 31, 2004)

(Millions of yen)

	Industrial Automation Business	Electronic Components Business	Automotive Electronic Components Business	Social Systems Business	Healthcare Business	Other	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) Inter-segment 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 (loss)	34,181	14,595	1,001	10,369	7,179	3,803	71,128	(19,725)	51,403

Notes:

- (1) The Social Systems Solutions and Service Business Company and the Advanced Modules Business Company are included in the Social Systems Business.
- (2) "Others" includes the Business Development Group and other divisions

Fiscal 2002 (April 1, 2002-March 31, 2003)

(Millions of yen)

	Industrial Automation Business	Electronic Components Business	Automotive Electronic Components Business	Social Systems Business	Healthcare Business	Other	Total	Eliminations & Corporate	Consolidated
Net sales:									
(1) Sales to outside customers	202,518	79,365	59,480	116,652	42,331	34,727	535,073	—	535,073
(2) Inter-segment sales and transfers	5,504	20,052	1,118	6,868	98	43,472	77,112	(77,112)	—
Total	208,022	99,417	60,598	123,520	42,429	78,199	612,185	(77,112)	535,073
Operating expenses	183,942	89,104	56,347	122,368	38,588	73,730	564,079	(61,319)	502,760
Operating income (loss)	24,080	10,313	4,251	1,152	3,841	4,469	48,106	(15,793)	32,313

Notes:

- (1) The Social Systems Solutions and Service Business Company and the Advanced Modules Business Company are included in the Social Systems Business
- (2) "Others" includes the Creative Service Business, the Business Development Group and other divisions
- (3) Automotive Electronic Components Business has been classified separately from the Electronic Components Business effective from April 2003. Figures for the year ended March 31, 2003 have been reclassified in accordance with the change.

(Attachment)

## 2. Area Segment Information

Fiscal 2003 (April 1, 2003-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) Inter-segment 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

Fiscal 2002 (April 1, 2002-March 31, 2003) (Millions of yen)

	Japan	North America	Europe	Asia	Total	Eliminations & Corporate	Consolidated
Net sales:							
(1) Sales to outside customers	340,575	67,886	73,513	53,099	535,073	—	535,073
(2) Inter-segment sales and transfers	77,456	567	688	32,266	110,977	(110,977)	—
Total	418,031	68,453	74,201	85,365	646,050	(110,977)	535,073
Operating expenses	386,446	63,051	69,713	80,854	600,064	(97,304)	502,760
Operating income	31,585	5,402	4,488	4,511	45,986	(13,673)	32,313

## 3. Overseas Sales

	Fiscal 2003 April 1, 2003-March 31, 2004	Fiscal 2002 April 1, 2002-March 31, 2003	Increase (decrease)
North America (Percentage of total sales)	64,832 11.1%	68,665 12.8%	94.4%
Europe (Percentage of total sales)	86,117 14.7%	75,270 14.1%	114.4%
Asia (Percentage of total sales)	72,888 12.5%	65,747 12.3%	110.9%
Total (Percentage of total sales)	223,837 38.3%	209,682 39.2%	106.8%

(Attachment)

## 6. Securities

In accordance with 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, 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

As of March 31, 2003

Available-for-sale securities (Millions of yen)

	Cost*	Gross unrealized gain	Gross unrealized loss	Fair value
Debt securities	44	—	—	44
Equity securities	27,947	4,000	(5,171)	26,776
Total investment securities	27,991	4,000	(5,171)	26,820

Note:\*Indicates amortized cost for debt securities and acquisition cost for equity securities.

(Attachment)

## 7. Breakdown of Sales

Net sales by consolidated segment

(Millions of yen)

	Year ended March 31, 2004		Year ended March 31, 2003		Increase (decrease)
Industrial Automation Business	229,638	39.3%	202,518	37.8%	113.4%
Electronic Components Business	88,988	15.2	79,365	14.8	112.1
Automotive Electronic Components Business	58,824	10.1	59,480	11.1	98.9
Social Systems Business	135,997	23.3	116,652	21.8	116.6
Healthcare Business	46,962	8.0	42,331	7.9	110.9
Others	24,480	4.1	34,727	6.6	70.5
Total	584,889	100.0%	535,073	100.0%	109.3

Notes:

- 1) The Social Systems Solutions and Service Business Company and the Advanced Modules Business Company are included in the Social Systems Business.
- 2) The Automotive Electronic Components Business has been classified separately from the Electronic Components Business effective from April 2003. Figures for the year ended March 31, 2003 have been reclassified in accordance with the change

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

(Millions of yen)

	Year ended March 31, 2005		Year ended March 31, 2004		Increase (Decrease)
Industrial Automation Business	239,000	39.2%	229,638	39.3%	104.1%
Electronic Components Business	107,000	17.5	88,988	15.2	120.2
Automotive Electronic Components Business	62,500	10.2	58,824	10.1	106.2
Social Systems Business	125,000	20.5	135,997	23.3	91.9
Healthcare Business	49,500	8.1	46,962	8.0	105.4
Others	27,000	4.5	24,480	4.1	110.3
Total	610,000	100.0%	584,889	100.0%	104.3

Note:

The Social Systems Solutions and Service Business Company and the Financial Systems Business Company are included in the Social Systems Business.

(Attachment)

## Results for the Fiscal Year Ended March 31, 2004: Supplemental Materials

### Consolidated Performance

Net sales by business segment

(Billions of yen)

		Year ended March 31, 2004	Year ended March 31, 2003	Year-on-year change (%)
IAB	Domestic	117.1	102.2	14.6%
	Overseas	112.5	100.3	12.1
	Total	229.6	202.5	13.4
ECB	Domestic	47.5	43.1	10.0
	Overseas	41.5	36.3	14.7
	Total	89.0	79.4	12.1
AEC	Domestic	24.8	23.6	5.4
	Overseas	34.0	35.9	(5.4)
	Total	58.8	59.5	(1.1)
SSB	Domestic	126.4	104.8	20.7
	Overseas	9.6	11.9	(19.4)
	Total	136.0	116.7	16.6
HCB	Domestic	21.3	18.9	12.7
	Overseas	25.7	23.4	9.5
	Total	47.0	42.3	10.9
Other	Domestic	24.0	32.8	(27.1)
	Overseas	0.5	1.9	(71.3)
	Total	24.5	34.7	(29.5)
Total	Domestic	361.1	325.4	11.0
	Overseas	223.8	209.7	6.8
	[% of total]	[38.3%]	[39.2%]	[-0.9]
	Total	584.9	535.1	9.3

Note:

1) The following divisions are included in each business segment.

IAB: Industrial Automation Business Company

ECB: Electronic Components Business Company

AEC: Automotive Electronic Components Business Company

SSB: Social Systems Solutions and Service Business Company and Advanced Module Business Company

HCB: Healthcare Business Company

Other: Business Development Group and others

### Geographical segment sales

Domestic	Omron	252.6	251.4	0.5%
	Subsidiaries	108.5	74.0	46.5
Total of domestic sales		361.1	325.4	11.0
Direct exporting		15.3	15.2	0.7
Overseas subsidiaries	North America	64.6	67.9	(4.8)
	Europe	84.3	73.5	14.7
	Asia and Others	59.6	53.1	12.3
Total of overseas sales		223.8	209.7	6.8

### Average currency exchange rate

(One unit of currency, in yen)

USD	113.4	122.1	[-8.7]
EUR	132.4	121.1	[+11.3]

(Attachment)

## Projected Results for the Year Ending March 31, 2005

Net sales by company

(Billions of yen)

		Year ending March 31, 2005 (est.)	Year ended March 31, 2004	Year-on-year change (%)
IAB	Domestic	123.5	117.1	5.4%
	Overseas	115.5	112.5	2.7
	Total	239.0	229.6	4.1
ECB	Domestic	57.0	47.5	20.2
	Overseas	50.0	41.5	20.3
	Total	107.0	89.0	20.2
AEC	Domestic	27.5	24.8	10.7
	Overseas	35.0	34.0	3.0
	Total	62.5	58.8	6.2
SSB	Domestic	113.5	126.4	(10.2)
	Overseas	11.5	9.6	19.9
	Total	125.0	136.0	(8.1)
HCB	Domestic	23.0	21.3	8.0
	Overseas	26.5	25.7	3.3
	Total	49.5	47.0	5.4
Other	Domestic	26.5	24.0	10.7
	Overseas	0.5	0.5	(7.2)
	Total	27.0	24.5	10.3
Total	Domestic	371.0	361.1	2.8
	Overseas	239.0	223.8	6.8
	[% of total]	[39.2]	[38.3]	[0.9]
	Total	610.0	584.9	4.3

Note: SSB includes Social Systems Solutions and Service Business Company, and Financial Systems Business Company

### Geographical segment sales

Direct exporting		27.5	15.3	79.8%
Overseas subsidiaries	North America	66.0	64.6	2.1
	Europe	85.0	84.3	0.8
	Asia and Others	60.5	59.6	1.4
Total of overseas sales		239.0	223.8	6.8

### Income and loss

Net sales	610.0	584.9	4.3%
Operating income	54.0	51.4	5.1
Income (loss) before income taxes	50.0	48.0	4.2
Net income (loss)	29.0	26.8	8.2

### Return on equity

	10.0%	10.2%	-0.2
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### Capital expenditures / Depreciation / R&D Expenses

Capital expenditures	41.0	38.0	7.8%
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	105	113.4	[-8.4]
EUR	125	132.4	[-7.4]

**Changes in Directors**

As of June 24, 2004

	New Role	Former Role
<b>1. Appointed Candidate for New Director</b>		
Shingo Akechi	Vice President and Director	Executive Vice President Head - Human Resources Headquarters
<b>2. Promotion to Director</b>		
Tadao Tateisi	Vice President and Director	Senior Managing Director
<b>3. Appointed Candidate for Corporate Auditor</b>		
Yoshio Nakano Candidate for reappointment	Corporate Auditor (outside the Company)	Corporate Auditor (outside the Company)
<b>4. Corporate Officer</b>		
<b>(1) New Appointments</b>		
Hiroshi Fujiwara	Corporate Officer Head - Human Resources Headquarters	Human Resources Headquarters Head - Human Resource Management Division
Kazunobu Amemiya	Corporate Officer Head - Business Development Group	Head - Business Development Group
Hideo Higuchi	Corporate Officer Head - Business Process Innovation Headquarters	Industrial Automation Business Company Sensing Control Equipment Division Head- General Senior Division
<b>(2) Promotion</b>		
Tsukasa Yamashita	Senior Managing Officer Head - Research and Development Headquarters	Managing Officer Head - Research and Development Headquarters
Yutaka Takigawa	Senior Managing Officer President - Social Solutions & Service Business Company	Managing Officer President - Social Solutions & Service Business Company
<b>(3) Change of role</b>		
Toshio Ochiai	Managing Officer Head - Corporate General Affairs Division	Managing Officer Head - Business Process Innovation Headquarters
<b>(4) Retirement</b>		
Shingo Akechi	Executive Vice President Head - Human Resources Headquarters	Note: Scheduled to be appointed Vice President and Director
Yoshifumi Kajiya	Senior Managing Officer Head - Corporate General Affairs Division	-