Consolidated Financial Results
for the Fiscal Year Ended March 31, 2006

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2006

OMRON Corporation (6645)

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U.S. GAAP accounting standard:	Adopted, except for segment information

1. Preparation of Summary Fiscal 2006 Results

Changes in consolidated accounting methods:	Yes (Change in the measurement date of projected benefit obligation and pension plan assets in pension accounting) (Changes in classification of geographic segment information and overseas sales segments)	
Changes in scope of consolidation and application of equity method:	Yes	
Consolidation:	(New) 13 companies	(Eliminated) 11 companies
Equity Method:	(New) 4 companies	(Eliminated) 4 companies

2. Consolidated Results for Fiscal 2006 (April 1, 2005 – March 31, 2006)

(1) Sales and Income

Millions of Yen - Except Per Share Data and Percentages

Fiscal Year Ended March 31,

	2006	%	2005	%
Net sales	626,782	3.0	608,588	4.1
Operating income	62,128	10.7	56,111	9.2
Income before income taxes	64,352	22.5	52,548	9.5
Net income	35,763	18.5	30,176	12.6
Net income per share (yen)	151.14		126.52	
Net income per share, diluted (yen)	151.05		124.75	

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

(2) Consolidated Financial Position

	Millions of Yen - Except Per Share Data and Percentages	
	Fiscal Year Ended March 31,	
	2006	2005
Total assets	589,061	585,429
Shareholders' equity	362,937	305,810
Shareholders' equity ratio (%)	61.6	52.2
Shareholders' equity per share (yen)	1,548.07	1,284.81

(3) Consolidated Cash Flows

	Millions of Yen	
	Fiscal Year Ended March 31,	
	2006	2005
Net cash provided by operating activities	51,699	61,076
Net cash used in investing activities	(43,020)	(36,050)
Net cash used in financing activities	(38,320)	(40,684)
Cash and cash equivalents at end of period	52,285	80,619

3. Projected Results for the Fiscal Year Ending March 31, 2007 (April 1, 2006 – March 31, 2007)

	Millions of Yen	
	Interim Period Ending September 30, 2006	Full Year Ending March 31, 2007
Net sales	320,000	700,000
Income before income taxes	22,000	65,000
Net income	12,500	37,500

Note: Please see pages 11-17 of the attached materials regarding assumptions of the results projected above and cautionary statements concerning the use of these projections.

Summary of Results for the Year Ended March 31, 2006

1. Consolidated Results (U.S. GAAP)

(Millions of yen, %)

	Year ended March 31, 2005	Year ended March 31, 2006	Year-on-year change	Year ending March 31, 2007 (projected)	Year-on-year change
Net sales	608,588	626,782	3.0%	700,000	11.7%
Operating income [% of net sales]	56,111 [9.2%]	62,128 [9.9%]	10.7% [+0.7P]	63,000 [9.0%]	1.4% [-0.9P]
Income before income taxes [% of net sales]	52,548 [8.6%]	64,352 [10.3%]	22.5% [+1.7P]	65,000 [9.3%]	1.0% [-1.0P]
Net income	30,176	35,763	18.5%	37,500	4.9%
Net income per share (basic) (¥)	126.52	151.14	+24.62	159.95	+8.81
Net income per share (diluted) (¥)	124.75	151.05	+26.30		
Return on equity	10.4%	10.7%	(+0.3P)	11.0%	(+0.3P)
Total assets	585,429	589,061	0.6%		
Shareholders' equity [Shareholders' equity ratio]	305,810 [52.2%]	362,937 [61.6%]	18.7% [+9.4P]		
Shareholders' equity per share (¥)	1,284.81	1,548.07	+263.26		
Net cash provided by operating activities	61,076	51,699	(9,377)		
Net cash used in investing activities	(36,050)	(43,020)	(6,970)		
Net cash used in financing activities	(40,684)	(38,320)	2,364		
Cash and cash equivalents at end of period	80,619	52,285	(28,334)		

Notes:
1. Figures for the year ended March 31, 2006 include transfer of substitutional portion of employees' pension fund totaling ¥11,915 million.
2. The ATM and other information equipment business was transferred to an equity affiliate on October 1, 2004.

2. Non-consolidated Results

(Millions of yen, %)

	Year ended March 31, 2005	Year ended March 31, 2006	Year-on-year change	Year ending March 31, 2007 (projected)	Year-on-year change
Net sales	336,271	312,072	(7.2%)	342,000	9.6%
Operating income [% of net sales]	15,305 [4.6%]	11,845 [3.8%]	(22.6%) [-0.8P]	10,000 [2.9%]	(15.6%) [-0.9P]
Ordinary income [% of net sales]	28,790 [8.6%]	31,830 [10.2%]	10.6% [+1.6P]	25,000 [7.3%]	(21.5%) [-2.9%]
Income before income taxes [% of net sales]	24,232 [7.2%]	39,089 [12.5%]	61.3% [+5.3P]	39,000 [11.4%]	(0.2%) [-1.1P]
Net income	18,898	28,632	51.5%	26,000	(9.2%)
Net income per share (basic) (¥)	78.75	120.39	+41.64	110.88	-9.51
Net income per share (diluted) (¥)	77.84	120.32	+42.48		
Paid-in capital	64,100	64,100	(100.0%)		
Total shares issued (including treasury stock) (thousands)	249,121	249,121	(100.0%)		
Total assets	370,301	372,770	0.7%		
Shareholders' equity [Shareholders' equity ratio]	212,339 [57.3%]	236,499 [63.4%]	11.4% [+6.1P]		
Shareholders' equity per share (¥)	891.45	1,007.97	+116.52		
Cash dividends per share (¥)	24.00	30.00	+6.00	30.00	±0.00

Notes:
1. Figures for the year ended March 31, 2006 include transfer of substitutional portion of employees' pension fund totaling ¥10,698 million.
2. The ATM and other information equipment business was transferred to an equity affiliate on October 1, 2004.
3. The Amusement Components Business was transferred to a consolidated subsidiary on October 1, 2004.

3. Consolidated Net Sales by Business Segment

(Billions of yen)

		Year ended March 31, 2006	Year ended March 31, 2005	Year-on-year change (%)
IAB	Domestic	136.2	130.2	4.6
	Overseas	136.5	120.1	13.6
	Total	272.7	250.3	8.9
ECB	Domestic	45.0	51.8	(13.1)
	Overseas	52.7	49.3	6.7
	Total	97.7	101.1	(3.4)
AEC	Domestic	27.2	26.0	4.8
	Overseas	50.4	38.6	30.6
	Total	77.6	64.6	20.2
SSB	Domestic	90.5	108.6	(16.7)
	Overseas	1.3	6.6	(79.7)
	Total	91.8	115.2	(20.3)*
HCB	Domestic	30.3	23.1	31.6
	Overseas	30.8	27.5	11.7
	Total	61.1	50.6	20.8
Other	Domestic	25.7	26.4	(3.0)
	Overseas	0.2	0.4	(13.0)
	Total	25.9	26.8	(3.2)
Total	Domestic	354.9	366.1	(3.1)
	Overseas	271.9	242.5	12.1
	[% of total]	[43.4%]	[39.9%]	[+3.5P]
	Total	626.8	608.6	3.0

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: Social Systems Solutions and Service Business Company and others
HCB: Healthcare Business (Omron Healthcare Co., Ltd. and others)
Other: Business Development Group and others

*SSB: As of October 1, 2004, the ATM and other information equipment business that was included in the Social Systems Business was transferred to an affiliate accounted for using the equity method.

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

	Year ended March 31, 2006	Year ended March 31, 2005	Year-on-year change (%)
USD	113.4	107.3	(+6.1)
EUR	138.2	135.0	(+3.2)

4. Projected Consolidated Net Sales by Business Segment

(Billions of yen)

		Year ending March 31, 2007 (est.)	Year ended March 31, 2006	Year-on-year change (%)
IAB	Domestic	142.0	136.2	4.3
	Overseas	156.0	136.5	14.3
	Total	298.0	272.7	9.3
ECB	Domestic	55.0	45.0	22.2
	Overseas	66.5	52.7	26.2
	Total	121.5	97.7	24.4
AEC	Domestic	27.0	27.2	(0.9)
	Overseas	64.0	50.4	27.1
	Total	91.0	77.6	17.3
SSB	Domestic	95.0	90.5	5.0
	Overseas	4.0	1.3	199.9
	Total	99.0	91.8	7.8
HCB	Domestic	33.5	30.3	10.4
	Overseas	33.0	30.8	7.3
	Total	66.5	61.1	8.9
Other	Domestic	24.0	25.7	(6.3)
	Overseas	—	0.2	—
	Total	24.0	25.9	(7.5)
Total	Domestic	376.5	354.9	6.1
	Overseas	323.5	271.9	19.0
	[% of total]	[46.2%]	[43.4%]	[+2.8P]
	Total	700.0	626.8	11.7

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: Social Systems Solutions and Service Business Company and others
HCB: Healthcare Business (Omron Healthcare Co., Ltd. and others)
Other: Business Development Group and others

Average currency exchange rate

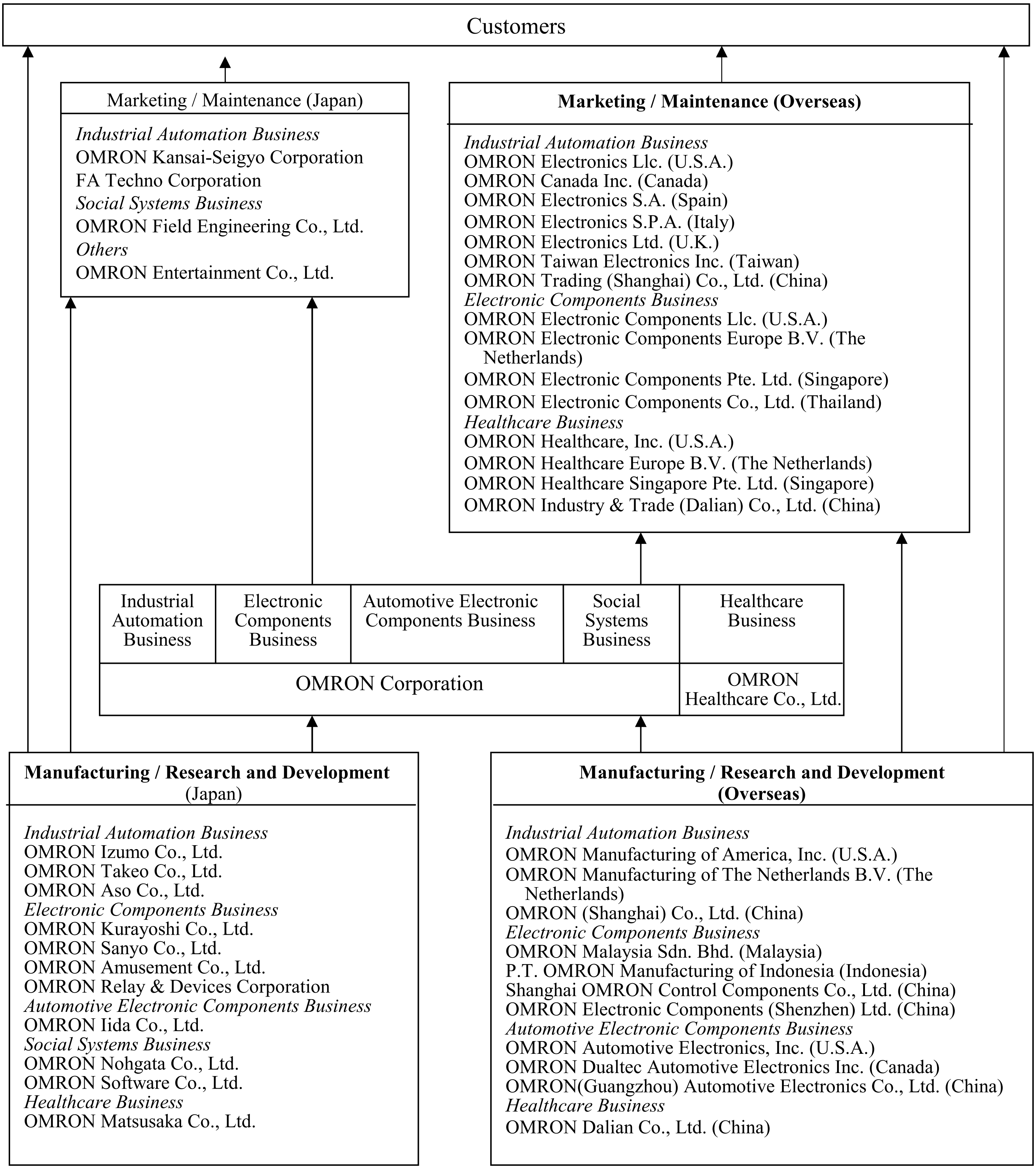
(One unit of currency, in yen)

	Year ending March 31, 2007 (est.)	Year ended March 31, 2006	Year-on-year change (%)
USD	110.0	113.4	(-3.4)
EUR	135.0	138.2	(-3.2)

1. The Omron Group

The Omron Group consists of Omron Corporation and 144 consolidated subsidiaries (42 in Japan, 102 overseas) and 17 affiliates (13 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 Other (Business Development Group, etc.).

The following chart shows the position of the main companies that made up the business groups in the year ended March 31, 2006.



Note: "Social Systems Business" includes the Social Systems Solutions and Service Business Company and others.

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 aims to become a “21st century company” by maximizing its corporate value over the long term, based on its mission of contributing to the development of society. 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 views its dividend policy as one of its most important management issues, and applies the following basic policy in regard to distribution of profits to shareholders.

1) In order to maximize corporate value over the long term, 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 sets its target 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 per share 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. Note that after the enactment of the New Company Law on May 1, 2006, Omron’s dividend policy will remain unchanged, and the Company plans to continue twice-annual dividends, at the end of each interim period and the end of each fiscal year.

(3) Rationale and Policies Regarding Lowering the Stock-Trading Unit

With a view to raising the liquidity of the Company’s stock in the market, facilitating investment and increasing the number of shareholders, Omron carefully considered the stock price level and minimum amount of investment in setting the minimum stock-trading unit at 100 shares.

(4) Mid- to 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. Specifically, as part of its “Business Domain Reform” aimed at identifying target growth markets and technologies to redefine its business domain, Omron will work toward expansion of business value through sales growth in China and creation of business value in new areas centered around core technologies.

In addition, as “Operational Structural Reform,” Omron will continue to establish a profit structure appropriate for its businesses and promote reforms designed to realize a stronger profit structure. Omron has set milestones to be reached for each of the fiscal years ending in March 2006, 2007 and 2008, and is conducting business operations aimed at these milestones.

(5) Targets for Management Indicators

In the second stage of GD2010, Omron has set the medium-term management target of “Doubling 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

In the second stage of GD2010, Omron has identified the profit structure and growth structure it intends to achieve in fiscal 2007. The Company has positioned the interim years of fiscal 2005 and fiscal 2006 as milestones toward realizing the fiscal 2007 targets, and is promoting ongoing structural reforms.

In the Japanese economy during the current fiscal year (fiscal 2006), factors such as the decision to end the zero-interest-rate policy will allow deflationary concerns to be cast aside. However, growth rate, centered on capital investment and consumer spending is projected to weaken, while elements of uncertainty such as trends in commodity markets, including rising crude oil prices, also exist in overseas markets. Therefore, Omron is in a business environment with an unclear outlook.

In such an environment, Omron has set “Accelerating growth while securing profit increase – advancing toward FY07 targets by front-loading growth” as its fiscal year policy. Assuming an increase in income, Omron will accelerate the growth of each business and make the necessary investments to ensure that the targets are reached in fiscal 2007, the final year of the second stage.

Growth in China is an effort on which the entire company is focusing, and although the slowing rate of growth is a cause for concern, China remains the world’s fastest-growing market. Moreover, in addition to the entry of companies from around the world, competition with local Chinese companies is intensifying, making China a microcosm of global competition. Under these conditions, Omron will not change its belief that the Chinese market is crucial to achieving the goals of the second stage of GD2010. China will continue to be a key area, and Omron will strive to increase fiscal 2007 sales there by ¥100 billion over fiscal 2003 figures by embracing new business themes and making bold, proactive investments.

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

With regard to revising the earnings structure of existing businesses, Omron will advance toward its fiscal 2007 earnings structure target by continuing to work towards structural reform of selling, general and administrative expenses and production, despite factors such as lower selling prices and higher materials prices.

(7) Parent Company Information

This item is not applicable because Omron has no parent company.

3. Results of Operations and Financial Condition

(a) Results of Operations

(1) Overview of the Fiscal Year

1) General Overview

Reviewing economic conditions during the fiscal year ended March 31, 2006, the U.S. economy expanded as consumer spending continued to increase steadily, supported by a favorable employment environment, despite concerns about the effects of high crude oil prices and a major hurricane. The European economy showed a recovery trend due to factors including growth in manufacturing against a backdrop of robust exports, despite a lack of strength in the recovery of consumer spending. In the economies of Asia, meanwhile, exports continued to fuel high growth in China, although consumer spending and capital investment slowed somewhat, while expansion was also generally seen in other Asian economies. In the Japanese economy, although the completion of a cycle of inventory adjustments of IT and digital-related products and a recovery in consumer spending pulled the economy out of a temporary lull, the economy was weak overall in the first half. In the second half, economic growth was solid as capital investment increased from autumn onward, reflecting strong improvement in corporate earnings, and consumer spending recovered due to improvement in income and employment conditions.

In markets related to the Omron Group, sales of factory automation control systems to domestic and overseas manufacturers were solid, supported by robust capital investment. Sales of automotive electronic components expanded due to strong unit sales of automobiles. However, sales of consumer and commerce components for IT and digital-related products were sluggish due to inventory adjustments and intensifying price competition.

In this environment, the Omron Group made concentrated, clearly defined investments of management resources in these areas for future growth, with a fiscal year policy of "Advancing toward a Strong Profit Structure," and a basic stance consisting of 1) Milestones on the way to the realization of Stage 2 of GD2010; 2) Promotion of ongoing structural reforms; 3) Achievement of sales and profit growth; and 4) Proactively making necessary investments. In addition, Omron moved to establish lasting efficiency gains toward the realization of its targeted profit structure. As concrete key strategies, the Omron Group worked to 1) implement structural reforms of selling, general and administrative expenses and production as part of its Operating Structure Reforms aimed at enhancing profits, and 2) implement its technology-driven growth strategy and expand business in China as part of Business Domain Structural Reforms, and its global-level response to the Restriction of Hazardous Substances (RoHS) in Electrical and Electronic Equipment directive in the European Union as a special theme.

As a result, despite the significant effect of the transfer of the ATM and other information equipment business to an equity affiliate in the previous fiscal year, Omron Group net sales increased by 3.0 percent from ¥608,588 million in the previous fiscal year to ¥626,782 million, a new record. This increase was due to solid sales in the core businesses of factory automation control systems, automotive electronic components and health-related equipment. Excluding the transferred information equipment business, net sales increased by a substantial 7.8 percent over the previous fiscal year.

As for income for the fiscal year, although there was a decrease in sales from the transfer of the information equipment business, the increase in net sales and the continuation of the profit structure established by the structural reforms through the previous fiscal year, as well as the gain on the transfer of the substitutional portion of the employees' pension fund, resulted in operating income of ¥62,128 million, a 10.7 percent increase compared with the previous fiscal year, income before income taxes was ¥64,352 million, an increase of 22.5 percent, and net income was ¥35,763 million, an increase of 18.5 percent. Each of these exceeded the level of the previous fiscal year and was a new record for Omron.

2) Results by Business Segment

- **IAB (Industrial Automation Business)**

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

As a result, segment sales totaled ¥272,657 million, an increase of 8.9 percent compared with the previous fiscal year.

- **ECB (Electronic Components Business)**

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

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

As a result, segment sales were ¥97,699 million, a decrease of 3.4 percent compared with the previous fiscal year.

- **AEC (Automotive Electronic Components Business)**

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

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

As a result, segment sales were ¥77,593 million, an increase of 20.2 percent compared with the previous fiscal year.

- **SSB (Social Systems Business)**

In the public transportation systems business, there was a reactive decline from the renewal and conversion demand for ticket vending machines and other equipment associated with the issue of newly designed currency bills in the previous fiscal year. However, factors such as demand for equipment conversion in connection with the shift to IC cards for railway tickets, equipment upgrades at major customers, and a large-scale project in tandem with the opening of a new train line contributed to favorable sales.

The traffic and road management systems business faced a difficult business environment due to heightened competition in the traffic control market.

In other businesses, sales increased substantially in the new businesses of security solutions and IC card and mobile solutions. In related maintenance businesses, sales grew strongly in IT-related businesses such as office automation systems, and in maintenance and repair of other companies' products.

However, sales in this segment totaled ¥91,804 million, a decrease of 20.3 percent, due largely to the transfer of the ATM and other information equipment business to an equity affiliate in the previous fiscal year.

- **HCB (Healthcare Business)**

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

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

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

As a result, segment sales were ¥61,090 million, an increase of 20.8 percent compared with the previous fiscal year.

- **Others**

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

As a result, segment sales were ¥25,939 million, a decrease of 3.2 percent compared with the previous fiscal year.

3) Distribution of Profits

In accordance with the "Basic Policy for Distribution of Profits" stated above and in consideration of results for the fiscal year ended March 31, 2006 and the previous fiscal year, Omron plans to pay an ordinary year-end dividend of ¥18.00 per share. Combined with the earlier interim dividend of ¥12.00 per share, this will bring total dividends for the year to ¥30.00 per share, an increase of ¥6.00 per share from the previous fiscal year.

(2) Outlook for the Fiscal Year Ending March 31, 2007

1) General Outlook

Looking at the economic environment for the fiscal year ending March 31, 2007, elements of uncertainty regarding the outlook will remain, including pressure on corporate profits due to high oil and raw material prices, the impact of further interest rate hikes in the United States and Europe on corporate activities, and trends in exchange rates. Overall, however, moderate growth is projected to continue in each area, as consumer spending and corporate capital investment are expected to remain solid.

In this environment, from the standpoint of doubling its business value by promoting ongoing structural reforms that balance profit and growth, a goal of Stage 2 of GD2010, Omron has set the policy for the fiscal year of "Accelerating growth while securing profit increase – advancing toward FY07 targets by front-loading growth." Omron will make the necessary investments to achieve the goals of Stage 2 of GD2010, and will promote lasting efficiency gains aimed at realizing its envisioned profit structure.

Specifically, Omron will implement as priority items:

1) Investment for continued business growth and creation of a robust business infrastructure in China;

2) Prioritized investment in projects that contribute strongly to new growth markets with designated core technologies as a technology-driven growth strategy; and

3) Implementation of ongoing operating structural reforms aimed at the targeted profit structure.

In addition, as special priority themes, Omron will continue to work toward the complete elimination of regulated chemical substances and take measures to enhance technology for quality improvements.

During the fiscal year, Omron will increase operating income by continuing to strengthen the profit structure of existing businesses, while aggressively making growth investments in China and in new business areas. Omron projects net sales for the fiscal year of ¥700.0 billion, operating income of ¥63.0 billion, income before income taxes of ¥65.0 billion and net income of ¥37.5 billion, the fifth consecutive year of growth in sales and profits. The assumed exchange rates are $US1 = ¥110 and 1 Euro = ¥135.

2) Outlook by Business Segment

Industrial Automation Business

In domestic business in the fiscal year ending March 31, 2007, a slight weakening of capital investment in the automotive industry is expected, but no major change in willingness to invest is expected. In addition, Omron expects active capital investment in areas such as thin-screen televisions, electronic components, digital equipment and office automation equipment, and investment for the purpose of upgrading the functions of existing equipment will also be on the rise. Therefore, Omron will work to expand sales by aggressively proposing solutions to customer issues related to quality, safety and the environment.

Overseas, Omron will aim to expand sales by continuing to invest resources in areas such as providing uniform, high-quality services on a global basis, enhancing global sales cooperation for selected industries and customers, strengthening marketing in emerging markets such as India and Russia, bolstering its sales force and production capabilities in China, and new product introductions.

As a result, sales in this segment are projected to increase 9.3 percent year-on-year to ¥289.0 billion.

Electronic Components Business

The electronic components market in the next fiscal year is forecast to be solid despite concerns about the restraining economic effect of rising crude oil and raw material prices.

By product, Omron will fully launch the business of large-scale backlights for thin-screen televisions, which are in a period of rapid growth. In addition, introductions of new products and other measures are expected to lead to a major recovery for small-size backlights for mobile devices. Furthermore, a strong increase in sales is projected for FPC connectors for digital home appliances and mobile devices.

By region, continued expansion is projected in the Chinese market, which is positioned as a key area, and Omron will conduct full-scale product introductions of new relays and switches for Chinese home appliance manufacturers and strengthen its sales force to achieve a substantial increase in sales. Omron will also expand its production capacity to respond to rapid expansion of sales in China.

As a result, sales in this segment are projected to increase 24.4 percent year-on-year to ¥121.5 billion.

Automotive Electronic Components Business

In the environment for this segment during the next fiscal year, overall worldwide automobile production volume is expected to remain stable, as it is assumed that production will expand in China, Eastern Europe and South America.

In addition, the use of Omron's new products in new vehicle investment by domestic and overseas manufacturers, and the full-scale startup of operations at a China manufacturing subsidiary, which started in January in response to the trends of manufacturing in China and expansion of global procurement among customer manufacturers, is expected to maintain solid sales.

As a result, sales in this segment are projected to increase 17.3 percent year-on-year to ¥91.0 billion.

Social Systems Business

In the public transportation systems business, sales are projected to increase substantially due to renewals and conversions of equipment in connection with the continuing shift from tickets to IC cards. In the traffic and road management systems business, the difficult business environment is expected to continue primarily in the traffic management market due to reduced public works investment. In new businesses, increased demand is expected for IC card-compatible terminals and systems along with the spreading use of IC cards, and Omron expects sales to remain favorable. In the software business, expansion of mobile solutions from mobile terminals to information appliances, and Omron's participation in projects using RFID in mobile solutions are expected to support a strong increase in sales.

As a result, sales in this segment are projected to increase 7.8 percent year-on-year to ¥99.0 billion.

Healthcare Business

Health consciousness continues to rise both in Japan and overseas, and demand for blood pressure monitors and body composition monitors is expected to continue expanding. In particular, strong growth is projected for blood pressure monitors in China and Russia and body composition monitors in Japan.

Although an uphill battle is predicted for bio-information monitors (including blood pressure monitors for medical institutions) in the face of measures to restrain healthcare costs, further sales expansion is expected due to the accelerated integration of Omron Healthcare, Inc. and Colin Medical Instruments Corporation.

As a result, sales in this segment are projected to increase 8.9 percent year-on-year to ¥66.5 billion.

Others

Among existing businesses, in the entertainment business, Omron will aim for growth of the mobile phone content and commercial game machine businesses. In addition, in the computer peripherals business, Omron will aim to ensure expansion of sales of telecommunications equipment and power supplies. In exploration and nurturing of new businesses, Omron will work to expand the remote monitoring services business and accelerate RFID business development in the North American market.

Sales in this segment overall in the next fiscal year are projected to decrease 7.5 percent year-on-year to ¥24.0 billion because of the exclusion of a subsidiary in the system integration business from consolidated results.

3) Distribution of Profits

In regard to distribution of profits in the next fiscal year, in accordance with the "Basic Policy for Distribution of Profits" stated above, Omron plans to pay an annual cash dividend of ¥30.00 per share (interim cash dividend per share: ¥15.00).

(b) Financial Condition

(1) Overview of the Fiscal Year Ended March 31, 2006

1) Financial Condition for the Fiscal Year Ended March 31, 2006

Total assets: ¥589,061 million (an increase of ¥3,632 million from a year earlier)
Shareholders' equity: ¥362,937 million (an increase of ¥57,127 million from a year earlier)
Shareholders' equity/Total assets: 61.6% (an increase of 9.4 percentage points from a year earlier)

Total assets increased ¥3,632 million compared with the end of the previous fiscal year. The main factors decreasing total assets was repayment of interest-bearing debt in the amount of ¥20,946 million, while main factors increasing total assets were a ¥14,592 million increase in notes and accounts receivable – trade due to the increase in net sales and a ¥12,928 million increase in capital assets due to aggressive investment for future growth.

Shareholders' equity increased ¥57,127 million compared with the end of the previous fiscal year. This was due to net income of ¥35,763 million, a ¥19,940 million decrease in minimum pension liability adjustments (which increases shareholders' equity) in connection with the change of the retirement benefit system, a ¥8,762 million increase in unrealized gains on securities (which increases shareholders' equity) and a ¥9,201 million decrease in foreign currency translation adjustments (which increases shareholders' equity).

2) Summary of Cash Flows for the Fiscal Year Ended March 31, 2006

Net cash provided by operating activities was ¥51,699 million, a decrease of ¥9,377 million compared with the end of the previous fiscal year. Net income increased, but the reserve for termination and retirement benefits decreased in connection with the transfer of the substitutional portion of the employees' pension fund, and there was an increase in income taxes payable.

Net cash used in investing activities totaled ¥43,020 million, an increase of ¥6,970 million from the previous year-end, mainly due to investments to strengthen the foundation for future growth and aggressive business acquisitions.

Net cash used in financing activities was ¥38,320 million, a decrease of ¥2,364 million from the previous year-end, mainly because Omron made net repayments of short-term bank loans, as it did in the same period in the previous year.

As a result, cash and cash equivalents at the end of the fiscal year were ¥52,285 million, a decrease of ¥28,334 million from the end of the previous fiscal year.

(2) Outlook for the Year Ending March 31, 2007

For the year ending March 31, 2007, Omron projects that despite continued growth in net income, ongoing aggressive investments in growth, including investment in the Company's infrastructure in China and in new product development as part of the Company's growth strategy, will result in free cash flow, calculated as net cash provided by operating activities less net cash used in investing activities, that is essentially unchanged from the level of the previous fiscal year.

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 ¥52,285 million as of March 31, 2006 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	2002	2003	2004	2005	2006
Shareholders' equity ratio (%)	54.3	44.3	46.4	52.2	61.6
Shareholders' equity ratio on market value basis (%)	86.8	81.1	105.6	95.1	134.5
Debt repayment period (years)	1.7	1.7	0.7	0.4	0.1
Interest coverage ratio (times)	26.7	292.2	66.3	55.6	57.6

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 closing share price at the end of the period by the total number of shares outstanding at the end of the period (excluding treasury stock).
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 26, 2006, 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 106 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 31, 2005 and 2006 were 39.9 percent and 43.4 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 Omron 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." In particular, the Group has established strict quality control standards and built a quality control system, 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.

In addition, to respond to an EU directive banning the use of lead, cadmium and certain other chemical substances in electric and electronic products in the European Union from July 2006, the Omron Group, in cooperation with its suppliers, is in the process of investigating 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. Plans are proceeding smoothly to completely eliminate regulated substances from all the Group's products throughout the world in order to make them "environmentally warranted products."

However, delays in the switchover beyond customer deadlines due to late response by some suppliers in providing substitute components and other factors could result in liability-related damages or a violation of the EU directive, which could have a negative impact on the Omron Group's operating results and financial condition.

5. Research and Development Activities

Based on a policy of securing a balance between growth and income, the Omron Group invests aggressively in R&D as part of its technology-centered business operations. As a result, the R&D expenses ratio is approximately 8 percent.

The Omron Group strives to increase the new product contribution ratio by reflecting such considerations as market needs in its R&D themes and goals. However, factors such as delays in R&D or insufficient technological capabilities that result in a decrease in the R&D new product contribution ratio could have a negative impact on the Omron Group's operating results and financial condition.

6. Information Leakage

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. Risks Associated with Patent Rights and Other Intellectual Property Rights

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.

Omron has always focused on managing its brands. Recently, however, it has discovered that several overseas businesses and organizations are using domain names similar to Omron's. Omron has identified some of these and is responding with measures including issuing warning notices.

However, it is difficult to identify and deal with all businesses and organizations using similar domain names, and there is a danger that unethical business practices by such entities will damage the Group's reputation.

For its R&D and design, the Omron Group uses a dedicated system to conduct surveys of technologies in the public domain and those of other companies. However, because Group products cover a diverse range of fields in which there are many patents and other intellectual property rights, and in which the number of new patents and intellectual property rights is constantly growing, the possibility exists that a third party could make a claim again the Group with respect to a specific product or part. The Omron Group is working to improve employee morale through measures such as revising its employee invention compensation policy in line with revisions to Japan's Patent Law and introducing a new award system. However, disputes could arise with respect to the value of an invention with inventors who have retired from the Group.

8. Natural Disasters

Because of the possibility of reduction of production capability, temporary disruption of distribution and sales routes, or other consequences of a natural disaster, fire or other calamity, including a large-scale earthquake in areas such as Tokai and Tounankai or directly below the Tokyo area, the Omron Group has identified the assumed risks and implemented the necessary safety measures and measures for continuation and early recovery of its businesses.

However, the Omron Group's operating bases are located in Japan and around the world, and it is impossible to avoid all risks due to a natural disaster, fire or other calamity. As a result, a natural disaster, fire or other calamity 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.

(d) Major Events Related to Corporate Group Conditions Subsequent to the Settlement Date

1) As of the date of this release (April 26, 2006), the Board of Directors of the Company resolved to establish a trust for termination and retirement benefits consisting of a portion of the securities held by the Company.
2) As of the date of this release (April 26, 2006), the Board of Directors of the Company resolved to sell the land and building of the Company's Tokyo Head Office (Minato-ku, Tokyo).

4. Consolidated Financial Statements

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

(Millions of yen)

	Year ended March 31, 2006		Year ended March 31, 2005		Increase (decrease)
Net sales	626,782	100.0%	608,588	100.0%	18,194
Cost of sales	373,393	59.6	358,817	59.0	14,576
Gross profit	253,389	40.4	249,771	41.0	3,618
Selling, general and administrative expenses	152,675	24.3	144,219	23.7	8,456
Research and development expenses	50,501	8.1	49,441	8.1	1,060
Transfer of substitutional portion of employees' pension fund	(11,915)	(1.9)	—	—	(11,915)
Operating income	62,128	9.9	56,111	9.2	6,017
Interest income, net	(609)	(0.1)	(216)	(0.0)	(393)
Foreign exchange loss, net	1,306	0.2	75	0.0	1,231
Other expenses (income), net	(2,921)	(0.5)	3,704	0.6	(6,625)
Income before income taxes and minority interests and cumulative effect of accounting change	64,352	10.3	52,548	8.6	11,804
Income taxes:	27,238	4.4	22,108	3.6	5,130
Current	23,276		20,393		2,883
Deferred	3,962		1,715		2,247
Minority interests	150	0.0	264	0.0	(114)
Net income before adjustment for cumulative effect of accounting change	36,964	5.9	30,176	5.0	6,788
Cumulative effect of accounting change (after tax effect considerations)	1,201	0.2	—	—	1,201
Net income	35,763	5.7	30,176	5.0	5,587

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

Consolidated Statements of Income

(Millions of yen)

	Year ended March 31, 2006		Year ended March 31, 2005		Increase (decrease)
Net sales	626,782	100.0%	608,588	100.0%	18,194
Cost of sales	389,368	62.1	358,817	59.0	30,551
Gross profit	237,414	37.9	249,771	41.0	(12,357)
Selling, general and administrative expenses	161,310	25.8	144,219	23.7	17,091
Research and development expenses	55,315	8.8	49,441	8.1	5,874
Loss from transfer of obligation with transfer of substitutional portion of employees' pension fund	(41,339)	(6.6)	—	—	(41,339)
Operating income	62,128	9.9	56,111	9.2	6,017
Interest income, net	(609)	(0.1)	(216)	(0.0)	(393)
Foreign exchange loss, net	1,306	0.2	75	0.0	1,231
Other expenses (income), net	(2,921)	(0.5)	3,704	0.6	(6,625)
Income before income taxes and minority interests and cumulative effect of accounting change	64,352	10.3	52,548	8.6	11,804
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Net income	35,763	5.7	30,176	5.0	5,587

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

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2006		As of March 31, 2005		Increase (decrease)
ASSETS					
Current Assets:	292,313	49.6%	295,940	50.6%	(3,627)
Cash and cash equivalents	52,285		80,619		(28,334)
Notes and accounts receivable — trade	139,001		124,409		14,592
Allowance for doubtful receivables	(2,653)		(2,757)		104
Inventories	74,958		68,585		6,373
Deferred income taxes	18,571		17,240		1,331
Other current assets	10,151		7,844		2,307
Property, Plant and Equipment:	167,617	28.5	154,689	26.4	12,928
Land	46,571		43,794		2,777
Buildings	117,414		110,367		7,047
Machinery and equipment	159,254		143,111		16,143
Construction in progress	8,180		5,946		2,234
Accumulated depreciation	(163,802)		(148,529)		(15,273)
Investments and Other Assets:	129,131	21.9	134,800	23.0	(5,669)
Investments in and advances to associates	16,135		17,343		(1,208)
Investment securities	62,477		49,764		12,713
Leasehold deposits	8,553		8,595		(42)
Deferred income taxes	15,892		41,499		(25,607)
Other	26,074		17,599		8,475
Total Assets	589,061	100.0%	585,429	100.0%	3,632

(Millions of yen)

	As of March 31, 2006		As of March 31, 2005		Increase (decrease)
LIABILITIES					
Current Liabilities:	155,660	26.4%	162,988	27.8%	(7,328)
Bank loans	2,468		12,424		(9,956)
Notes and accounts payable —trade	85,224		75,866		9,358
Accrued expenses	28,683		26,701		1,982
Income taxes payable	12,288		12,724		(436)
Deferred income taxes	105		97		8
Other current liabilities	26,596		24,673		1,923
Current portion of long-term debt	296		10,503		(10,207)
Long-Term Debt	1,049	0.2	1,832	0.3	(783)
Deferred Income Taxes	673	0.1	1,199	0.2	(526)
Termination and Retirement Benefits	67,046	11.4	111,988	19.1	(44,942)
Other Long-Term Liabilities	571	0.1	63	0.0	508
Minority Interests in Subsidiaries	1,125	0.2	1,549	0.4	(424)
Total Liabilities	226,124	38.4	279,619	47.8	(53,495)
SHAREHOLDERS' EQUITY					
Common stock	64,100	10.9	64,100	10.9	—
Additional paid-in capital	98,724	16.7	98,726	16.9	(2)
Legal reserve	8,082	1.4	7,649	1.3	433
Retained earnings	227,791	38.7	199,551	34.1	28,240
Accumulated other comprehensive income (loss)	(2,971)	(0.5)	(41,009)	(7.0)	38,038
Foreign currency translation adjustments	(1,353)		(10,554)		9,201
Minimum pension liability adjustments	(21,183)		(41,123)		19,940
Net unrealized gains on available for sale securities	19,671		10,909		8,762
Net losses on derivative instruments	(106)		(241)		135
Treasury stock	(32,789)	(5.6)	(23,207)	(4.0)	(9,582)
Total Shareholders' Equity	362,937	61.6	305,810	52.2	57,127
Total Liabilities and Shareholders' Equity	589,061	100.0%	585,429	100.0%	3,632

Consolidated Statements of Shareholders' Equity

(Millions of yen)

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other compre-hensive income (loss)	Treasury stock
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)
Net income				35,763		
Cash dividends				(7,078)		
Transfer to legal reserve			433	(433)		
Foreign currency translation adjustments					9,201	
Minimum pension liability adjustments					19,940	
Unrealized gains on available-for-sale securities					8,762	
Net gains on derivative instruments					135	
Acquisition of treasury stock						(10,075)
Disposal of treasury stock		1				2
Exercise of stock options		(3)		(12)		491
Balance, March 31, 2006	64,100	98,724	8,082	227,791	(2,971)	(32,789)

Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2006	Year ended March 31, 2005	Increase (decrease)
Operating Activities:			
Net income	35,763	30,176	5,587
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	30,825	28,642	
Net loss on sales and disposals of property, plant and equipment	42	918	
Loss on impairment of property, plant and equipment	—	614	
Net gain on sales of short-term investments and investment securities	(4,302)	(987)	
Loss on impairment of investment securities and other assets	757	366	
Bad debt expense	—	140	
Loss from transfer of obligation with transfer of substitutional portion of employees' pension fund	(41,339)	—	
Termination and retirement benefits	29,254	1,956	
Deferred income taxes	3,962	1,715	
Minority interests	150	264	
Equity in loss of affiliates	493	1,483	
Net gain on sales of business entities	(194)	—	
Cumulative effect of accounting change	1,201	—	
Changes in assets and liabilities:			
Increase in notes and accounts receivable — trade, net	(9,629)	(2,762)	
Increase in inventories	(2,098)	(1,964)	
Decrease (increase) in other assets	(560)	934	
Increase (decrease) in notes and accounts payable — trade	7,079	(4,908)	
Increase (decrease) in income taxes payable	(685)	2,423	
Increase in accrued expenses and other current liabilities	1,411	2,114	
Other, net	(431)	(48)	
Total adjustments	15,936	30,900	(14,964)
Net cash provided by operating activities	51,699	61,076	(9,377)
Investing Activities:			
Proceeds from sales or maturities of short-term investments and investment securities	6,830	1,867	4,963
Purchase of short-term investments and investment securities	(1,294)	(267)	(1,027)
Capital expenditures	(40,560)	(38,579)	(1,981)
Decrease in leasehold deposits	161	221	(60)
Proceeds from sales of property, plant and equipment	1,981	4,343	(2,362)
Acquisition of minority interests	(200)	(515)	315
Decrease (increase) in investment in and loans to affiliates	251	(1,233)	1,484
Proceeds from sale of business entities, net	(544)	(1,111)	567
Payment for acquisition of business entities, net	(9,645)	(776)	(8,869)
Net cash used in investing activities	(43,020)	(36,050)	(6,970)
Financing Activities:			
Net repayments of short-term bank loans	(11,813)	(3,860)	(7,953)
Proceeds from issuance of long-term debt	318	1,924	(1,606)
Repayments of long-term debt	(11,012)	(30,238)	19,226
Dividends paid by the Company	(6,190)	(5,611)	(579)
Dividends paid to minority interests	(28)	(59)	31
Acquisition of treasury stock	(10,075)	(2,954)	(7,121)
Disposal of treasury stock	3	19	(16)
Exercise of stock options	477	95	382
Net cash used in financing activities	(38,320)	(40,684)	2,364
Effect of Exchange Rate Changes on Cash and Cash Equivalents	1,307	1,218	89
Net Decrease in Cash and Cash Equivalents	(28,334)	(14,440)	(13,894)
Cash and Cash Equivalents at Beginning of the Period	80,619	95,059	(14,440)
Cash and Cash Equivalents at End of the Period	52,285	80,619	(28,334)

Notes to cash flows from operating activities:			
Interest paid	898	1,098	(200)
Taxes paid	23,843	17,815	6,028
Notes to investing and financing activities not involving cash flow:			
Debt related to capital expenditures	3,220	2,671	549
Stock issued due to conversion of bonds	—	38	(38)
Transfer of assets and liabilities to affiliate created through joint venture	—	16,270	(16,270)

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, 2006	Year ended March 31, 2005	Increase (decrease)
Consolidated subsidiaries	144	142	+2
Unconsolidated subsidiaries accounted for by the equity method	—	—	—
Affiliates accounted for by the equity method	17	17	—
Total	161	159	+2

(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) 13 companies (Colin Medical Technology Corporation and 12 others)

(Eliminated) 11 companies

Affiliates accounted for by the equity method:

(New) 4 companies

(Eliminated) 4 companies

2. Comprehensive Income

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

Year ended March 31, 2006: ¥73,801 million

Year ended March 31, 2005: ¥39,726 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, 2006	Net gain on sales of investment securities	¥(4,302)
	Loss on impairment of investment securities and other assets	757
	Business restructuring expenses	749
Year ended March 31, 2005	Business restructuring expenses	¥1,767
	Equity in loss affiliates	1,483

4. Retirement Benefits

Transfer of the Substitutional Portion of the Employees' Pension Fund

OMRON Corporation and its 30 principal domestic subsidiaries received approval from the Minister of Health, Labour and Welfare on May 1, 2005 for exemption from benefits related to past employee service in regard to the substitutional portion of the Omron pension plan. On September 29, 2005, the Company transferred the amount of the minimum actuarial liability to the Japanese government. In accordance with the Emerging Issues Task Force Issue No. 03-02 ("Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities"), the entire substitutional portion was accounted for at the time the transfer of the benefit obligation and related plan assets was completed. As a result of the transfer, the Company accounted for the difference of ¥41,339 million between the accumulated benefit obligation and related plan assets as "Difference on transfer of obligation related to transfer of substitutional portion of employees' pension fund." In addition, the difference of ¥8,870 million between the projected benefit obligation and accumulated benefit obligation, which represents the accrued salary progression in regard to the substitutional portion, was recognized as a return of net periodic pension cost, and the one-time amortization of the unrecognized actuarial balance corresponding to the substitutional portion, which totaled ¥38,294 million, was recognized as a settlement loss. Of the return of the previously accrued salary progression and the settlement loss totaling ¥29,424 million, ¥15,975 million is accounted for in cost of sales, ¥8,635 million in selling, general and administrative expenses, and ¥4,814 million in research and development expenses.

5. Changes in Accounting Methods

1) Change in Measurement Date of Projected Benefit Obligation and Plan Assets in Accounting for Pensions
   The Company previously used December 31 as the measurement date of projected benefit obligation and plan assets in accounting for pensions. Effective from the fiscal year ended March 31, 2006, the Company has changed the measurement date to March 31. The purpose of this change is to enable more timely reflection of factors such as the effect of systematic changes and personnel increases or reductions in accounting for pensions, in the projected benefit obligation and retirement benefit expenses.
   The cumulative effect (after tax effect considerations) of this change was accounted for in profit and loss for the fiscal year ended March 31, 2006, which reduced net income for the period by ¥1,201 million. Basic net income per share before adjustment for the cumulative effect was ¥156.21, and diluted income per share was ¥156.13.

2) Change in Geographical Segment Information and Classification of Overseas Sales Segments
   Previously the Company grouped geographical segment information and classification of overseas sales segments into four segments: Japan, North America, Europe and Asia. Effective from the fiscal year ended March 31, 2006, this information is displayed in five segments: Japan, North America, Europe, Greater China and Southeast Asia. The purpose of this change is to reflect the expansion of the OMRON Group's business in Greater China and the position of Greater China as a key region in the Company's medium- and long-term strategy, and to disclose more accurate business results that reflect the current state of the Company's business and management. "Greater China" includes China, Hong Kong and Taiwan.

5. Segment Information

1. Business Segment Information

Year ended March 31, 2006 (Millions of yen)

	Industrial Automation Business	Electronic Components Business	Automotive Electronic Components Business	Social Systems Business	Health-care Business	Other	Total	Eliminations & Corporate	Consolidated
Net sales:									
(1) Sales to outside customers	272,657	97,699	77,593	91,804	61,090	25,939	626,782	—	626,782
(2) Intersegment sales and transfers	8,897	21,081	2,982	8,675	237	44,869	86,741	(86,741)	—
Total	281,554	118,780	80,575	100,479	61,327	70,808	713,523	(86,741)	626,782
Operating expenses	239,620	107,590	82,538	96,046	52,675	69,136	647,605	(71,036)	576,569
Operating income	41,934	11,190	(1,963)	4,433	8,652	1,672	65,918	(15,705)	50,213

Notes: 1. "Social Systems Business" includes the Social Systems Solutions and Service Business Company and others.
2. "Others" includes the Business Development Group and other divisions.
3. This segment information was prepared in accordance with rules for consolidated financial statements. Therefore, all profit and loss from the transfer of the substitutional portion of the employees' pension fund is not included in "Operating expenses."

Year ended March 31, 2005 (Millions of yen)

	Industrial Automation Business	Electronic Components Business	Automotive Electronic Components Business	Social Systems Business	Health-care Business	Other	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, the Financial Systems Business Company and others.
2. "Others" includes the Business Development Group and other divisions.

2. Geographical Segment Information

Year ended March 31, 2006 (Millions of yen)

	Japan	North America	Europe	Greater China	Southeast Asia and Others	Total	Eliminations & Corporate	Consolidated
Net sales:								
(1) Sales to outside customers	370,666	79,686	98,957	41,728	35,745	626,782	—	626,782
(2) Intersegment sales and transfers	100,358	435	1,148	29,961	8,578	140,480	(140,480)	—
Total	471,024	80,121	100,105	71,689	44,323	767,262	(140,480)	626,782
Operating expenses	418,101	79,670	92,777	70,658	40,593	701,799	(125,230)	576,569
Operating income	52,923	451	7,328	1,031	3,730	65,463	(15,250)	50,213

Note. This segment information was prepared in accordance with rules for consolidated financial statements. Therefore, all profit and loss from the transfer of the substitutional portion of the employees' pension fund is not included in "Operating expenses."

Year ended March 31, 2005 (Millions of yen)

	Japan	North America	Europe	Greater China	Southeast Asia and Others	Total	Eliminations & Corporate	Consolidated
Net sales:								
(1) Sales to outside customers	387,627	65,612	92,239	33,868	29,242	608,588	—	608,588
(2) Intersegment sales and transfers	88,587	439	846	26,883	9,663	126,418	(126,418)	—
Total	476,214	66,051	93,085	60,751	38,905	735,006	(126,418)	608,588
Operating expenses	419,870	63,493	83,997	58,801	35,620	661,781	(109,304)	552,477
Operating income	56,344	2,558	9,088	1,950	3,285	73,225	(17,114)	56,111

Note: The segment previously classified as "Asia" was divided into "Greater China" and "Southeast Asia and Others" as of April 2005. Figures for year ended March 31, 2005 have been restated according to the new classification. "Greater China" includes China, Hong Kong and Taiwan.

3. Overseas Sales

(Millions of yen)

	Year ended March 31, 2006	Year ended March 31, 2005	Percentage change
North America (Percentage of total sales)	79,920 12.7%	65,612 10.8%	21.8%
Europe (Percentage of total sales)	99,024 15.8%	93,130 15.3%	6.3%
Greater China (Percentage of total sales)	44,234 7.1%	35,698 5.9%	23.9%
Southeast Asia and Others (Percentage of total sales)	48,770 7.8%	48,093 7.9%	1.4%
Total (Percentage of total sales)	271,948 43.4%	242,533 39.9%	12.1%

Note: The segment previously classified as "Asia" was divided into "Greater China" and "Southeast Asia and Others" as of April 2005. Figures for year ended March 31, 2005 have been restated according to the new classification. "Greater China" includes China, Hong Kong and Taiwan.

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, 2006
Available-for-sale securities (Millions of yen)

	Cost*	Gross unrealized gain	Gross unrealized loss	Fair value
Debt securities	1,067	413	—	1,480
Equity securities	22,302	33,770	—	56,072
Total investment securities	23,369	34,183	—	57,552

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

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

7. Breakdown of Sales

Net sales by consolidated business segment

(Millions of yen)

	Year ended March 31, 2006		Year ended March 31, 2005		Increase (decrease)
Industrial Automation Business	272,657	43.5%	250,329	41.1%	8.9%
Electronic Components Business	97,699	15.6	101,127	16.6	(3.4)
Automotive Electronic Components Business	77,593	12.4	64,558	10.6	20.2
Social Systems Business	91,804	14.6	115,205	18.9	(20.3)*
Healthcare Business	61,090	9.7	50,583	8.3	20.8
Other	25,939	4.2	26,786	4.5	(3.2)
Total	626,782	100.0	608,588	100.0	3.0

Notes: 1. For the year ended March 31, 2005, "Social Systems Business" includes the Social Systems Solutions and Service Business Company, the Financial Systems Business Company and others.
2. For the year ended March 31, 2006, "Social Systems Business" includes the Social Systems Solutions and Service Business Company and others.
3. "Others" includes the Business Development Group and other divisions.

* Social Systems Business: 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.

Projected net sales for the fiscal year ending March 31, 2007 by consolidated business segment

(Millions of yen)

	Year ending March 31, 2007 (est.)		Year ended March 31, 2006		Increase (decrease)
Industrial Automation Business	298,000	42.6%	272,657	43.5%	9.3%
Electronic Components Business	121,500	17.4	97,699	15.6	24.4
Automotive Electronic Components Business	91,000	13.0	77,593	12.4	17.3
Social Systems Business	99,000	14.1	91,804	14.6	7.8
Healthcare Business	66,500	9.5	61,090	9.7	8.9
Other	24,000	3.4	25,939	4.2	(7.5)
Total	700,000	100.0	626,782	100.0	11.7

Notes: 1. For the projections for the year ending March 31, 2007, "Social Systems Business" includes the Social Systems Solutions and Service Business Company and others.
2. "Others" includes the Business Development Group and other divisions.