OMRON

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2008 (U.S. GAAP)

OMRON Corporation (6645)

Exchanges listed:	Tokyo, Osaka, Nagoya Stock Exchanges, First Section
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U.S. GAAP accounting standards:	Adopted, except for segment information
Annual General Shareholders' Meeting (scheduled):	June 24, 2008
Start of distribution of dividends (scheduled):	June 25, 2008
Filing of Securities Report (*Yuka shoken hokokusho*) (scheduled):	June 25, 2008

Note: This document has been translated from the Japanese original as a guide for non-Japanese investors and contains forward-looking statements that are based on management's estimates, assumptions and projections at the time of writing. A number of factors could cause actual results to differ materially from expectations.

Note: All amounts are rounded to the nearest million yen.

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2008 (April 1, 2007 – March 31, 2008)

(1) Sales and Income

(Percentages for net sales, operating income, income from continuing operations before income taxes, and net income represent changes compared with the previous fiscal year.)

Millions of yen - except per share data and percentages

	Year ended March 31, 2007		Year ended March 31, 2008	
		Change (%)		Change (%)
Net sales	723,866	17.5	762,985	5.4
Operating income	62,046	2.1	65,253	5.2
Income from continuing operations before income taxes	64,279	2.0	64,166	(0.2)
Net income	38,280	7.0	42,383	10.7
Net income per share (JPY)	164.96		185.89	
Net income per share, diluted (JPY)	164.85		185.84	
Return on equity	10.3%		11.3%	
Income from continuing operations before income taxes / total assets ratio	10.5%		10.3%	
Operating income / net sales ratio	8.6%		8.6%	

(Reference) Equity in earnings (losses) of affiliates: Fiscal year ended March 31, 2007: (JPY 1,352 million), Fiscal year ended March 31, 2008: (JPY 348 million)

Notes: 1. In accordance with U.S. GAAP, return on equity is calculated using total shareholders' equity.

2. Pursuant to Financial Accounting Standards Board (FASB) Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," figures for the fiscal year ended March 31, 2007 have been reclassified in relation to operations discontinued during the first quarter of the fiscal year ended March 31, 2008.

(2) Consolidated Financial Position

	Millions of yen - except per share data and percentages	
	As of March 31, 2007	As of March 31, 2008
Total assets	630,337	617,367
Net assets	382,822	368,502
Net worth ratio (%)	60.7	59.7
Net assets per share (JPY)	1,660.68	1,662.32

Note: In accordance with U.S. GAAP, net assets, net worth ratio and net assets per share are calculated using total shareholders' equity.

(3) Consolidated Cash Flows

	Millions of yen	
	Year ended March 31, 2007	Year ended March 31, 2008
Net cash provided by operating activities	40,539	68,996
Net cash used in investing activities	(47,075)	(36,681)
Net cash used in financing activities	(4,697)	(34,481)
Cash and cash equivalents at end of period	42,995	40,624

2. Dividends

		Year ended March 31, 2007	Year ended March 31, 2008	Year ending March 31, 2009 (projected)
Dividends per share	Interim dividend (JPY)	15.00	17.00	18.00
	Year-end dividend (JPY)	19.00	25.00	—
	Total dividend for the year (JPY)	34.00	42.00	—
Total cash dividends paid (JPY millions)		7,839	9,415	
Payout ratio		20.6	22.6	—
Net assets/ dividends ratio		2.1	2.5	

Notes: 1. The year-end dividend for the year ended March 31, 2008 consists of a regular dividend of JPY 20.00 and a commemorative dividend of JPY 5.00.

2. Year-end dividend and payout ratio for the year ending March 31, 2009 are not presented because forecasts have not been made.

3. Projected Results for the Fiscal Year Ending March 31, 2009 (April 1, 2008 – March 31, 2009)

(Percentages represent changes compared to the previous fiscal year for the full year and compared with the previous interim period for the interim year.)

	Millions of yen			
	Interim period ending September 30, 2008	Change (%)	Full year ending March 31, 2009	Change (%)
Net sales	368,000	0.5	780,000	2.2
Operating income	20,000	(24.8)	60,000	(8.1)
Income from continuing operations before income taxes	19,500	(28.6)	59,000	(8.1)
Net income	12,000	(36.2)	36,500	(13.9)
Net income per share, basic (JPY)	54.13	—	164.65	—

Note: Please see pages 10-15 of the attached materials regarding the results projected above and cautionary statements concerning the use of these projections.

4. Other

(1) Changes in major subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): No

(2) Changes in accounting rules, procedures, presentation method, etc. for the Consolidated Financial Statements
(a) Changes in consolidated accounting methods: Yes
(b) Changes other than (a) above: No

Note: For more information, see "Preparation of the Consolidated Financial Statements" on page 21.

(3) Number of shares issued and outstanding (common stock)
(a) Number of shares at end of period (including treasury stock): Year ended March 31, 2007: 249,121,372 shares, Year ended March 31, 2008: 239,121,372 shares
(b) Treasury stock at end of period: Year ended March 31, 2007: 18,599,842 shares, Year ended March 31, 2008: 17,441,564 shares

Note: See "Per Share Data" on page 22 for the number of shares used as the basis for calculation of net income per share (consolidated).

(4) Presentation of operating income
The Company applies the single step method for presentation of its consolidated financial statements based on U.S. GAAP. However, to facilitate comparison with other companies, operating income on the consolidated income statement is presented by subtracting selling, general and administrative expenses and research and development expenses from gross profit.

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2008 (April 1, 2007 – March 31, 2008)

(1) Non-consolidated Sales and Income

(Percentages for net sales, operating income, ordinary income, and net income represent changes compared with the previous fiscal year.)

Millions of yen - except per share data and percentages

	Year ended March 31, 2007		Year ended March 31, 2008	
		Change		Change
Net sales	347,202	11.3	332,292	(4.3)
Operating income	17,194	45.2	12,075	(29.8)
Ordinary income	30,933	(2.8)	38,581	24.7
Net income	32,705	14.2	31,563	(3.5)
Net income per share (JPY)	140.91		138.40	
Net income per share, diluted (JPY)	140.81		138.37	

(2) Non-consolidated Financial Position

Millions of yen - except per share data and percentages

	As of March 31, 2007	As of March 31, 2008
Total assets..	389,247	382,260
Net assets	241,733	236,016
Net worth ratio (%)...	62.1	61.7
Net assets per share (JPY)	1,048.43	1,063.68

(Reference) Net worth: Fiscal year ended March 31, 2007: JPY 241,689 million
Fiscal year ended March 31, 2008: JPY 235,847 million

Note: The following abbreviations of business segment names are used in the attached materials.

IAB:	Industrial Automation Business
ECB:	Electronic Components Business
AEC:	Automotive Electronic Components Business
SSB:	Social Systems Business (includes Social Systems, Solutions and Service Business Company and others)
HCB:	Healthcare Business (includes Omron Healthcare Co., Ltd. and others)
Other:	Business Development Group and others

(Attachment)

Summary of Results for the Fiscal Year Ended March 31, 2008

1. Consolidated Results (U.S. GAAP)

(Millions of yen, %)

	Year ended March 31, 2007	Year ended March 31, 2008	Year-on-year change	Year ending March 31, 2009 (projected)	Year-on-year change
Net sales	723,866	762,985	5.4%	780,000	2.2%
Operating income [% of net sales]	62,046 [8.6%]	65,253 [8.6%]	5.2% [+0.0P]	60,000 [7.7%]	(8.1%) [-0.9P]
Income from continuing operations before income taxes [% of net sales]	64,279 [8.9%]	64,166 [8.4%]	(0.2%) [-0.5P]	59,000 [7.6%]	(8.1%) [-0.8P]
Net income	38,280	42,383	10.7%	36,500	(13.9%)
Net income per share (basic) (JPY)	164.96	185.89	+20.93	164.65	-21.24
Net income per share (diluted) (JPY)	164.85	185.84	+20.99		
Return on equity (%)	10.3%	11.3%	[+1.0P]	10.0%	[-1.3P]
Total assets	630,337	617,367	(2.1%)		
Net assets [Net worth ratio (%)]	382,822 [60.7%]	368,502 [59.7%]	(3.7%) [-1.0P]		
Net assets per share (JPY)	1,660.68	1,662.32	+1.64		
Net cash provided by operating activities	40,539	68,996	28,457		
Net cash used in investing activities	(47,075)	(36,681)	10,394		
Net cash used in financing activities	(4,697)	(34,481)	(29,784)		
Cash and cash equivalents at end of period	42,995	40,624	(2,371)		
Cash dividends per share (JPY)	34.00	42.00	+8.00	Interim: 18.0 Year-end: Undecided	—

Notes:
1. The number of consolidated subsidiaries is 162, and the number of companies accounted for by the equity method is 22.
2. In accordance with U.S. GAAP, return on equity, net assets, net worth ratio and net assets per share are calculated using total shareholders' equity.
3. Figures for the fiscal year ended March 31, 2007 include a gain of JPY 10,141 million on the establishment of an employee retirement benefit trust and a loss of JPY 5,915 million on the sale of land and buildings at the Tokyo Head Office.
4. In accordance with FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," figures for the fiscal year ended March 31, 2007 have been reclassified in relation to operations discontinued during the first quarter of the fiscal year ended March 31, 2008.

2. Non-consolidated Results

(Millions of yen, %)

	Year ended March 31, 2007	Year ended March 31, 2008	Year-on-year change
Net sales	347,202	332,292	(4.3%)
Operating income [% of net sales]	17,194 [5.0%]	12,075 [3.6%]	(29.8%) [-1.4P]
Ordinary income [% of net sales]	30,933 [8.9%]	38,581 [11.6%]	24.7% [+2.7P]
Income before income taxes [% of net sales]	43,956 [12.7%]	35,424 [10.7%]	(19.4%) [-2.0P]
Net income	32,705	31,563	(3.5%)
Net income per share (basic) (JPY)	140.91	138.40	-2.51
Net income per share (diluted) (JPY)	140.81	138.37	-2.44
Paid-in capital	64,100	64,100	—
Total assets	389,247	382,260	(1.8%)
Net assets [Net worth ratio (%)]	241,733 [62.1%]	236,016 [61.7%]	(2.4%) [-0.4P]
Net assets per share (JPY)	1,048.43	1,063.68	+15.25

Note: Figures for the fiscal year ended March 31, 2007 include a gain of JPY 9,112 million on the establishment of an employee retirement benefit trust and a gain of JPY 5,969 million on the sale of land and buildings at the Tokyo Head Office.

3. Consolidated Net Sales by Business Segment

(Billions of yen)

		Year ended March 31, 2007	Year ended March 31, 2008	Year-on-year change (%)
IAB	Domestic	140.8	144.1	2.3
	Overseas	164.8	184.7	12.1
	Total	305.6	328.8	7.6
ECB	Domestic	58.8	62.4	6.2
	Overseas	79.6	91.8	15.4
	Total	138.4	154.2	11.5
AEC	Domestic	26.1	28.0	7.4
	Overseas	67.2	79.5	18.3
	Total	93.3	107.5	15.2
SSB	Domestic	101.8	81.0	(20.4)
	Overseas	4.1	4.2	1.7
	Total	105.9	85.2	(19.6)
HCB	Domestic	32.8	35.0	6.6
	Overseas	32.9	36.6	11.2
	Total	65.7	71.6	8.9
Other	Domestic	14.9	15.4	3.5
	Overseas	0.1	0.3	138.8
	Total	15.0	15.7	4.5
Total	Domestic	375.2	365.9	(2.5)
	Overseas	348.7	397.1	13.9
	[% of total]	[48.2%]	[52.0%]	[+3.8P]
	Total	723.9	763.0	5.4

Average Currency Exchange Rate

(One unit of currency, in yen)

	Year ended March 31, 2007	Year ended March 31, 2008	Year-on-year change (%)
USD	117.0	114.1	-2.9
EUR	150.3	161.9	+11.6

4. Consolidated Depreciation and Amortization/ R&D Expenses

(Billions of yen)

	Year ended March 31, 2007	Year ended March 31, 2008	Year-on-year change (%)
Depreciation and amortization	33.8	36.3	7.6
R&D expenses	52.0	51.5	(1.0)

Note: In accordance with FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," figures for the fiscal year ended March 31, 2007 have been reclassified in relation to operations (the entertainment business formerly included in the "Others" segment) discontinued during the first quarter of the fiscal year ended March 31, 2008.

5. Projected Consolidated Net Sales by Business Segment

(Billions of yen)

		Year ended March 31, 2008	Year ending March 31, 2009 (est.)	Year-on-year change (%)
IAB	Domestic	144.1	150.0	4.1
	Overseas	184.7	187.5	1.5
	Total	328.8	337.5	2.6
ECB	Domestic	62.4	62.5	0.1
	Overseas	91.8	92.0	0.2
	Total	154.2	154.5	0.2
AEC	Domestic	28.0	33.0	17.8
	Overseas	79.5	75.5	(5.0)
	Total	107.5	108.5	0.9
SSB	Domestic	81.0	88.0	8.6
	Overseas	4.2	2.0	(52.3)
	Total	85.2	90.0	5.6
HCB	Domestic	35.0	36.5	4.3
	Overseas	36.6	37.5	2.5
	Total	71.6	74.0	3.4
Other	Domestic	15.4	15.0	(2.4)
	Overseas	0.3	0.5	90.4
	Total	15.7	15.5	(0.9)
Total	Domestic	365.9	385.0	5.2
	Overseas	397.1	395.0	(0.5)
	[% of total]	[52.0%]	[50.6%]	[-1.4P]
	Total	763.0	780.0	2.2

Average Currency Exchange Rate (One unit of currency, in yen)

		Year ended March 31, 2008	Year ending March 31, 2009 (est.)	Year-on-year change
USD		114.1	100.0	-14.1
EUR		161.9	155.0	-6.9

(Attachment)

1. Results of Operations

(1) Analysis of Results of Operations

1) Overview of Fiscal 2007 (Ended March 31, 2008)

General Conditions

Reviewing economic conditions during fiscal 2007, ended March 31, 2008, elements of uncertainty increased in the global economy, including a sharp rise in crude oil prices and high raw material prices, as well as the U.S. subprime loan problem, which affected financial markets in various countries. In the U.S. economy, in addition to the decline in housing investment and the rise in energy prices, weakening consumer spending reinforced the sense of slowdown. Consumer spending was also sluggish in the European economy, leading to a gradual downturn in the second half of the period. Meanwhile, the economies of China and Southeast Asia remained solid despite the effects of the U.S. economic downturn.

The Japanese economy, backed by firm consumer spending, maintained modest growth in spite of declining corporate earnings amid a slowing recovery trend.

In markets related to the Omron Group, capital investment in the semiconductor, electronic component and other industries weakened in comparison with the previous fiscal year, but sales of factory automation control systems, the Omron Group's core business, were generally firm. The consumer and commerce equipment industry, a key market for the electronic components business, weakened due to the emerging effects of inventory adjustments. Sales of automotive electronic components continued to expand as needs for car electronics increased.

In this environment, the Omron Group set "prioritizing profits to achieve GD2010(*1) 2nd-stage goals" as its fiscal year policy. While working diligently on structural reforms, we laid the foundation for a growth structure that supports increased profits in preparation for the third stage, which began on April 1, 2008. Specifically, the Omron Group has made profit structure reforms by addressing 1) reinforcement and expansion of businesses in which we are number-one globally; 2) business operations in China, where we shifted our attention to profitable growth; and 3) continuing improvement of both variable and fixed manufacturing costs.

As a result, the Omron Group's net sales for the fiscal year were JPY 762,985 million, an increase of 5.4 percent from the previous fiscal year. The effects of the weaker yen and business acquisitions also contributed to the sales increase.

Turning to profits for the fiscal year, operating income increased 5.2 percent from the previous fiscal year to JPY 65,253 million, mainly as a result of higher net sales. Income from continuing operations before income taxes (*2) was JPY 64,166 million, a decrease of 0.2 percent from the previous fiscal year due to gain on sale of investment securities and other factors. In the previous fiscal year, the Omron Group recorded a gain on the establishment of a retirement benefit trust and a loss on the sale of the land and buildings of its Tokyo Head Office. Net income for the fiscal year was JPY 42,383 million, an increase of 10.7 percent from the previous fiscal year due to factors including a gain on the transfer of a business.

(*1) GD2010 (Grand Design 2010) is a vision that establishes the basic policies for management of the Omron Group for the 10 years from fiscal 2001 to fiscal 2010. Through GD2010, Omron aims to become a "21st century company" by maximizing its corporate value over the long term, based on its fundamental philosophy of "working for the benefit of society."

Omron has divided these ten years into three stages, with fiscal 2007 being the final year of the second stage (fiscal 2004-2007). Management plans for the third stage (fiscal 2008–2010) were announced on January 10, 2008.

(*2) Pursuant to Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," figures for income from operations discontinued in the fiscal year ended March 31, 2008 have been reclassified for the fiscal year ended March 31, 2007.

Results by Business Segment

IAB

Operations in Japan were impacted by a slowdown in expansion of capital investment among customers in the semiconductor and electronic components industry in comparison with the previous fiscal year and a decrease in capital investment in the flat panel display (FPD) industry, although investment remained firm among manufacturers in general. Beginning in fiscal 2007, the Omron Group worked to reinforce its sales infrastructure in order to expand the applications business, which focuses on quality, safety and the environment. Sales of the application sensor business and safety component business in particular increased over the previous year.

In addition, sales of Laserfront Technologies (now OMRON LASERFRONT INC., hereinafter "OLFT"), in which Omron acquired a 95 percent stake at the end of June 2007, contributed to domestic sales of this segment from July onward.

Overseas, demand for programmable controllers and motion controllers in Europe was solid, and sales of image sensors expanded. In North America, demand for control equipment for oil and gas-related companies, which had remained strong, fell sharply in the fourth quarter. Omron worked to compensate for this by expanding its core factory automation business and ancillary services, but overall sales were impacted by the slowing economy. In China, sales increased on the back of strong sales of products including programmable controllers and AOI, a result of the Omron Group's focus on strengthening its sales force and rolling out new products.

As a result, segment sales for the fiscal year totaled JPY 328,811 million, an increase of 7.6 percent compared with the previous fiscal year.

ECB

In Japan, consumer spending and capital investment remained firm in the first half of the period, but overall, the semiconductor and automobile manufacturing industries slowed, and inventory adjustments continued in the consumer and commerce components industry, a key market for this segment. Overseas, electronic manufacturing services (EMS) in China, which had been strong, slowed down.

In this business environment, sales of PCB relays, a core product, were flat overall, as sales of air conditioner relays expanded due to increased demand in the BRIC countries and other emerging markets, but sales of relays for communications were sluggish. On the other hand, sales of electronic components such as HMI devices and thin connectors for mobile and IT devices increased strongly because they met customer needs for slimmer products.

In addition, the backlight business of OMRON PRECISION TECHNOLOGY Co., Ltd., which was included in the scope of consolidation in August 2006, contributed to sales, and OMRON SEMICONDUCTORS Co., Ltd., posted solid sales overall after starting contract manufacturing of semiconductors in April 2007.

As a result, segment sales for the fiscal year totaled JPY 154,233 million, an increase of 11.5 percent compared with the previous fiscal year.

AEC

Global automobile production volume during the fiscal year was generally steady, and Omron products continued to be adopted in new cars, reflecting the demand for car electronics that support automobile safety and environmental friendliness. As a result, sales of this segment increased strongly. By geographic region, sales in Japan were solid, and overseas, sales of keyless entry systems and other wireless devices were strong in North America despite a challenging market environment in which automobile sales volume remained at the level of the previous fiscal year. Furthermore, in China, where automobile manufacturers are shifting production and expanding global procurement, Omron's Chinese manufacturing subsidiary steadily expanded production, and sales to the Chinese market increased substantially.

As a result, segment sales for the fiscal year were JPY 107,521 million, an increase of 15.2 percent compared with the previous fiscal year.

SSB

In the public transportation systems business, large-scale demand for projects associated with the use of common IC cards in railway stations (primarily in the Tokyo metropolitan area) dropped to a lower level, and sales declined compared with the previous fiscal year, when demand peaked. In the traffic and road management systems business, sales decreased due to the effect of restrained public investment. However, this business continued to expand solutions such as driving safety support systems. The ID management solutions business was impacted by the "gray zone" interest rate issue in the credit industry, but security-related sales were solid. In the maintenance business, sales of the public transportation-related business declined, and there were fewer IT-related maintenance and service calls, but the software business posted solid sales due to sales expansion of packages and components to the distribution and mobile device industries.

As a result, segment sales for the fiscal year were JPY 85,223 million, a decrease of 19.6 percent compared with the previous fiscal year.

HCB

In Japan, sales of digital blood pressure monitors and pedometers were strong, backed by increasing recognition of metabolic syndrome and related medical checkups that will become mandatory in fiscal 2008. While sales of body composition analyzers leveled off, sales of electric toothbrushes expanded strongly, due partly to the effect of television commercials.

Overseas, sales in Europe remained generally strong overall, led by the digital blood pressure monitor business in Russia and Eastern Europe, although sales of digital blood pressure monitors in North America were sluggish due to weak consumer spending. In China, sales expanded sharply due to factors including steadily rising sales of newly introduced blood glucose monitors.

As a result, segment sales for the fiscal year were JPY 71,562 million, an increase of 8.9 percent compared with the previous fiscal year.

Others

The "Others" segment consists mainly of new businesses being explored and developed by the Business Development Group and development and expansion of other businesses that are not covered by internal companies.

In existing businesses, sales of uninterruptible power supplies and broadband routers in Omron's computer peripherals business increased steadily. In new businesses, conditions became more competitive in the radio frequency identification (RFID) equipment market, but the electricity usage monitoring business posted solid sales.

As a result, segment sales were JPY 15,635 million, an increase of 4.5 percent compared with the previous fiscal year.

2) Outlook for the Fiscal Year Ending March 31, 2009

General Outlook

In the fiscal year ending March 31, 2009, although solid economic expansion is projected in some regions (primarily in Asia), uncertainty regarding economic prospects is expected to increase further due to factors including rising crude oil and raw material prices, the slowdown of the U.S. economy and the strengthening of the yen against the U.S. dollar. Reflecting these trends, we are assuming a downturn in consumer spending and a deteriorating climate for corporate capital investment.

In markets related to the Omron Group, we expect weak conditions mainly in the semiconductor and electronic component industries due to the impact of restrained capital investment. We also expect the economic downturn in North America to affect the market for automotive electronic components, despite a continued strong need for car electronics.

In this environment, we have set "securing a foothold for sustainable growth" as the OMRON Group's policy for fiscal 2008, the start of the third stage of GD2010. We will make the necessary investments to realize a mechanism for sustained growth: investments in products and businesses in which we aim to be global no. 1, investments in new growth areas, and IT investments to ensure business speed and flexibility.

As for the performance outlook for the fiscal year ending March 31, 2009, even in the continued challenging economic environment, after making the investments necessary to achieve the third-stage goals we project net sales of JPY 780.0

billion, operating income of JPY 60.0 billion, income from continuing operations before income taxes of JPY 59.0 billion and net income of JPY 36.5 billion.

The assumed exchange rates are US$1 = JPY 100 and 1 Euro = JPY 155.

Outlook by Business Segment

IAB

In domestic business, although the flat panel display (FPD) industry is expected to move onto a recovery track, uncertainty about the overall outlook is increasing due to the impact of the rapid strengthening of the yen against the U.S. dollar, and the downturn in the U.S. economy. Under these conditions, Omron will work to increase sales in this segment by further strengthening its sales organization to expand the applications business, and by aggressively proposing solutions to customer issues in the areas of quality, safety and the environment. Omron will also continue to focus on strengthening coordination with sales channels and expansion of general-use products.

Overseas, Omron will begin strengthening its sales organization for expansion of the applications business. The Company will also promote sales expansion by bolstering cooperation in sales to key industries and customers, particularly in East Asia; by enhancing marketing in emerging markets such as India and Russia; and by continuing to focus on rolling out new products as well as strengthening the sales force and expanding production in China.

As a result, segment sales for the fiscal year are projected to be JPY 337.5 billion, a year-on-year increase of 2.6 percent.

ECB

The environment surrounding the consumer and commerce components industry is expected to be challenging due to factors including a projected drop in demand for household appliances, equipment and systems, reflecting the decrease in new home construction in the United States. However, Omron will work to expand business by introducing new products and using core technologies to enhance product appeal. In addition, Omron will roll out new products for the key automotive and mobile device industries, and will make focused investments in next-generation product development in micro electro mechanical systems (MEMS), which is positioned as a growth product.

In Japan, Omron will merge OMRON Semiconductors Co., Ltd., which commenced operations in April 2007, into the parent company in July 2008 to promote its strategy of fusing semiconductor-related technologies with existing businesses (expansion of products that incorporate semiconductor devices). This merger is aimed at integrating planning, development and marketing functions to improve efficiency and reduce lead time.

Overseas, Omron is establishing engineering centers in each area in which the Company does business, beginning with Eastern Europe in fiscal 2007, in order to accelerate business expansion by moving closer to customers. In addition to China, where continuing growth is anticipated, Omron will work to expand business in newly developing countries, particularly Mexico and Vietnam.

As a result, segment sales for the fiscal year are projected to be JPY 154.5 billion, a year-on-year increase of 0.2 percent.

AEC

Although automobile production volume is projected to expand in China, India, Eastern Europe and South America, the business environment in this segment is expected to be challenging due to the business slump among the major North American auto manufacturers and a decline in new car sales volume in Japan, in addition to the rapidly weakening dollar. Under these conditions, Omron will work to expand sales of strategic products such as electric power steering controllers, as auto manufacturers are adopting Omron’s new products in more of their new vehicles in Japan and overseas.

As a result, segment sales for the fiscal year are expected to be JPY 108.5 billion, a year-on-year increase of 0.9 percent.

SSB

In the public transportation systems business, weak sales are projected as railway companies complete an investment cycle. In the traffic and road management systems business, Omron will focus on renewal demand in the law-enforcement market and expansion of sales of weigh-in-motion systems. In the ID management solutions business, Omron projects sales growth through new services utilizing IC cards and the new sensing business, which uses image processing technology. In the maintenance business, Omron will work to strengthen new business areas related to engineering and IT. In the software business, Omron aims to expand business through electronic money solutions and the acquisition of new customers among information appliance manufacturers and mobile phone companies.

As a result, segment sales for the fiscal year are projected to be JPY 90.0 billion, a year-on-year increase of 5.6 percent.

HCB

Continued expansion of demand for digital blood pressure monitors and pedometers is projected as health consciousness continues to rise in Japan as well as overseas. Particularly strong growth is predicted for digital blood pressure monitors in China, Russia, Eastern Europe, India and other newly industrialized countries. While the business environment for vital sign monitors for medical institutions is likely to be challenging due to the effect of reduced compensation for medical treatment, healthcare structure reforms designed to shift the focus from treatment to prevention are expected to lead to expanding sales of lifestyle disease prevention equipment to medical practitioners, including arteriosclerosis detection systems and central blood pressure measurement systems.

As a result, segment sales for the fiscal year are projected to be JPY 74.0 billion, a year-on-year increase of 3.4 percent.

Others

In existing businesses, growth is expected in the computer peripherals business, backed by an increase in the number of fields using uninterruptible power supplies and Omron's expanding product lineup. In new growth businesses, the RFID business will respond to the move toward practical use of IC tags, and will accelerate business development mainly in Japan. In the remote monitoring and reporting systems business, Omron will work to expand its power consumption monitoring business amid rising interest in energy saving following the revision of Japan's Energy Conservation Law.

As a result, segment sales for the fiscal year are projected to be JPY 15.5 billion, a year-on-year decrease of 0.9 percent.

(2) Analysis of Financial Condition

Analysis of Assets, Liabilities, Net Assets and Cash Flow

1) Financial Condition as of March 31, 2008

Total assets: JPY 617,367 million (a decrease of JPY 12,970 million from the end of the previous fiscal year)

Total shareholders' equity: JPY 368,502 million (a decrease of JPY 14,320 million from the end of the previous fiscal year)

Net worth ratio: 59.7% (a decrease of 1.0 percentage point from the end of the previous fiscal year)

Total assets decreased JPY 12,970 million compared with the end of the previous fiscal year. Among assets, notes and accounts receivable at the end of the fiscal year decreased JPY 8,822 million because of large-scale special procurement in the public transportation systems business in the fourth quarter of the previous fiscal year. In addition, investment securities decreased JPY 7,631 million due to a drop in stock prices. In liabilities, short-term debt decreased JPY 2,073 million.

Total shareholders' equity decreased JPY 14,320 million compared with the end of the previous fiscal year. While net income of JPY 42,383 million increased shareholders' equity, factors decreasing shareholders' equity were a JPY 12,342 million decrease in foreign currency translation adjustments and a JPY 6,237 million decrease in net unrealized gains on available-for-sale securities.

2) Summary of Cash Flows for the Fiscal Year Ended March 31, 2008

Net cash provided by operating activities was JPY 68,996 million (an increase of JPY 28,457 million compared with the previous fiscal year) due to factors including net income of JPY 42,383 million and an increase in depreciation and amortization, a non-cash item.

Net cash used in investing activities was JPY 36,681 million (a decrease in cash used of JPY 10,394 million compared with the previous fiscal year). In addition to investments made for future growth, other factors included payment for acquisition of business entities and proceeds from the transfer of a business in April 2007.

Net cash used in financing activities was JPY 34,481 million (an increase in cash used of JPY 29,784 million compared with the previous fiscal year), mainly due to acquisition of treasury stock and dividends paid by the Company.

As a result, the balance of cash and cash equivalents at March 31, 2008 decreased JPY 2,371 million from a year earlier to JPY 40,624 million.

3) Outlook for the Fiscal Year Ending March 31, 2009

Although Omron will continuously strengthen its existing businesses and make ongoing investments in new product development as part of its growth strategy, free cash flow, calculated as net cash provided by operating activities less net cash used in investing activities, is expected to remain near 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 JPY 40,624 million as of March 31, 2008 is more than sufficient for business operations in the current economic conditions.

Cash Flow Indicators and Trends

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

	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008
Net worth ratio (%)	46.4	52.2	61.6	60.7	59.7
Net worth ratio on market value basis (%)	105.6	95.1	134.5	115.9	73.4
Debt coverage ratio	0.7	0.4	0.1	0.5	0.3
Interest coverage ratio	66.3	55.6	57.6	35.9	44.9

Notes: Net worth ratio: Net worth/Total assets

Net worth ratio on market value basis: Total market value of stock/Total assets

Debt coverage ratio: 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. In accordance with U.S. GAAP, net worth is calculated using shareholders' equity.
3. 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.
4. 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.

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(3) Basic Policy for Distribution of Profits and Dividends for the Fiscal Year Ended March 31, 2008

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) For dividends in the fiscal year ending March 31, 2008, Omron's policy is to enhance stable, uninterrupted profit distributions by taking into account consolidated results as well as indicators including dividends on equity (DOE), which is return on equity (ROE) multiplied by the payout ratio, although this is subject to the level of internal capital resources necessary. Specifically, Omron will aim to maintain the payout ratio at a minimum of 20% and make profit distributions with a near-term DOE target of 2%.
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.

In accordance with policy stated above, Omron plans to pay an ordinary year-end dividend of JPY 20 per share for fiscal 2007 (ended March 31, 2008). In addition, Omron plans to pay a special dividend of JPY 5 per share to express its appreciation to shareholders on the 75th anniversary of the Company's founding on May 10 this year, for total dividends of JPY 25 per share. For the full fiscal year, including the interim dividend of JPY 17 per share paid on December 6, 2007, Omron plans to pay total dividends of JPY 42 per share (an increase of JPY 8 from the previous fiscal year).

Projections of results and future developments are based on information available to the Company at the time of writing, 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.

2. The Omron Group

Disclosure is omitted because there is no significant change from the "Business Organization Chart (Business Content)" and "Subsidiaries and Affiliates" in the most recent Securities Report (*Yuka shoken hokokusho*), issued on June 22, 2007.

3. Management Policies

(1) Omron's Basic Management Policies

In fiscal 2001 (ended March 31, 2002), Omron began implementing "Grand Design 2010" (GD2010), a vision that establishes the basic policies for management of the Omron Group for the 10 years through fiscal 2010. Through GD2010, Omron aims to become a "21st century company" by maximizing its corporate value over the long term, based on its fundamental philosophy of "working for the benefit of society." Omron's aim as a company is to be "small but global."

(2) Targets for Management Indicators

Omron has completed the first (fiscal 2001-2003) and second (fiscal 2004-2007) stages of GD2010, and is now in the initial year of the third stage (fiscal 2008-2010). The first and second stages advanced essentially in line with management plans, and sales and profits are on the rise. Omron achieved return on equity (ROE) of 10%, the target for the end of fiscal 2004, a year ahead of schedule at the end of fiscal 2003 (the final year of the first stage), and also achieved its second-stage goal of "doubling total business value."(*1) Omron has set "raising business value by an annual average of at least 10%" as its goal in the management plan for the third stage. As performance indicators, Omron is targeting net sales of JPY 1 trillion and operating income of JPY 95 to 100 billion (an operating margin of about 10%), and aims to become a profitable growth company by fiscal 2010.

(*1) Business value is defined as the total current value of future free cash flow generated by each business.

(3) Mid- to Long-Term Management Strategies

The mid-term goal of the third stage, which starts in fiscal 2008, is "raising business value by an annual average of at least 10%." To realize this goal, having identified core existing businesses in each business segment, Omron will firmly establish profitable growth by strengthening these core businesses via a strategy geared to shift each business into the global no. 1 position in its respective market (i.e. achieving the highest business value in the market). Omron will boost its profitability as a result of this, and also through return on investments made in Greater China and continued business growth in that market. To ensure sales growth, Omron will leverage its strengths in sensing and control technology in new businesses, setting its sights over a decade into the future with a focus on the fields of safety/security, healthcare and environmental preservation, to create social needs.

In addition, Omron will promote technology domain reform aimed at redefining core technologies to optimize technology investment. By doing so, Omron will form a structure for building stronger, technology-backed businesses as a sustained growth mechanism to secure both profit and sales growth.

(4) Issues Facing the Company

In the second stage of GD2010, Omron identified the profit and growth structures it intended to achieve in fiscal 2007. The Company positioned the interim years of fiscal 2005 and 2006 as milestones toward realizing fiscal 2007 targets, and has been promoting ongoing structural reforms. As a result, Omron achieved growth in sales and income throughout the second stage. However, the sense of uncertainty regarding the outlook for the operating environment in fiscal 2008 is expected to become even stronger as result of trends that include soaring oil and raw material prices, a slowdown in the U.S. economy and the rising yen and falling dollar. Therefore, the Omron Group has set "securing a foothold for sustainable growth" as its policy for fiscal 2008, and its fundamental stance in the initial year of the third stage of GD2010 will be ensuring achievement of profit targets after making the necessary investments to realize a mechanism for sustained growth. To accomplish that, Omron has set three key strategies aimed at achieving the profit structure and growth structure it envisions in the third stage: (1) a strategy for becoming global no. 1; (2) a new third-stage growth strategy; and (3) operational structure reforms.

In its strategy for becoming global no. 1, the entire Omron Group will focus on eight core businesses — relays, QLM (quality lifecycle management), safety devices, microprogrammable controllers, LCD backlights, electric power steering controllers, blood pressure monitors and body composition analyzers — with the goal of building them into business units that lead their industries globally.

In the third-stage growth strategy, Omron will focus on safety and security, health and the environment with the goal of growing new businesses to 15% of consolidated net sales by fiscal 2020. Themes will include laser microfabrication, MEMS, face recognition systems, social sensors, online healthcare management and energy consumption measurement.

In operational structure reform, Omron will steadily incorporate measures to ensure business speed and flexibility into the plan. Omron established the Monozukuri Innovation Headquarters in fiscal 2006, and the Business Process Innovation Headquarters in fiscal 2007. The Monozukuri Innovation HQ carries out overall supervision of quality and supports the production technology and control technology of each business in order to accelerate improvement of the Omron Group's quality and profit capabilities on a global basis. The Business Process Innovation HQ will undertake application innovations for the development, sales, distribution, accounting and management administration processes to build an IT infrastructure and create IT-driven mechanisms for sustained growth.

4. Consolidated Financial Statements

Consolidated Statement of Operations

(Millions of yen)

	Year ended March 31, 2007		Year ended March 31, 2008		Increase (decrease)
Net sales	723,866	100.0%	762,985	100.0%	39,119
Cost of sales	445,625	61.6	469,643	61.6	24,018
Gross profit	278,241	38.4	293,342	38.4	15,101
Selling, general and administrative expenses	164,167	22.6	176,569	23.1	12,402
Research and development expenses	52,028	7.2	51,520	6.7	(508)
Operating income	62,046	8.6	65,253	8.6	3,207
Interest expense, net	(710)	(0.1)	(828)	(0.1)	(118)
Foreign exchange loss, net	1,086	0.2	1,251	0.2	165
Other expenses (income), net	(2,609)	(0.4)	664	0.1	3,273
Income from continuing operations before income taxes	64,279	8.9	64,166	8.4	(113)
Income taxes	25,595	3.6	24,272	3.2	(1,323)
Current	21,688		24,403		2,715
Deferred	3,907		(131)		(4,038)
Minority interests	238	0.0	217	0.0	(21)
Equity in net losses of affiliates	1,352	0.2	348	0.0	(1,004)
Net income from continuing operations	37,094	5.1	39,329	5.2	2,235
Net income from discontinued operations	1,186	0.2	3,054	0.4	1,868
Net income	38,280	5.3	42,383	5.6	4,103

Note: In accordance with FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," figures for the fiscal year ended March 31, 2007 have been reclassified in relation to operations discontinued during the first quarter of the fiscal year ended March 31, 2008.

(Attachment)

Consolidated Balance Sheet (Millions of yen)

	As of March 31, 2007		As of March 31, 2008		Increase (decrease)
ASSETS					
Current assets:	342,059	54.3%	330,054	53.5%	(12,005)
Cash and cash equivalents	42,995		40,624		(2,371)
Notes and accounts receivable — trade	175,700		166,878		(8,822)
Allowance for doubtful receivables	(2,297)		(2,211)		86
Inventories	94,109		95,125		1,016
Deferred income taxes	19,985		19,690		(295)
Other current assets	11,567		9,948		(1,619)
Property, plant and equipment:	159,315	25.3	152,676	24.7	(6,639)
Land	28,271		27,126		(1,145)
Buildings	125,227		128,183		2,956
Machinery and equipment	175,398		167,036		(8,362)
Construction in progress	6,389		6,277		(112)
Accumulated depreciation	(175,970)		(175,946)		24
Investments and other assets:	128,963	20.4	134,637	21.8	5,674
Investments in and advances to associates	16,677		16,645		(32)
Investment securities	46,770		39,139		(7,631)
Leasehold deposits	8,650		8,087		(563)
Deferred income taxes	17,293		28,151		10,858
Other	39,573		42,615		3,042
Total assets	630,337	100.0%	617,367	100.0%	(12,970)

(Attachment)

(Millions of yen)

	As of March 31, 2007		As of March 31, 2008		Increase (decrease)
LIABILITIES					
Current liabilities:	188,860	30.0%	177,069	28.7%	(11,791)
Bank loans	19,868		17,795		(2,073)
Notes and accounts payable －trade	91,543		94,654		3,111
Accrued expenses	32,548		30,622		(1,926)
Income taxes payable	11,467		8,959		(2,508)
Deferred income taxes	194		133		(61)
Other current liabilities	32,976		24,384		(8,592)
Current portion of long-term debt	264		522		258
Long-Term debt	1,681	0.3	1,492	0.2	(189)
Deferred income taxes	2,006	0.3	3,887	0.6	1,881
Termination and retirement benefits	52,700	8.4	63,536	10.3	10,836
Other long-term liabilities	830	0.1	863	0.2	33
Minority interests in subsidiaries	1,438	0.2	2,018	0.3	580
Total liabilities	247,515	39.3	248,865	40.3	1,350
SHAREHOLDERS' EQUITY					
Common stock	64,100	10.2	64,100	10.4	—
Additional paid-in capital	98,828	15.7	98,961	16.0	133
Legal reserve	8,256	1.3	8,673	1.4	417
Retained earnings	258,057	40.9	266,451	43.2	8,394
Accumulated other comprehensive income (loss)	(3,013)	(0.5)	(28,217)	(4.6)	(25,204)
Foreign currency translation adjustments	6,560		(5,782)		(12,342)
Minimum pension liability adjustments	(22,169)		(29,245)		(7,076)
Net unrealized gains on available-for-sale securities	12,738		6,501		(6,237)
Net gains (losses) on derivative instruments	(142)		309		451
Treasury stock	(43,406)	(6.9)	(41,466)	(6.7)	1,940
Total shareholders' equity	382,822	60.7	368,502	59.7	(14,320)
Total liabilities and shareholders' equity	630,337	100.0%	617,367	100.0%	(12,970)

(Attachment)

Consolidated Statement 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, 2006	64,100	98,724	8,082	227,791	(2,971)	(32,789)
Net income				38,280		
Cash dividends				(7,839)		
Transfer to legal reserve			174	(174)		
Foreign currency translation adjustments					7,913	
Minimum pension liability adjustments					1,658	
Unrealized losses on available-for-sale securities					(6,933)	
Net losses on derivative instruments						
Adjustment to initially apply FASB					(36)	
No. 158						
Acquisition of treasury stock					(2,644)	
Sale of treasury stock						(11,204)
Exercise of stock options		1				2
Grant of stock options		10		(1)		585
		93				
Balance, March 31, 2007	64,100	98,828	8,256	258,057	(3,013)	(43,406)
Cumulative effect of FIN No. 48 at beginning of period				(266)		
Net income				42,383		
Cash dividends				(9,415)		
Transfer to legal reserve			417	(417)		
Foreign currency translation adjustments					(12,342)	
Minimum pension liability adjustments					(7,076)	
Unrealized losses on available-for-sale securities					(6,237)	
Net losses on derivative instruments						
Acquisition of treasury stock					451	
Sale of treasury stock						(22,348)
Retirement of treasury stock		1				7
Exercise of stock options				(23,858)		23,858
Grant of stock options		(4)		(33)		423
		136				
Balance, March 31, 2008	64,100	98,961	8,673	266,451	(28,217)	(41,466)

Note: Effective from the fiscal year ended March 31, 2008, the Company applies FASB Interpretation (hereafter, "FIN") No. 48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109." As a result, retained earnings at the beginning of the fiscal year ended March 31, 2008 decreased JPY 266 million as a cumulative effect.

(Attachment)

Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2007	Year ended March 31, 2008	Increase (decrease)
Operating Activities:			
Net income	38,280	42,383	4,103
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	33,923	36,343	
Net loss on sales and disposals of property, plant and equipment	6,445	963	
Loss on impairment of property, plant and equipment	1,441	168	
Net gain on sales of investment securities	(954)	(1,571)	
Loss on impairment of investment securities and other assets	682	2,297	
Gain on contribution of securities to retirement benefit trust	(10,141)	—	
Termination and retirement benefits	(1,403)	(1,722)	
Deferred income taxes	3,887	(131)	
Minority interests	238	217	
Equity in loss of affiliates	1,352	348	
Net gain on sales of business entities	—	(5,177)	
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable — trade, net	(19,773)	4,977	
Increase in inventories	(13,955)	(3,002)	
Decrease in other assets	2,248	644	
Increase (decrease) in notes and accounts payable — trade	(5,674)	5,305	
Decrease in income taxes payable	(2,244)	(2,663)	
Increase (decrease) in accrued expenses and other current liabilities	6,480	(10,846)	
Other, net	(293)	463	
Total adjustments	2,259	26,613	24,354
Net cash provided by operating activities	40,539	68,996	28,457
Investing activities:			
Proceeds from sales or maturities of short-term investments and investment securities	1,643	3,955	2,312
Purchase of short-term investments and investment securities	(2,108)	(7,456)	(5,348)
Capital expenditures	(44,689)	(37,848)	6,841
Decrease (increase) in leasehold deposits	(9)	417	426
Proceeds from sales of property, plant and equipment	17,930	5,038	(12,892)
Acquisition of minority interests	(15)	—	15
Increase in investment in and loans to affiliates	(1,189)	(850)	339
Proceeds from sale of business entities, net	—	8,089	8,089
Payment for acquisition of business entities, net	(18,638)	(8,026)	10,612
Net cash used in investing activities	(47,075)	(36,681)	10,394
Financing activities:			
Net proceeds (repayments) of short-term bank loans	13,812	(3,523)	(17,335)
Proceeds from issuance of long-term debt	242	28	(214)
Repayments of long-term debt	(455)	(772)	(317)
Dividends paid by the Company	(7,680)	(8,252)	(572)
Dividends paid to minority interests	(9)	(7)	2
Acquisition of treasury stock	(11,204)	(22,348)	(11,144)
Disposal of treasury stock	3	7	4
Exercise of stock options	594	386	(208)
Net cash used in financing activities	(4,697)	(34,481)	(29,784)
Effect of exchange rate changes on cash and cash equivalents	1,943	(205)	(2,148)
Net increase (decrease) in cash and cash equivalents	(9,290)	(2,371)	6,919
Cash and cash equivalents at beginning of the period	52,285	42,995	(9,290)
Cash and cash equivalents at end of the period	42,995	40,624	(2,371)
Notes to cash flows from operating activities:			
Interest paid	1,130	1,536	406
Taxes paid	24,591	27,216	2,625
Notes to investing and financing activities not involving cash flow:			
Debt related to capital expenditures	2,977	2,202	(775)
Transfer of assets and liabilities to affiliate created through joint venture	16,019	—	(16,019)
Decrease in retained earnings due to retirement of treasury stock	—	23,858	23,858

(Attachment)

Preparation of the Consolidated Financial Statements

1. Income Taxes

Effective from the fiscal year ended March 31, 2008, the Company applies FIN No. 48, “Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109.” The adoption of FIN No. 48 resulted in a JPY 266 million decrease in retained earnings at the beginning of the period as a cumulative effect, but had no effect on profit and loss.

2. Stock Options

Effective from the fiscal year ended March 31, 2007, the Company applies FASB No. 123, “Accounting for Stock-Based Compensation,” as amended, issued by the U.S. Financial Accounting Standards Board. The application of fair value recognition to stock-based employee compensation reduced operating income by JPY 93 million for the year ended March 31, 2007.

3. Termination and Retirement Benefits

Effective from the fiscal year ended March 31, 2007, the Company applies the provisions of FASB No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans.” Accordingly, it recognized the amount of the projected benefit obligation exceeding the sum of the fair value of plan assets and termination and retirement benefits as a pension liability adjustment. The Company also recognizes the minimum pension liability amount based on the accumulated benefit obligation pursuant to the former FASB No. 87, “Employers’ Accounting for Pensions.” This reduced accumulated other comprehensive income (loss) by JPY 2,644 million, but did not affect profit and loss.

4. Discontinued Operations

Pursuant to FASB No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets,” the figures for the fiscal year ended March 31, 2007 have been reclassified in relation to operations discontinued during the first quarter of the fiscal year ended March 31, 2008.

Other matters not listed here have not changed significantly since the most recent Securities Report (*Yuka shoken hokokusho*), submitted on June 22, 2007.

(Attachment)

Notes to Consolidated Financial Statements

1. Per Share Data

The Company calculates net income per share in accordance with FASB No. 128, "Earnings per Share." The number of shares used to compute basic and diluted net income per share is as follows:

(Number of shares)	Year ended March 31, 2007	Year ended March 31, 2008
Basic	232,059,070	228,005,106
Diluted	232,212,988	228,066,730

Dilution effect is due to stock options.

2. Comprehensive Income

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

Year ended March 31, 2007: JPY 40,882 million

Year ended March 31, 2008: JPY 17,179 million

Other comprehensive income includes changes in foreign currency translation adjustments, minimum pension liability adjustments, pension liability adjustments, unrealized gains or losses on available-for-sale securities and net gains or losses on derivative instruments. (However, this excludes adjustments made in accordance with FASB No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans."

3. Major Components of Other Expenses (Income), Net

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

Year ended March 31, 2007	
Gain on establishment of retirement benefit trust	JPY (10,141) million
Net losses on sales and disposals of property, plant and equipment	6,429 million
Loss on impairment of property, plant and equipment	1,441 million
Year ended March 31, 2008	
Loss on investment securities	2,297 million
Net gain on sales of investment securities	(1,571 million)

Note: In accordance with FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," figures for the fiscal year ended March 31, 2007 have been reclassified in relation to operations discontinued during the first quarter of the fiscal year ended March 31, 2008.

4. Subsequent Developments

None applicable.

Notes concerning matters of consolidation such as leases, derivative transactions and stock options have not been included in this summary of consolidated financial results, as the Company considers their disclosure here to be of marginal importance.

(Attachment)

5. Segment Information

1. Business Segment Information

Fiscal year ended March 31, 2007 (April 1, 2006 – March 31, 2007) (Millions of yen)

	IAB	ECB	AEC	SSB	HCB	Others	Total	Eliminations & Corporate	Consolidated
Net sales:									
(1) Sales to outside customers	305,568	138,352	93,321	105,944	65,726	14,955	723,866	—	723,866
(2) Intersegment sales and transfers	9,208	21,932	2,351	9,688	232	44,544	87,955	(87,955)	—
Total	314,776	160,284	95,672	115,632	65,958	59,499	811,821	(87,955)	723,866
Operating expenses	266,274	147,201	96,901	107,562	57,268	59,068	734,274	(72,454)	661,820
Operating income (loss)	48,502	13,083	(1,229)	8,070	8,690	431	77,547	(15,501)	62,046

Fiscal year ended March 31, 2008 (April 1, 2007 – March 31, 2008) (Millions of yen)

	IAB	ECB	AEC	SSB	HCB	Others	Total	Eliminations & Corporate	Consolidated
Net sales:									
(1) Sales to outside customers	328,811	154,233	107,521	85,223	71,562	15,635	762,985	—	762,985
(2) Intersegment sales and transfers	8,979	23,583	3,869	8,591	103	37,481	82,606	(82,606)	—
Total	337,790	177,816	111,390	93,814	71,665	53,116	845,591	(82,606)	762,985
Operating expenses	285,862	165,174	109,982	86,772	62,260	53,029	763,079	(65,347)	697,732
Operating income (loss)	51,928	12,642	1,408	7,042	9,405	87	82,512	(17,259)	65,253

Note: In accordance with FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," figures for the fiscal year ended March 31, 2007 have been reclassified in relation to operations (the entertainment business formerly included in the "Others" segment) discontinued during the first quarter of the fiscal year ended March 31, 2008.

(Attachment)

2. Geographical Segment Information

Fiscal year ended March 31, 2007 (April 1, 2006 – March 31, 2007) (Millions of yen)

	Japan	North America	Europe	Greater China	South-east Asia	Total	Eliminations & Corporate	Consolidated
Net sales:								
(1) Sales to outside customers	399,357	97,989	116,352	69,435	40,733	723,866	—	723,866
(2) Intersegment sales and transfers	125,174	1,191	1,255	39,535	9,888	177,043	(177,043)	—
Total	524,531	99,180	117,607	108,970	50,621	900,909	(177,043)	723,866
Operating expenses	464,245	98,851	107,291	107,480	46,623	824,490	(162,670)	661,820
Operating income	60,286	329	10,316	1,490	3,998	76,419	(14,373)	62,046

Fiscal year ended March 31, 2008 (April 1, 2007 – March 31, 2008) (Millions of yen)

	Japan	North America	Europe	Greater China	South-east Asia	Total	Eliminations & Corporate	Consolidated
Net sales:								
(1) Sales to outside customers	388,586	101,884	134,389	91,467	46,659	762,985	—	762,985
(2) Intersegment sales and transfers	129,967	1,070	1,474	53,362	10,131	196,004	(196,004)	—
Total	518,553	102,954	135,863	144,829	56,790	958,989	(196,004)	762,985
Operating expenses	468,346	100,812	121,256	136,730	52,313	879,457	(181,725)	697,732
Operating income	50,207	2,142	14,607	8,099	4,477	79,532	(14,279)	65,253

3. Overseas Sales

(Millions of yen)

	Year ended March 31, 2007	Year ended March 31, 2008	Percentage change
North America (Percentage of total sales)	98,937 13.7%	103,257 13.4%	4.4%
Europe (Percentage of total sales)	118,388 16.4%	136,246 17.9%	15.1%
Greater China (Percentage of total sales)	76,026 10.5%	98,925 13.0%	30.1%
Southeast Asia and Others (Percentage of total sales)	55,368 7.6%	58,659 7.7%	5.9%
Total (Percentage of total sales)	348,719 48.2%	397,087 52.0%	13.9%

Note: In accordance with FASB Statement No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets,” figures for the fiscal year ended March 31, 2007 have been reclassified in relation to operations (the entertainment business formerly included in the “Others” segment) discontinued during the first quarter of the fiscal year ended March 31, 2008.

(Attachment)

5. Non-consolidated Financial Statements

Non-consolidated Statements of Operations

(Millions of yen)

	As of March 31, 2007		As of March 31, 2008		Increase (decrease)	Percentage increase (decrease)
Net sales	347,202	100.0%	332,292	100.0%	(14,910)	(4.3)
Cost of sales	219,173	63.1	208,207	62.7	(10,966)	(5.0)
Gross profit	128,029	36.9	124,085	37.3	(3,944)	(3.1)
Selling, general and administrative expenses	110,835	31.9	112,010	33.7	1,175	1.1
Operating income	17,194	5.0	12,075	3.6	(5,119)	(29.8)
Non-operating income:						
Interest and dividend income	16,615	4.8	28,687	8.6	12,072	72.7
Other non-operating income	2,042	0.6	2,478	0.8	436	21.4
Total non-operating income	18,657	5.4	31,165	9.4	12,508	67.0
Non-operating expenses:						
Interest paid	629	0.2	1,148	0.3	519	82.5
Discount on sales	1,168	0.4	979	0.3	(189)	(16.2)
Other non-operating expenses	3,121	0.9	2,532	0.8	(589)	(18.9)
Total non-operating expenses	4,918	1.5	4,659	1.4	(259)	(5.3)
Ordinary income	30,933	8.9	38,581	11.6	7,648	24.7
Extraordinary gains:						
Gain on sales of property, plant and equipment	6,039	1.8	458	0.1	(5,581)	
Gain on sales of investment securities	696	0.2	1,843	0.6	1,147	
Gain on contribution of securities to retirement benefit trust	9,112	2.6	—	—	(9,112)	
Other extraordinary gains	3,122	0.9	229	0.1	(2,893)	
Total extraordinary gains	18,969	5.5	2,530	0.8	(16,439)	(86.7)
Extraordinary losses						
Loss on evaluation of investment securities	52	0.0	2,744	0.8	2,692	
Loss on evaluation of stocks of affiliated companies	3,629	1.0	816	0.2	(2,813)	
Other extraordinary losses	2,265	0.7	2,127	0.7	(138)	
Total extraordinary losses	5,946	1.7	5,687	1.7	(259)	(4.4)
Income before income taxes	43,956	12.7	35,424	10.7	(8,532)	(19.4)
Income, residential and enterprise taxes	2,686	0.8	6,297	1.9	3,611	134.4
Adjustment for income taxes	8,565	2.5	(2,436)	(0.7)	(11,001)	—
Net income	32,705	9.4	31,563	9.5	(1,142)	(3.5)

(Attachment)

Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2007		As of March 31, 2008		Increase (decrease)
	Amount	%	Amount	%	
ASSETS					
Current assets					
Cash and time deposits	10,031		8,236		(1,795)
Accounts receivable	3,443		2,301		(1,142)
Accounts receivable - trade	71,212		62,387		(8,825)
Merchandise	11,453		11,041		(412)
Materials	5,277		4,380		(897)
Work-in-process	5,579		7,365		1,786
Supplies	205		139		(66)
Short-term loans receivable	9,147		13,285		4,138
Other accounts receivable	7,437		8,523		1,086
Accounts receivable - purchasing	5,898		5,447		(451)
Deferred income taxes	8,280		8,808		528
Other current assets	812		1,890		1,078
Allowance for doubtful receivables	(121)		(32)		89
Total current assets	138,653	35.6	133,770	35.0	(4,883)
Fixed assets					
Property and equipment					
Buildings	24,887		23,595		(1,292)
Structures	2,040		1,865		(175)
Machinery and equipment	1,902		1,966		64
Vehicles and delivery equipment	170		123		(47)
Tools, furniture and fixtures	2,630		2,309		(321)
Land	14,916		14,556		(360)
Construction in progress	1,685		1,725		40
Total property and equipment	48,230	12.4	46,139	12.1	(2,091)
Intangible fixed assets					
Software	9,660	2.5	8,905	2.3	(755)
Investments and other assets					
Investment securities	44,713		34,301		(10,412)
Investments in affiliated companies	113,370		122,835		9,465
Investments in capital	12,281		12,823		542
Long term advances to affiliates	50		50		—
Long term advances to affiliated companies	8,805		4,082		(4,723)
Leasehold deposits	5,980		5,549		(431)
Deferred income taxes	7,537		14,674		7,137
Other	3,738		2,896		(842)
Allowance for doubtful receivables	(3,770)		(3,764)		6
Total investments and other assets	192,704	49.5	193,446	50.6	742
Total fixed assets	250,594	64.4	248,490	65.0	(2,104)
Total assets	389,247	100.0	382,260	100.0	(6,987)

(Millions of yen)

	As of March 31, 2007		As of March 31, 2008		Increase (decrease)
	Amount	%	Amount	%	
LIABILITIES					
Current liabilities					
Accounts payable	3,306		2,095		(1,211)
Accounts payable - trade	40,215		35,760		(4,455)
Commercial paper	16,000		16,000		—
Short-term borrowings from affiliated companies	34,445		39,480		5,035
Other payables	8,374		9,641		1,267
Income taxes payable	5,244		4,505		(739)
Accrued expenses	9,396		9,569		173
Advances received	1,260		1,298		38
Deposits received	1,099		819		(280)
Other	1,642		785		(857)
Total current liabilities	120,981	31.1	119,952	31.4	(1,029)
Long-term liabilities					
Termination and retirement benefits	24,239		23,775		(464)
Long term debt	1,573		1,800		227
Deferred tax liabilities related to revaluation	721		717		(4)
Total long term liabilities	26,533	6.8	26,292	6.9	(241)
Total liabilities	147,514	37.9	146,244	38.3	(1,270)
NET ASSETS					
Shareholders' equity					
Common stock	64,100	16.4	64,100	16.7	—
Capital surplus					
Additional paid-in capital	88,771		88,771		—
Other capital surplus	23		—		(23)
Total capital surplus	88,794	22.8	88,771	23.2	(23)
Retained earnings					
Legal reserve	6,774		6,774		—
Other retained earnings					
Reserve for dividends	3,400		3,400		—
Reserve for reduction of land assets	1,511		1,511		—
Reserve for replacement of property	219		203		(16)
Nonrestrictive reserve	80,500		98,500		18,000
Retained earnings carried forward	32,503		13,669		(18,834)
Total retained earnings	124,907	32.1	124,057	32.5	(850)
Treasury stock	(43,351)	(11.1)	(41,449)	(10.8)	1,902
Total shareholders' equity	234,450	60.2	235,479	61.6	1,029
Valuation and translation adjustment					
Net unrealized holding gains on securities	12,946		5,314		(7,632)
Deferred hedge gain (loss)	(116)		318		434
Revaluation of land	(5,591)		(5,264)		327
Total valuation and translation adjustments	7,239	1.9	368	0.1	(6,871)
New stock acquisition rights	44	0.0	169	0.0	125
Total net assets	241,733	62.1	236,016	61.7	(5,717)
Total liabilities and net assets	389,247	100.0%	382,260	100.0%	(6,987)

Non-consolidated Statements of Changes in Net Assets

Fiscal 2007 (April 1, 2006 to March 31, 2007) (Millions of yen)

	Shareholders' equity										
		Capital surplus			Retained earnings						
						Other retained earnings					
	Common stock	Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve	Reserve for dividends	Reserve for reduction of land assets	Reserve for replace-ment of property	Nonrestric-tive reserve	Retained earnings carried forward	Total retained earnings
Balance at March 31, 2006	64,100	88,771	—	88,771	6,774	3,400	1,511	312	60,500	34,533	107,030
Change during the year ended March 31, 2007											
Dividends paid				—						(7,680)	(7,680)
Bonuses paid to officers				—						(140)	(140)
Net income				—						32,705	32,705
Increase in non-restrictive reserve				—					20,000	(20,000)	—
Drawdown of reserve for replacement of property				—				(93)		93	—
Acquisition and disposal of treasury stock			23	23							—
Drawdown of land revaluation difference				—						(7,008)	(7,008)
Net change of items other than shareholders' equity during the year				—							—
Total change during the year	—	—	23	23	—	—	—	(93)	20,000	(2,030)	17,877
Balance at March 31, 2007	64,100	88,771	23	88,794	6,774	3,400	1,511	219	80,500	32,503	124,907

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustment				Stock acquisition rights	Total net assets
	Treasury stock	Total share-holders' equity	Net unrealized holding gains on securities	Deferred hedge gain (loss)	Revalua-tion of land	Total valuation and translation adjustment		
Balance at March 31, 2006	(32,721)	227,180	18,698	—	(9,379)	9,319	—	236,499
Change during the year ended March 31, 2007								
Dividends paid		(7,680)				—		(7,680)
Bonuses paid to officers		(140)				—		(140)
Net income		32,705				—		32,705
Increase in nonrestrictive reserve		—				—		—
Drawdown of reserve for replacement of property		—				—		—
Acquisition and disposal of treasury stock	(10,630)	(10,607)				—		(10,607)
Drawdown of land revaluation difference		(7,008)				—		(7,008)
Net change of items other than shareholders' equity during the year		—	(5,752)	(116)	3,788	(2,080)	44	(2,036)
Total change during the year	(10,630)	7,270	(5,752)	(116)	3,788	(2,080)	44	5,234
Balance at March 31, 2007	(43,351)	234,450	12,946	(116)	(5,591)	7,239	44	241,733

Fiscal 2008 (April 1, 2007 to March 31, 2008) (Millions of yen)

	Shareholders' equity										
		Capital surplus			Retained earnings						
						Other retained earnings					
	Common stock	Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve	Reserve for dividends	Reserve for reduction of land assets	Reserve for replace-ment of property	Nonrestric-tive reserve	Retained earnings carried forward	Total retained earnings
Balance at March 31, 2007	64,100	88,771	23	88,794	6,774	3,400	1,511	219	80,500	32,503	124,907
Changes during the year ended March 31, 2008											
Dividends paid				—						(8,252)	(8,252)
Net income				—						31,563	31,563
Increase in non-restrictive reserve				—					18,000	(18,000)	—
Drawdown of reserve for replacement of property				—				(16)		16	—
Acquisition and disposal of treasury stock			(23)	(23)						(14)	(14)
Retirement of treasury stock				—						(23,820)	(23,820)
Drawdown of land revaluation difference				—						(327)	(327)
Net change of items other than shareholders' equity during the year				—							—
Total changes during the year	—	—	(23)	(23)	—	—	—	(16)	18,000	(18,834)	(850)
Balance at March 31, 2008	64,100	88,771	—	88,771	6,774	3,400	1,511	203	98,500	13,669	124,057

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustment				Stock acquisition rights	Total net assets
	Treasury stock	Total share-holders' equity	Net unrealized holding gains on securities	Deferred hedge gain (loss)	Revalua-tion of land	Total valuation and translation adjustment		
Balance at March 31, 2007	(43,351)	234,450	12,946	(116)	(5,591)	7,239	44	241,733
Changes during the year ended March 31, 2008								
Dividends paid		(8,252)				—		(8,252)
Net income		31,563				—		31,563
Increase in nonrestrictive reserve		—				—		—
Drawdown of reserve for replacement of property		—				—		—
Acquisition and disposal of treasury stock	(21,918)	(21,955)				—		(21,955)
Retirement of treasury stock	23,820	—				—		—
Drawdown of land revaluation difference		(327)				—		(327)
Net change of items other than shareholders' equity during the year		—	(7,632)	434	327	(6,871)	125	(6,746)
Total changes during the year	1,902	1,029	(7,632)	434	327	(6,871)	125	(5,717)
Balance at March 31, 2008	(41,449)	235,479	5,314	318	(5,264)	368	169	236,016