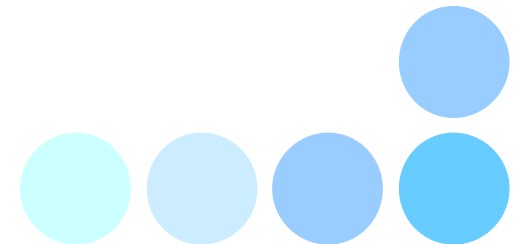




Financial Results for the 1st Half Ended September 30, 2006

October 31, 2006

OMRON Corporation



Contents

- 1. Executive Summary**
- 2. Results for the 1st Half Ended September 30, 2006**
- 3. Forecast for the Full Year Ending March 31, 2007**

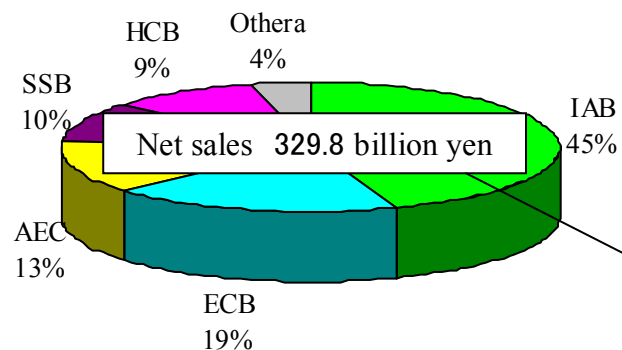
Notes:

- 1. Quarterly financial information is not audited or reviewed by an auditing corporation.**
- 2. The financial statements are prepared in accordance with U.S. GAAP.**
- 3. Includes 159 consolidated subsidiaries and 22 affiliated companies accounted for by the equity method.**
- 4. Projections of results and future developments are based on information available to the Company at the present time, as well as certain assumptions judged by the Company to be reasonable. Various factors could cause actual results to differ materially from these projections. Major factors influencing Omron's actual results include, but are not limited to, (i) the economic conditions surrounding the Company's businesses in Japan and overseas, (ii) demand trends for the Company's products and services, (iii) the ability of the Omron Group to develop new technologies and new products, (iv) major changes in the fund-raising environment, (v) tie-ups or cooperative relationships with other companies, and (vi) movements in currency exchange rates and stock markets.**



Main Business Areas

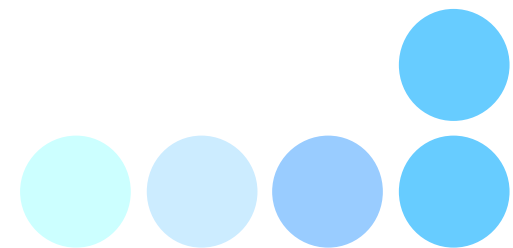
Industrial Automation	
IAB	: Sensing Devices, Control Devices, Safety Devices, Inspection Systems, etc.
Electronic components	
ECB	: Relays, Switches, Connectors, Micro Lens Arrays, Backlights for LCD, Optical Communications Devices, etc.
Automotive Electronics	
AEC	: Keyless Entry System, Power Window Switches, Automotive relays Components, Laser Radars, TPMS etc.
Social Systems	
SSB	: Passenger Gates, Ticket Vending Machines, Road Management System, Security Management Systems, Face Recognition Systems, etc.
Healthcare Equipment	
HCB	: Digital Blood Pressure Monitors, Body Composition Analyzers Nebulizer, etc.
Others	
Others	: Personal Computer Peripherals, RFID Systems, Commercial Game Machines, etc.



Results for the 1H FY2006



1. Executive Summary



Executive Summary

The Year ending March 2007 is the final milestone toward achieving 2nd phase objectives of Grand Design 2010
“Accelerating growth while securing profit increase advancing toward FY07 targets by front-loading growth”

1st Half Results and Key Points

■ Net sales, operating income and NIBT all exceeded first-half targets

Consolidated	Result	vs. same period in prev. year	vs. original target	
Net sales	¥329.8 billion	115.6%	103.1%	
Operating income	¥24.0 billion	76.9%	120.2%	(Operating margin 7.3%)
NIBT	¥29.9 billion	94.1%	135.9%	(NIBT margin 9.1%)
Net income	¥14.8 billion	88.4%	118.3%	(NI margin 4.5%)

- (1) Net sales : 16% year-on-year increase, mainly due to strong sales of electronic components (ECB), exchange gains and sales increase from M&A
- (2) Operating income : 23% year-on-year decrease; but 24% increase excluding ¥11.9 billion gain on return of substitutional portion of pension fund in previous year.
 20% increase over target mainly due to foreign exchange gains, deferral of SG&A and R&D expenses to second half
- (3) NIBT: 36% increase over target due to operating income plus non-operating income from factors including gain on establishment of retirement benefit trust
- (4) Business summary: Sales were strong, but AEC continued to face difficult profit conditions from first quarter

Full-Year Forecasts and Key Points

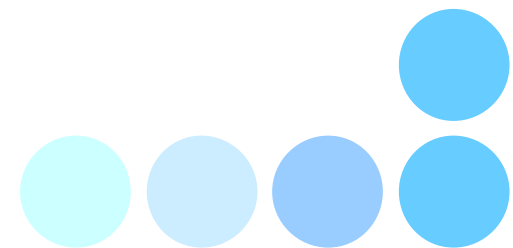
■ Net sales revised upward due to net increase from M&A and effect of exchange rates

Operating income projected to be in line with original target due to risk of higher raw material prices and expected increase in SG&A expenses

Consolidated	Year ending March 31, 2007	vs. same period in prev. year	
Net sales	¥740.0 billion	118.1%	
Operating income	¥63.0 billion	101.4%	(Operating margin 8.5%)
NIBT	¥65.0 billion	101.0%	(NIBT margin 8.8%)
Net income	¥37.5 billion	104.9%	(NI margin 5.1%)

*Assumption: The PL influence of the announced two M&A is included.

2. Results for the 1st Half Ended September 30, 2006



Sales: ¥329.8b ; Operating margin : 7.3%
Net sales exceeded target
Operating income increased 20% year-on-year due to foreign exchange gains
and deferral of SG&A and R&D expenses

(billion yen)

P/L	FY2005 1H Actual(1)	FY2006 1H Actual(2)	Change From last year (2)/(1)	FY2006 1H Original target(3)	Change From Original target (2)/(3)
Net sales	285.4	329.8	115.6%	320.0	103.1%
Gross profit	117.2	128.1	109.3%	129.5	98.9%
SG&A expense	73.2	80.0	109.3%	81.5	98.1%
R&D expense	24.7	24.1	97.5%	28.0	86.0%
'Daiko-henjyo'	11.9	-		-	
Operating income	31.3	24.0	76.9%	20.0	120.2%
NIBT	31.8	29.9	94.1%	22.0	135.9%
NIAT	16.7	14.8	88.4%	12.5	118.3%

(yen)

USD	109.9	115.6	5.7	110.0	5.6
EUR	136.2	146.2	10.0	135.0	11.2

Sales results were basically as planned in Japan and overseas
By segment, sales of ECB remained strong

(billion yen)

Japan/Overseas	FY2005 1H Actual(1)	FY2006 1H Actual(2)	Change From last year (2)/(1)	FY2006 1H Original target(3)	Change From Original target (2)/(3)
Japan	160.6	171.1	106.5%	169.5	101.0%
Overseas*	124.8	158.7	127.2%	150.5	105.5%
Total	285.4	329.8	115.6%	320.0	103.1%
* Overseas includes direct exports					
By business	(1)	(2)	(2)/(1)	Original target(3)	(2)/(3)
IAB	130.3	146.9	112.8%	147.0	99.9%
ECB	45.9	62.1	135.2%	53.0	117.1%
AEC	35.1	42.8	121.7%	42.5	100.6%
SSB	34.0	34.3	101.1%	36.5	94.1%
HCB	27.6	30.6	111.2%	31.0	98.8%
Others	12.5	13.1	105.2%	10.0	131.5%
Total	285.4	329.8	115.6%	320.0	103.1%

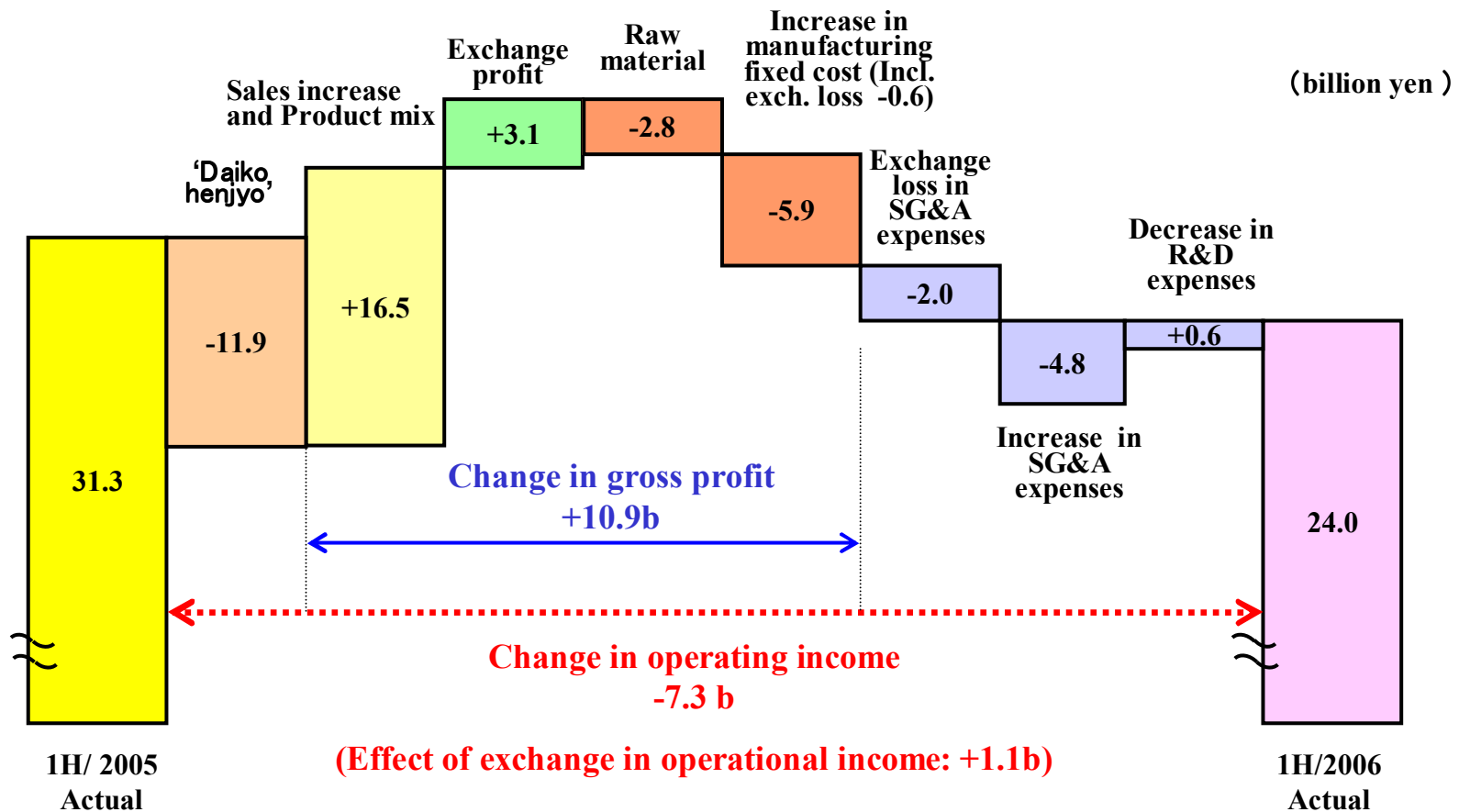
Generally exceeded original targets (except for AEC)

(billion yen)

By Business	FY2005 1H Actual(1)	FY2006 1H Actual(2)	Change From last year (2)/(1)	FY2006 1H Original target(3)	Change From Original target (2)/(3)
IAB	20.4	22.5	110.1%	22.6	99.6%
ECB	5.3	6.7	125.5%	5.3	126.7%
AEC	-0.8	-2.0	-	0.3	-
SSB	-2.4	-0.9	-	-2.5	-
HCB	3.1	3.7	120.8%	3.0	123.4%
Others andHQ Cost/Elimination	-6.3	-6.0		-8.7	
'Daiko-henjyo'	11.9	—	-	-	-
Total	31.3	24.0	76.8%	20.0	120.2%

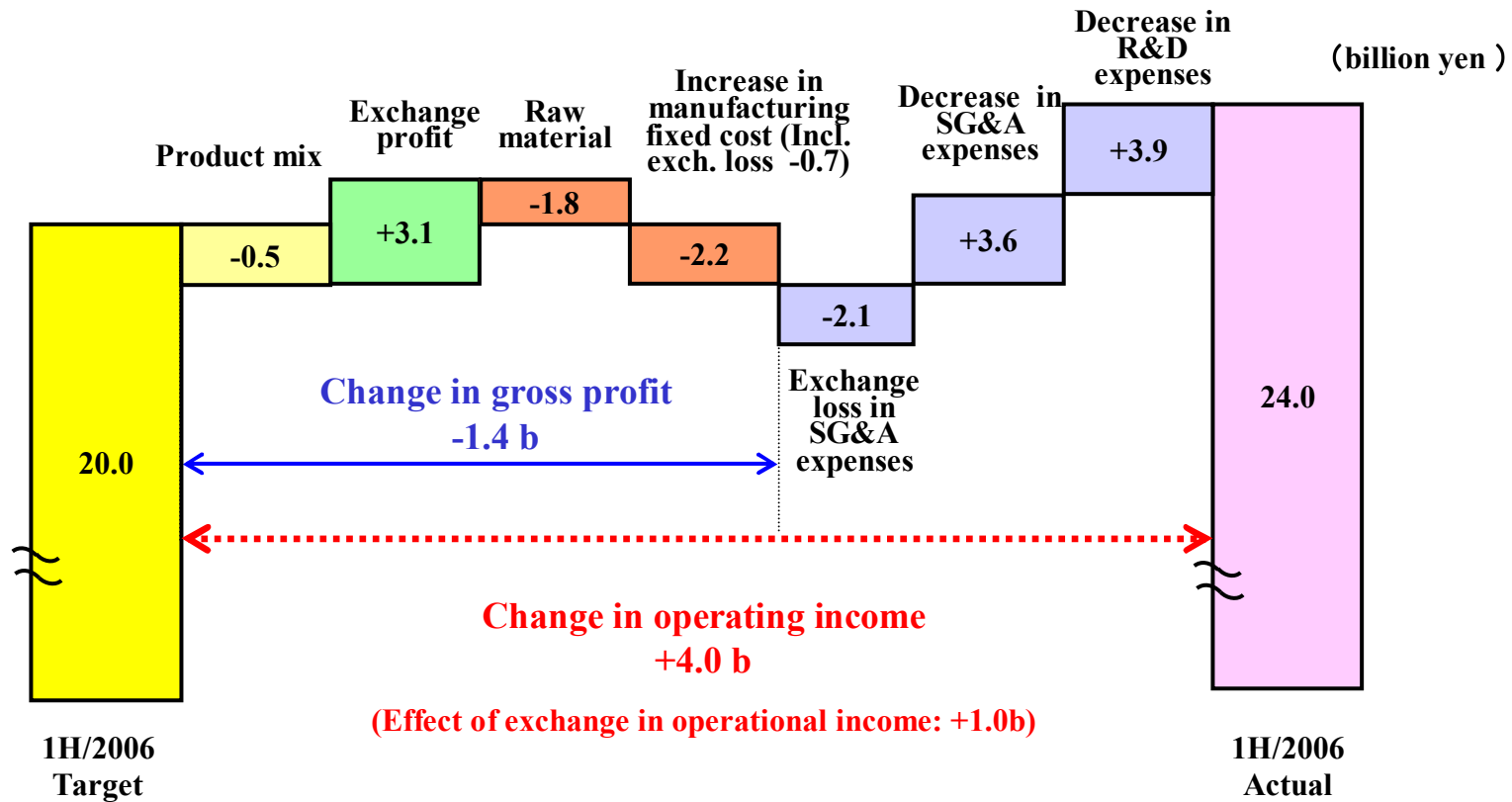
Breakdown of Changes in Operating Income (comparison to previous year)

Operational Income increased (excluding the transfer of the substitutional portion of the employees' pension fund in FY2005 'Daiko henjyo') due to net increase of sales and foreign exchange gains, despite increase in SG&A expenses related to investment for growth



Breakdown of Changes in Operating Income (comparison to original target)

Operating income exceeded original target due to decreased SG&A and R&D expenses and exchange gains that covered increase in raw material expenses



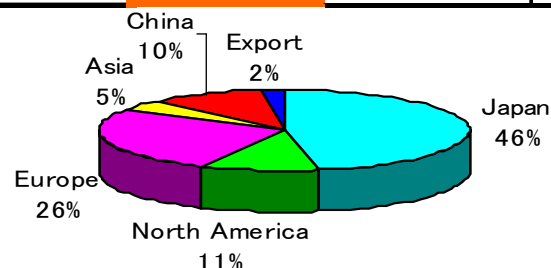
Sales : ¥146.9b ; Operating margin : 15.3%
Sales in Japan were firm but fell short of first-half original target.
Overseas sales remained solid.

(billion yen)

IAB	FY2005 1H Actual(1)	FY2006 1H Actual(2)	Change From last year (2)/(1)	FY2006 1H Original target(3)	Change From Original target (2)/(3)
Japan	65.2	68.8	105.5%	70.0	98.2%
Overseas	65.1	78.1	120.1%	77.0	101.5%
North America	11.4	15.6	137.1%	14.5	107.9%
Europe	33.2	38.3	115.5%	35.5	107.9%
Asia	6.2	6.9	111.3%	7.0	98.0%
China	12.1	14.3	118.5%	17.0	84.2%
Export	2.2	3.0	133.2%	3.0	99.7%
Total	130.3	146.9	112.8%	147.0	99.9%

Operating income	20.4	22.5	110.1%	22.6	99.6%
Operating income ratio	15.7%	15.3%		15.4%	

Sales by region

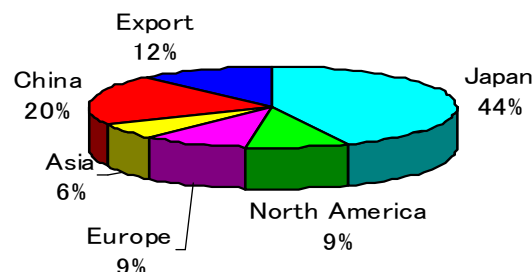


Sales : ¥62.1 b ; Operating margin : 10.8%
Sales of large LCD backlights, relays, connectors etc. were solid.
Sales increase of China and Export were mainly due to M&A.

(billion yen)

ECB	FY2005 1H	FY2006 1H	Change From last year	FY2006 1H	Change From Original target
	Actual(1)	Actual(2)	(2)/(1)	Original target(3)	(2)/(3)
Japan	22.3	27.0	120.6%	25.0	107.8%
Overseas	23.6	35.1	149.0%	28.0	125.4%
North America	4.7	5.5	117.6%	5.5	100.3%
Europe	6.1	5.7	94.6%	5.2	110.1%
Asia	2.9	3.9	134.7%	3.4	114.6%
China	6.1	12.6	205.8%	9.8	128.4%
Export	3.8	7.4	193.4%	4.1	180.3%
Total	45.9	62.1	135.2%	53.0	117.1%
Operating income	5.3	6.7	125.5%	5.3	126.7%
Operating income ratio	11.6%	10.8%		10.0%	

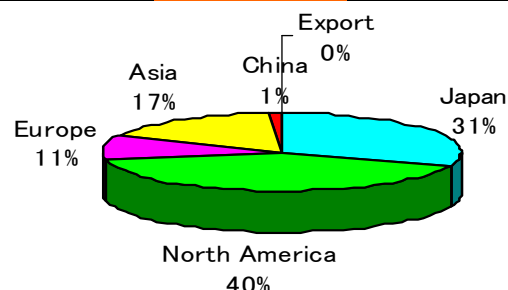
Sales by region



Sales ¥42.8b; Operating income was negative due to steep rise of raw material prices and continued delays in productivity improvement in North America.

(billion yen)					
AEC	FY2005 1H	FY2006 1H	Change From last year	FY2006 1H Original target(3)	Change From Original target (2)/(3)
	Actual(1)	Actual(2)	(2)/(1)		(2)/(3)
Japan	13.0	13.1	100.3%	13.2	98.9%
Overseas	22.1	29.7	134.3%	29.3	101.3%
North America	12.5	17.7	141.5%	16.7	105.7%
Europe	3.0	4.5	148.6%	4.5	100.1%
Asia	6.6	7.1	107.5%	7.8	90.6%
China	0.0	0.5	-	0.3	151.3%
Export	0.0	0.0	30.4%	0.0	-
Total	35.1	42.8	121.7%	42.5	100.6%
Operating income	-0.8	-2.0	-	0.3	-
Operating income ratio	-	-	-	0.7%	-

Sales by region

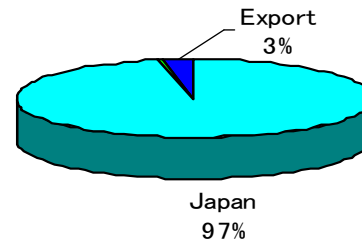


Sales (¥34.3b) fell short of target due to delays to the second half.
Operating income exceeded target due to effect of structural reforms.

(billion yen)

SSB	FY2005 1H	FY2006 1H	Change From last year	FY2006 1H Original target(3)	Change From Original target
	Actual(1)	Actual(2)	(2)/(1)	target(3)	(2)/(3)
Japan	33.4	33.2	99.4%	34.9	95.2%
Overs eas	0.6	1.1	205.6%	1.6	71.4%
North America	0.1	0.1	153.8%	0.2	71.5%
Europe	0.0	0.0	-	0.0	-
Asia	0.0	0.0	-	0.0	-
China	0.0	0.0	0.0%	0.0	-
Export	0.5	1.0	216.9%	1.4	71.4%
Total	34.0	34.3	101.1%	36.5	94.1%
Operating income	-2.4	-0.9	-	-2.5	-
Operating income ratio	-	-		-	

Sales by region

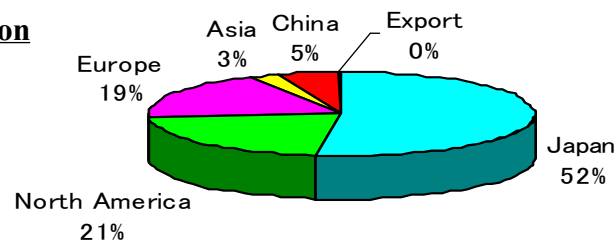


Sales : ¥30.6b ; Operating margin : 12.1%
Japan sales were basically on target.
Overseas sales were solid due to sales growth in Europe.

(billion yen)

HCB	FY2005 1H Actual(1)	FY2006 1H Actual(2)	Change From last year (2)/(1)	FY2006 1H Original target(3)	Change From Original target (2)/(3)
Japan	14.3	16.0	112.3%	16.4	97.6%
Overseas	13.3	14.6	109.9%	14.6	100.1%
North America	6.8	6.6	97.1%	7.3	89.8%
Europe	4.2	5.7	135.6%	4.5	126.2%
Asia	0.8	0.8	91.5%	0.7	110.6%
China	1.4	1.5	105.5%	1.9	78.4%
Export	0.1	0.1	126.3%	0.2	60.0%
Total	27.6	30.6	111.2%	31.0	98.8%
Operating income	3.1	3.7	120.8%	3.0	123.4%
Operating income ratio	11.1%	12.1%		9.7%	

Sales by region



**Total assets increased due to increase in receivables and increase in inventories from acquisitions.
Increase in short-term debt was related to M&A**

(billion yen)

B/S	Sep. 2005	March 2006	Sep. 2006
Total Assets	548.3	589.1	610.4
Cash and cash equivalents	55.6	52.3	46.6
Notes and accounts receivable - trade	106.3	136.3	147.1
Inventories	77.7	75.0	100.1
Other current assets	26.2	28.8	31.5
Net Property, Plant and Equipment	159.2	167.6	158.8
Investments and Other Assets	123.3	129.1	126.3
Total Liabilities	194.2	226.2	253.1
Bank Loans / Current portion of L/T debt	2.0	2.8	30.2
Long-term debt	1.2	1.0	1.8
Accrued retirement benefit for employees	59.3	67.0	54.8
Other liabilities	131.7	155.4	166.3
Shareholders' Equity	354.1	362.9	357.3

Net cash used in investing activities was ¥26.6b, due to the investment for the future, despite the sales of the land and buildings of the Tokyo Head Office.

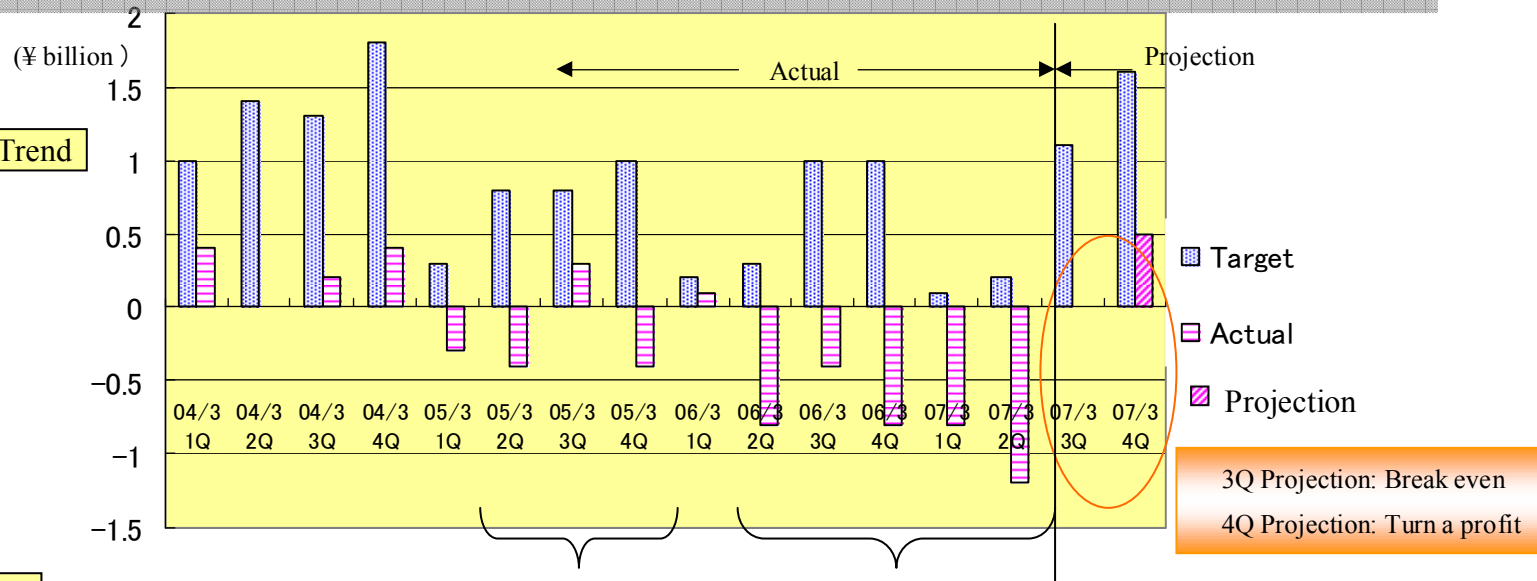
(billion yen)

C/F	FY2005 1H	FY2006 1H	FY2005
Net cash provided by operating activities	23.3	10.9	51.7
Net cash provided by (used in) investing activities	-22.7	-26.6	-43.0
Free cash flow	0.6	-15.7	8.7
Net cash used in financing activities	-26.4	9.0	-38.3
Effect of exchange rate changes	0.8	1.0	1.3
Net increase (decrease)	-25.0	-5.7	-28.3
Cash and cash equivalents at end of the period	55.6	46.6	52.3

Current Condition

Continued losses due to delayed productivity improvements in North America and rising raw material costs

Operating Income Trend



Main factors eroding profits

Higher costs due to development problems in North America

Rising raw material costs, declining productivity in North America

07/3 1H break down of profit deterioration

	Operational Income (1H: ¥billion)	Target	Actual	Difference
		0.3	-2.0	-2.3

<Decrease of Added value>

- Rising raw material costs, cost reductions still in progress, sales in U.S. and Korea decreased ¥1.2 billion (local currency basis) approx. 1.2 b (Raw material impact approx. 0.8 b)

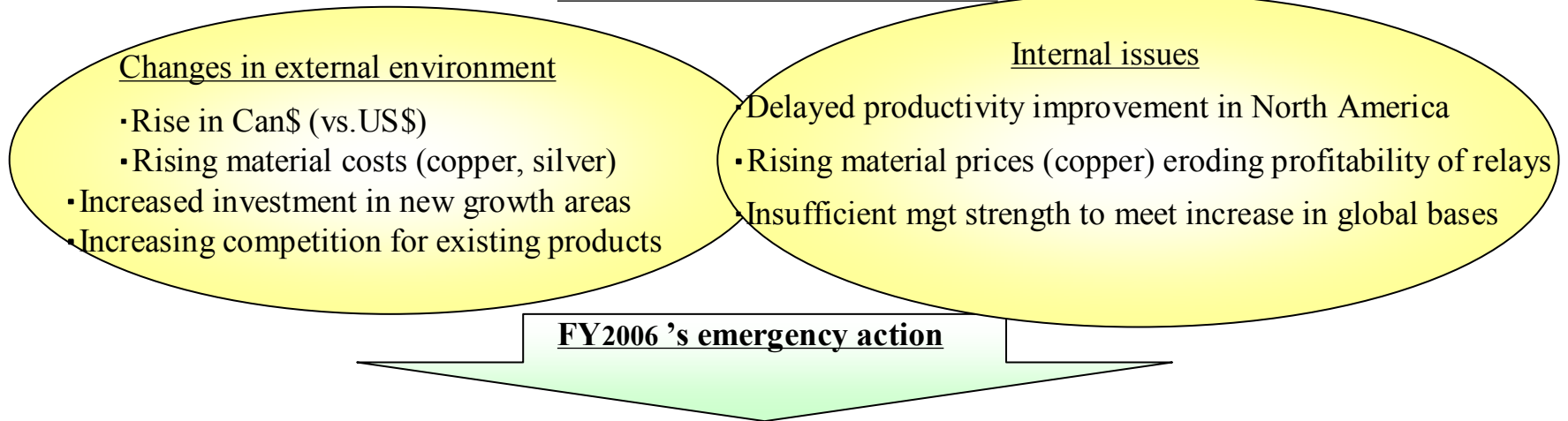
<Increase of manufacturing fixed costs>

- Delay in productivity improvements, increased personnel expenses (overtime costs) in N.A. approx. 0.5 b
- Appreciation of Canadian dollar approx. 0.2 b
- Others approx. 0.4 b

Action Plan

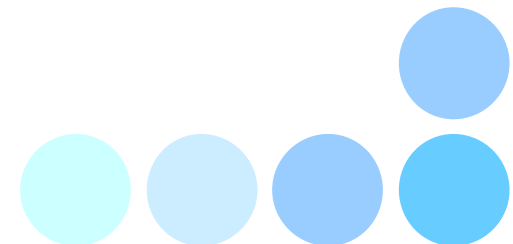
Aim to narrow losses for the fiscal year with further cost cutting and improvement in AEC, sweeping reforms and profit improvement program throughout the Omron Group

What led to the current situation?



- | | | |
|--------------------|---|--|
| <u>AEC</u> | } | <ul style="list-style-type: none"> ① Cost reduction in accordance with VE/VE ② Raise in price ③ Production shift from North America to other regions ④ Productivity improvement |
| <u>OMURON Corp</u> | } | <ul style="list-style-type: none"> ⑤ Project to reestablish solid profitability base for relays ⑥ Operational process restructuring from local to optimum production site ⑦ Reform to realize product life-cycle management |
- Profit improvement of N.A. operations → Despatch improvement teams centered on top management and create management organization
- Operating income outlook : Break even in 3Q, turn a profit in 4Q, and narrow losses for the fiscal year**

3. Forecast for the Full Year Ending March 31, 2007



FY2006
Forecast of Consolidated Statements of Operations

Net sales revised upward.
Operating income unchanged from original budget.

(billion yen)

	FY2005 Actual	FY2006 Forecasts	YOY Change %	FY2006 Original target	Change from Original target %
Net sales	626.8	740.0	118.1%	700.0	105.7%
Gross profit	253.4	286.0	112.9%	282.0	101.4%
SG&A	152.7	171.0	112.0%	163.5	104.6%
R&D	50.5	52.0	103.0%	55.5	93.7%
'Daikohenjyo'	11.9	-	-	-	
Operating income	62.1	63.0	101.4%	63.0	100.0%
NIBT	64.4	65.0	101.0%	65.0	100.0%
NIAT	35.8	37.5	104.9%	37.5	100.0%

<Currency Rate>

(yen)

USD	113.4	115.3	1.9	110.0	5.3
EUR	138.2	145.6	7.4	135.0	10.6

*Assumption: The PL influence of the announced two M&A are t included.

Sales increase of ¥40b is mainly due to M&A and exchange rate change.
Japan/Overseas, and each business segment exceed original targets.

(billion yen)

Japan/Overseas	FY2005	FY2006	Change From	FY2006	Change From
	Actual(1)	Estimate(2)	last year	Original	Original
			(2)/(1)	target(3)	target
				(2)/(3)	
Japan	354.9	388.0	109.3%	376.5	103.1%
Overseas*	271.9	352.0	129.5%	323.5	108.8%
Total	626.8	740.0	118.1%	700.0	105.7%
*Direct export is included in Overseas amount.					
By business	(1)	(2)	(2)/(1)	Original	(2)/(3)
				target(3)	
IAB	272.7	307.5	112.8%	298.0	103.2%
ECB	97.7	145.5	148.9%	121.5	119.8%
AEC	77.6	92.5	119.2%	91.0	101.6%
SSB	91.8	102.5	111.7%	99.0	103.5%
HCB	61.1	67.0	109.7%	66.5	100.8%
Others	25.9	25.0	96.4%	24.0	104.2%
Total	626.8	740.0	118.1%	700.0	105.7%



(Reference)

M&A / Progress of Key Strategic Themes



Strengthening the Safety Business (IAB), expanding the LCD Backlight Business (ECB)

Strengthening the Safety Business— Acquired all shares of STI Scientific Technology Inc. (STI)
(included in consolidation from Sept. 13)
Expanding the LCD Backlight Business— Acquired all shares of Pioneer Precision Machinery Corp.
(included in consolidation from August 1)

OMRON SCIENTIFIC TECHNOLOGIES Inc. (OSTI)

Aiming

Aim for top global share with Safety Business sales of ¥30b in FY2008

- ① Expanding business fields and enhancing product lineup of safety components, for which market expansion is expected
- ② Obtain STI's optical application technology and robust response know-how to accelerate new product creation by strengthening development

Amount

Amount : 94 MUSD
EBITDA multiple : 10 times PBR : approx. 3.5 times

Target

Sales FY2006 approx. 4.0 billion yen Operating margin approx. 7%
Targeted operating margin of Safety Business in 2–3 years: 15% or higher

OMRON Precision Technology (Pioneer Precision)

Aiming

Aim to become the world's top LCD backlight manufacturer

- ① Cover applications for miniature, medium-sized and large backlights with TAMA Fine Opto, which is engaged in large-size LCD backlight business
- ② In field of miniature backlights, expand product lineup from point light sources to multi-light sources

Amount

Amount : nondisclosure
EBITDA multiple : 10 times PBR : approx. 2.0 times

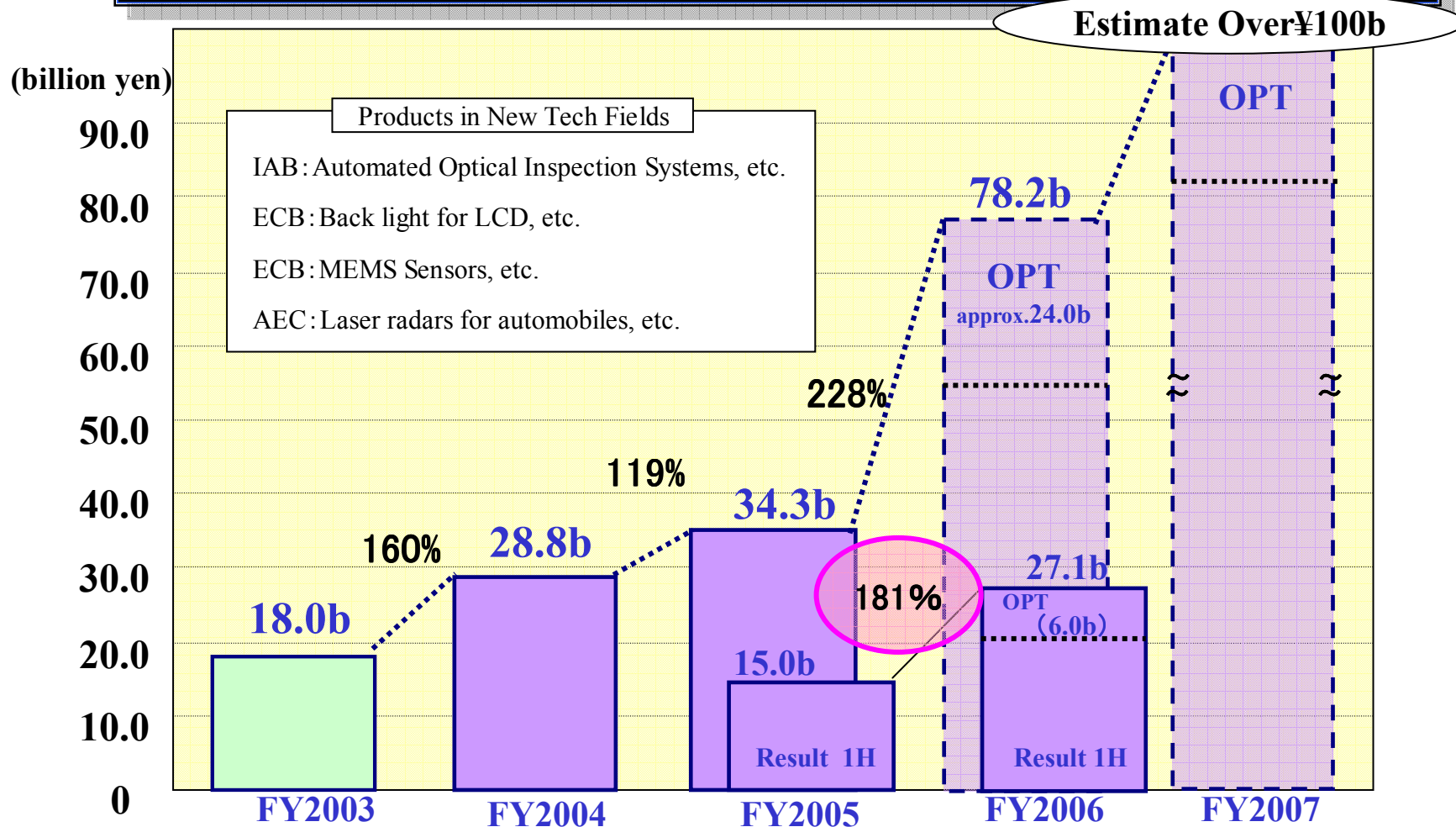
Target

Sales FY2006 approx. 27.0 billion yen Operating margin approx. 3%
Targeted operating margin of small-size LCD Business in 2–3 years: approx. 6%

Progress of Key Strategic Themes

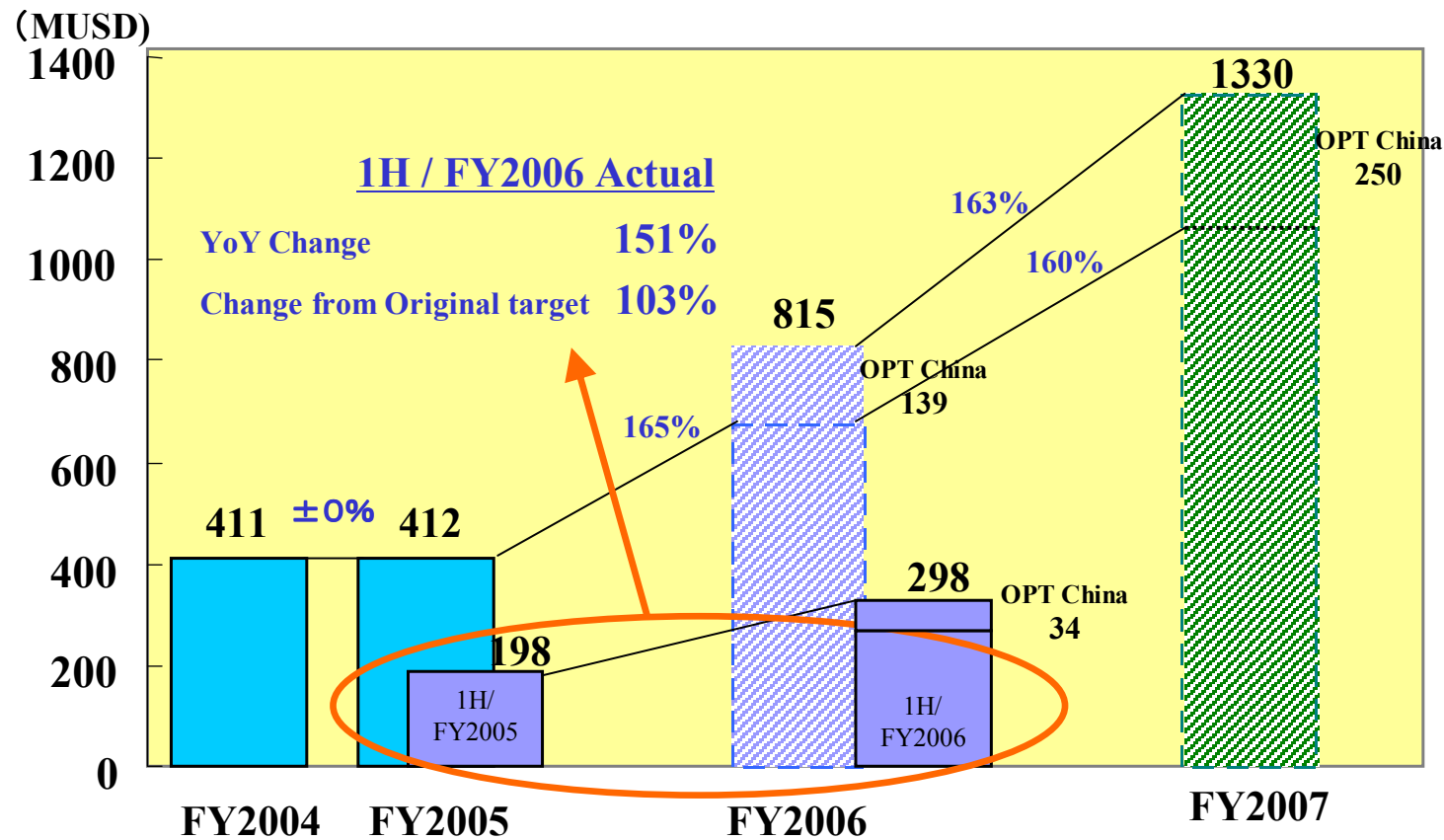
(1) Sales Growth in New Tech Fields

Added OMRON PRECISION TECHNOLOGY Co., Ltd. (formerly Pioneer Precision Machinery Corp.), increased both projections and actual results
 Expect to surpass ¥100b in final year of second stage of GD2010 (FY2007)



Progress of Key Strategic Themes (2) Sales Growth in Greater China

Sales of OMRON PRECISION TECHNOLOGY Co., Ltd. (formerly Pioneer Precision Machinery Corp.) included in consolidation from August 1; major increase of 151% year-on-year and 103% against original target



Share buyback

Share buyback (Major purchases)

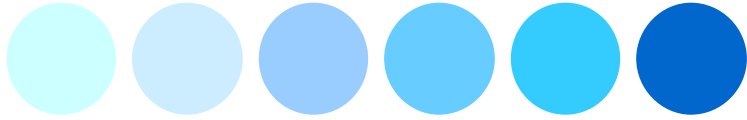
Conduct share buyback annually by resolution of general shareholders' meeting.

As a result of two years of repurchases (2005 and 2006), Bank of Japan, Banks' Shareholdings Purchase Corporation, and Deposit Insurance Corporation of Japan hold no Omron shares.

	2003/2/14 (Actual)	2004/2/6 (Actual)	2004/8/3 (Actual)	2005/11/10 (Actual)	2006/8/10 (Actual)	Total
Purchased shares	4,950,000	3,664,200	1,200,000	3,773,000	4,158,500	17,745,700
Price/share	1,889	2,260	2,400	2,650	2,675	2,346 (avg.)

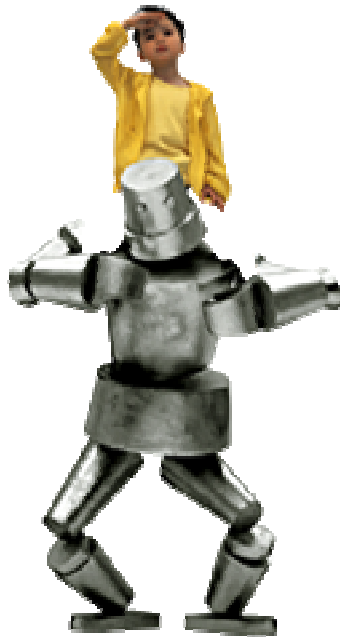


Outstanding Treasury stocks at the end of 1H/2006: 18,577,386 shares



Aiming for the Best Matching of Machines to Human Beings

OMRON Corporation



-Contacting us -

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