



Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2020 (U.S. GAAP)

October 29, 2019

OMRON Corporation (6645)

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Filing of Quarterly Securities Report (<i>Shihanki hokokusho</i>) (scheduled):	November 14, 2019
Start of Distribution of Dividends (scheduled):	December 3, 2019
Preparation of Supplementary Materials for the Quarterly Financial Results:	Yes
Holding of Presentation of Quarterly Financial Results:	Yes (for investors)

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

Note: Figures are rounded to the nearest million yen.

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2020 (April 1, 2019 – September 30, 2019)

(1) Sales and Income (cumulative)

(Percentages represent changes compared with the same period of the previous fiscal year.)

	Millions of yen - except per share data and percentages			
	Six months ended September 30, 2019		Six months ended September 30, 2018	
		Change (%)		Change (%)
Net sales	330,229	(6.4)	352,961	+1.4
Operating income	25,731	(19.2)	31,849	(18.8)
Income before income taxes from continuing operations	27,449	(12.9)	31,521	(16.1)
Net income attributable to OMRON shareholders	19,082	(27.8)	26,415	(12.8)
Net income per share attributable to OMRON shareholders, basic (JPY)	92.92		125.95	
Net income per share attributable to OMRON shareholders, diluted (JPY)	—		—	

Notes: 1. Comprehensive income: Six months ended September 30, 2019:JPY 20,832 million (-30.7% change);
Six months ended September 30, 2018:JPY 30,070 million (-31.3% change)

2. On April 16, 2019, OMRON made the determination to transfer the Automotive Electronic Components Business (AEC) and we have classified this business unit as discontinued operations. Figures presented for net sales, operating income, and income before income taxes from continuing operations for the second quarter of fiscal years 2018 and 2019 reflect continuing operations excluding discontinued operations.

(2) Consolidated Financial Position

	Millions of yen - except per share data and percentages	
	As of September 30, 2019	As of March 31, 2019
Total assets	762,907	749,878
Net assets	518,687	506,311
Shareholders' equity	516,589	504,212
Shareholders' equity ratio (%)	67.7	67.2

2. Dividends

		Year ended March 31, 2019	Year ending March 31, 2020	Year ending March 31, 2020 (projected)
Dividends per share	1st quarter dividend (JPY)	—	—	
	Interim dividend (JPY)	42.00	42.00	
	3rd quarter dividend (JPY)	—		—
	Year-end dividend (JPY)	42.00		42.00
	Total dividends for the year (JPY)	84.00		84.00

Notes: Revisions since the most recently announced dividend forecast: Yes

The company has determined a JPY42 per share for the end of the second quarter of the fiscal year ending March 2020, an amount which had previously been undecided. The company has left the forecast for total annual dividends unchanged in combination with the year-end dividend.

For more, see *OMRON Announces Fiscal 2019 Interim Dividend, Full-Year Total Dividend Forecast and Year-End Dividend Forecast*, published today (October 29, 2019).

3. Projected Results for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(Percentages represent changes compared with the previous fiscal year.)

	Millions of yen	
	Full year ending March 31, 2020	Change (%)
Net sales	670,000	(8.5)
Operating income	45,000	(33.1)
Income before income taxes from continuing operations	40,000	(39.3)
Net income attributable to OMRON shareholders	66,000	+21.5
Net income per share attributable to OMRON shareholders (JPY)	321.39	

Note: Revisions since the most recently announced performance forecast: Yes

For more details regarding revised consolidated earnings forecasts, see *Notice Regarding Revised Earnings Forecasts for the Fiscal Year Ending March 2020*, published today (October 29, 2019).

Net income attributable to OMRON shareholders referenced in the company's consolidated earnings forecast includes an estimated gain on the sale related to the transfer of the Automotive Electronic Components Business (AEC).

Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): No
New: – companies (–) Excluded: – companies (–)

(2) Application of simplified accounting methods and/or special accounting methods: No

(3) Changes in accounting policy

(a) Changes in accounting policy accompanying revision of accounting standards, etc.: Yes

(b) Changes in accounting policy other than (a) above: No

Note: For more, see 2. *Quarterly Consolidated Financial Statements and Notes (4) Notes Regarding Consolidated Financial Statements (Change in Accounting Policy)* on P.11.

(4) Number of shares issued and outstanding (common stock)

(a) Number of shares at end of period (including treasury stock):

September 30, 2019: 213,958,172 shares

March 31, 2019: 213,958,172 shares

(b) Treasury stock at end of period:

September 30, 2019: 8,598,112 shares

March 31, 2019: 8,596,608 shares

(c) Average number of shares during the period (cumulative quarterly period):

Six months ended September 30, 2019: 205,360,840 shares

Six months ended September 30, 2018: 209,719,547 shares

Note: As of the end of the first six months of the fiscal year ending March 2020, 766,683 shares of OMRON stock held for Board Incentive Plan and Employee Stock Ownership Plan are included in period-end treasury stock. The average number of shares during the period includes treasury stock deducted in the calculation of net income per share attributable to OMRON shareholders.

***Quarterly summaries of consolidated financial results are not subject to review by certified public accountants or audit corporations.**

Commentary Regarding Appropriate Use of Projections of Results and Other Matters

1. 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 risks, uncertainties and other factors could cause actual results to differ materially from these projections. For the assumptions that form the basis of the projected results and appropriate use, see *1. Qualitative Information on Quarterly Financial Results (3) Description of Information on Outlook, Including Consolidated Performance Forecast* on P.5.
2. 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 Statements of Operations is presented by subtracting selling, general and administrative expenses and research and development expenses from gross profit.
3. The Company plans to hold a presentation for investors today (October 29, 2019). The Company also plans to post an overview and the (voice) content of its explanations, together with financial materials used at the presentation, promptly on its website.

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

Continuing Operations

IAB: Industrial Automation Business

EMC: Electronic and Mechanical Components Business

SSB: Social Systems, Solutions and Service Business

HCB: Healthcare Business

Other: Environmental Solutions Business, Backlights Business (businesses under direct control of Headquarters)

Discontinued Operations

AEC: Automotive Electronic Components Business

Note: Beginning with the first quarter of the fiscal year ending March 2020, the AEC has been classified as discontinued operations.

For more about discontinued operations, see *Discontinued Operations* on P.13.

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1. Qualitative Information on Quarterly Financial Results

(1) Description of Results of Operations

General Overview

The OMRON Group recorded lower sales and profits for the cumulative consolidated second quarter of fiscal 2019 (April through September 2019) compared to the same period in the previous fiscal year. U.S.-China trade frictions and other factors had a negative impact on the businesses of global manufacturers, leading companies in the automobile and semiconductor industries to decrease capital investment. As a result, the OMRON Industrial Automation Business (IAB) and Electronic and Mechanical Components Business (EMC) recorded lower sales and operating income year on year.

Consolidated results for the first six months of fiscal 2019 were as follows.

Billions of yen, except exchange rate data and percentages			
	Six months ended September 30, 2018	Six months ended September 30, 2019	Change
Net sales	353.0	330.2	-6.4%
Gross profit	159.0	148.8	-6.4%
[% of net sales]	[45.0%]	[45.0%]	[+0.0%pt]
Operating income	31.8	25.7	-19.2%
[% of net sales]	[9.0%]	[7.8%]	[-1.2%pt]
Income before income taxes from continuing operations	31.5	27.4	-12.9%
Net income attributable to OMRON shareholders	26.4	19.1	-27.8%
Average USD exchange rate (JPY)	109.5	109.2	-0.3
Average EUR exchange rate (JPY)	129.5	122.0	-7.5
Average RMB exchange rate (JPY)	16.7	15.9	-0.8

Note: In connection with the classification of the AEC as a discontinued operation, net sales, gross profit, operating income, and income before income taxes from continuing operations presented for the cumulative consolidated second quarter of the fiscal year ended March 31, 2019 have been reclassified to reflect continuing operations excluding amounts from discontinued operations.

Results by Business Segment

IAB (Industrial Automation Business)

(Billions of yen, %)

	Six months ended September 30, 2018	Six months ended September 30, 2019	Change
Sales to external customers	201.5	177.9	-11.7%
Segment profit	33.3	27.6	-17.3%

Sales

In addition to sluggish investment for smartphones and semiconductors in the digital industry, limited investment in the automobile industry globally in response to lower sales of new vehicles has resulted in weak demand.

In addition to the preceding, a stronger yen resulted in lower sales due to foreign exchange impact, driving IAB sales lower sharply compared to the same period in the prior fiscal year.

Segment Profit

Segment profit was significantly lower year on year due to the impact of lower sales and foreign currency fluctuation.

EMC (Electronic and Mechanical Components Business)

(Billions of yen, %)

	Six months ended September 30, 2018	Six months ended September 30, 2019	Change
Sales to external customers	52.9	45.9	-13.3%
Segment Profit	4.6	0.7	-85.4%

Note: In connection with the classification of the AEC as a discontinued operation, we have reclassified certain EMC sales for the cumulative consolidated second quarter of the fiscal year ended March 31, 2019 from *intersegment sales* to *sales to external customers*.

Sales

Constrained capital investment in China due to slowing exports and declining consumer purchase sentiment have combined to reduce demand for home appliances, machine tools, and automotive electronic components. Demand in the Americas and Europe fell as a result of weaker economies.

Further, a stronger yen also contributed to lower sales due to foreign exchange impact. These factors combined to drive sales significantly lower year on year.

Segment Profit

Declines in sales to external customers and group companies, as well as the impact of foreign exchange, resulted in a significant decrease in segment profit year on year.

SSB (Social Systems, Solutions and Service Business)

(Billions of yen, %)

	Six months ended September 30, 2018	Six months ended September 30, 2019	Change
Sales to external customers	23.7	31.3	+32.4%
Segment profit (loss)	(2.2)	0.4	—

Sales

The segment experienced firm demand for upgrades in the Public Transportation Business and Road Management Systems Business. In response, we proposed solutions tailored to the needs of our clients. Further, the segment saw demand for systems upgrades in connection with the consumption tax increase in Japan.

As a result of these factors, segment sales rose significantly year on year.

Segment Profit

The segment reported higher profit year on year due to higher sales and improved profitability.

HCB (Healthcare Business)

(Billions of yen, %)

	Six months ended September 30, 2018	Six months ended September 30, 2019	Change
Sales to external customers	55.5	54.6	-1.6%
Segment profit	7.2	6.9	-4.2%

Sales

Demand in Japan among inbound tourists declined during the period, leading to sluggish sales at major appliance retailers. In the Americas and Europe, demand for products was weak in Brazil and Russia. At the same time, consumer demand remained firm for health and medical equipment in China, driving favorable sales of blood pressure monitors and nebulizers.

Further, a stronger yen also contributed to lower sales due to foreign exchange impact. These factors combined to leave sales level with the same period in the prior fiscal year.

Segment Profit

Segment profit was lower year on year due to ongoing investment for future growth and the impact of foreign exchange.

Other Businesses

	(Billions of yen, %)		
	Six months ended September 30, 2018	Six months ended September 30, 2019	Change
Sales to external customers	16.9	19.0	+12.0%
Segment profit (loss)	(1.6)	1.0	—

Note: The Other Businesses segment includes new exploratory or incubation businesses as well as businesses being nurtured under the direct control of Headquarters.

Sales

The Environmental Solutions Business reported growing demand for storage battery systems. In July of the prior fiscal year, heavy rains resulted in the temporary suspension of operations at our business partners. This factor resulted in a significant increase in sales for the current period compared to the same period in the prior fiscal year. At the same time, the Backlights Business saw a significant decrease in customer demand.

Despite the impact of the sale of OMRON's Electronic Design and Manufacturing Service Business (EDMS) in the previous fiscal year, resulting Other Businesses segment sales were significantly higher year on year.

Segment Profit

Higher sales of new products in the Environmental Solutions Business resulted in significantly higher segment profit year on year.

(2) Description of Financial Condition

Financial Condition

Under VG2.0, we intend to continue to conduct ROIC management focused on capital efficiency, while investing actively in sustainable corporate value improvements.

Total assets as of the end of the consolidated second quarter increased JPY13.0 billion compared with the end of the previous fiscal year to JPY762.9 billion, mainly due to the recording of operating lease right-of-use assets, which more than offset a decrease in notes and accounts receivable-trade. Total liabilities increased JPY0.7 billion compared with the end of the previous fiscal year to JPY244.2 billion, mainly due to the recording of operating lease liabilities, which more than offset a decrease in termination and retirement benefits stemming from a plan revision. Net assets increased JPY12.4 billion compared to the end of the previous fiscal year to JPY518.7 billion, owing mainly to increases in net income attributable to OMRON shareholders. As a result, OMRON Group shareholders' equity ratio was 67.7%, compared with 67.2% at the end of the previous fiscal year, maintaining a strong financial footing capable of active investment and responding to changes in our operating environment.

Summary of Cash Flows

The following summarizes cash flow activity for the cumulative consolidated second quarter.

Cash Flows from Operating Activities

Net cash provided by operating activities was JPY36.5 billion, JPY11.1 billion higher compared to the same period in the previous fiscal year. This result was mainly due to the recording of net income, depreciation and amortization, and a decrease in notes and accounts receivable-trade.

Cash Flows from Investing Activities

Net cash used in investing activities was JPY14.9 billion, JPY2.3 billion lower compared to the same period in the previous fiscal year. This result was mainly due to cash outlays for capital expenditures. Free cash flows (difference between cash flows from operating activities and cash flows from investing activities) for the cumulative consolidated second quarter amounted to JPY21.5 billion.

Cash Flows from Financing Activities

Net cash used in financing activities was JPY9.0 billion, JPY8.5 billion lower compared to the same period in the previous fiscal year. This result was mainly due to dividends paid.

As a result, the balance of cash and cash equivalents at the end of the consolidated second quarter amounted to JPY116.0 billion, an increase of JPY5.7 billion compared to the end of the previous consolidated fiscal year.

(3) Description of Information on Outlook, Including Consolidated Performance Forecast

The impact of U.S.-China trade friction extended to the global manufacturing industry throughout the cumulative consolidated second period. We recognize that this situation will continue through the fiscal third quarter and beyond as well. Therefore, we expect to record lower sales, mainly in our Industrial Automation Business (IAB), Electronic and Mechanical Components Business (EMC). In addition, we expect to record an increase in net income attributable to OMRON shareholders after recording a gain on the transfer of the Automotive Electronic Components Business (AEC). As a result of these factors, we have made revisions to our fiscal 2019 earnings forecasts as outlined below. The OMRON Group has set exchange rate assumptions for the third quarter and beyond to USD1 = JPY105, EUR1 = JPY117, and RMB1 = JPY14.7.

(Billions of yen / % / JPY)

	Net sales	Operating income	Income before income taxes from continuing operations	Net income attributable to OMRON shareholders	Net income per share attributable to OMRON shareholders (JPY)
Previous forecast (A)	709.0	57.5	52.5	42.5	206.95
New forecast (B)	670.0	45.0	40.0	66.0	321.39
Change (B-A)	-39.0	-12.5	-12.5	+23.5	—
Change (%)	-5.5%	-21.7%	-23.8%	+55.3%	—
(Reference) Actual results for the previous fiscal year (FYE March 31, 2019)	732.6	67.3	65.9	54.3	260.78

Note: Figures presented for net sales, operating income, and income before income taxes from continuing operations for the fiscal year ended March 31, 2019 have been reclassified to reflect continuing operations excluding amounts from discontinued operations.

See *Notice Regarding Revised Earnings Forecasts for the Fiscal Year Ending March 2020*, published today (October 29, 2019) about revisions to consolidated earnings forecasts.

2. Quarterly Consolidated Financial Statements and Notes
(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of		As of	
	March 31, 2019		September 30, 2019	
		%		%
ASSETS				
Current assets:	459,973	61.3	447,917	58.7
Cash and cash equivalents	103,850		109,863	
Notes and accounts receivable — trade	149,171		123,453	
Allowance for doubtful receivables	(861)		(819)	
Inventories	120,379		124,445	
Assets held for sale	73,331		75,117	
Other current assets	14,103		15,858	
Property, plant and equipment:	115,083	15.3	114,189	15.0
Land	21,746		20,733	
Buildings	118,036		120,166	
Machinery and equipment	151,355		145,742	
Construction in progress	11,316		7,198	
Accumulated depreciation	(187,370)		(179,650)	
Investments and other assets:	174,822	23.4	200,801	26.3
Right-of-use assets under operating leases	—		34,467	
Goodwill	40,532		39,111	
Investments in and advances to affiliates	26,022		25,682	
Investment securities	28,997		30,140	
Leasehold deposits	7,533		7,470	
Deferred income taxes	42,537		36,371	
Other assets	29,201		27,560	
Total assets	749,878	100.0	762,907	100.0

(Millions of yen)

	As of March 31, 2019		As of September 30, 2019	
LIABILITIES		%		%
Current liabilities	175,555	23.4	179,773	23.6
Notes and accounts payable — trade	71,360		65,833	
Accrued expenses	38,290		35,796	
Income taxes payable	3,174		1,887	
Short-term operating lease liabilities	—		11,868	
Liabilities held for sale	27,730		30,117	
Other current liabilities	35,001		34,272	
Deferred income taxes	733	0.1	942	0.1
Termination and retirement benefits	55,036	7.3	28,081	3.7
Long-term operating lease liabilities	—	—	23,035	3.0
Other long-term liabilities	12,243	1.7	12,389	1.6
Total liabilities	243,567	32.5	244,220	32.0
NET ASSETS				
Shareholders' equity	504,212	67.2	516,589	67.7
Common stock	64,100	8.5	64,100	8.4
Capital surplus	100,233	13.4	100,572	13.2
Legal reserve	21,826	2.9	22,861	3.0
Retained earnings	433,639	57.8	443,061	58.1
Accumulated other comprehensive income (loss)	(70,200)	(9.3)	(68,611)	(9.0)
Foreign currency translation adjustments	(7,687)		(25,766)	
Pension liability adjustments	(62,648)		(42,862)	
Net gains (losses) on derivative instruments	135		17	
Treasury stock	(45,386)	(6.1)	(45,394)	(6.0)
Noncontrolling interests	2,099	0.3	2,098	0.3
Total net assets	506,311	67.5	518,687	68.0
Total liabilities and shareholders' equity	749,878	100.0	762,907	100.0

Notes: We have reclassified the consolidated balance sheets for the previous fiscal year for presentation purposes in connection with the classification of the AEC as discontinued operations.

For more about discontinued operations, see *Discontinued Operations* on P.13.

**(2) Quarterly Consolidated Statements of Operations and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Operations)
(Six months ended September 30, 2019)**

(Millions of yen)

	Six months ended September 30, 2018		Six months ended September 30, 2019	
		%		%
Net sales	352,961	100.0	330,229	100.0
Cost of sales	194,002	55.0	181,461	55.0
Gross profit	158,959	45.0	148,768	45.0
Selling, general and administrative expenses	102,499	29.0	99,751	30.2
Research and development expenses	24,611	7.0	23,286	7.0
Operating income	31,849	9.0	25,731	7.8
Other expenses (income), net	328	0.1	(1,718)	(0.5)
Income before income taxes from continuing operations	31,521	8.9	27,449	8.3
Income taxes	8,136	2.3	4,562	1.3
Equity in loss (earnings) of affiliates	(126)	(0.1)	230	0.1
Income from continuing operations	23,511	6.7	22,657	6.9
Income (loss) from discontinued operations	3,351	0.9	(3,364)	(1.1)
Net income	26,862	7.6	19,293	5.8
Net income attributable to noncontrolling interests	447	0.1	211	0.0
Net income attributable to OMRON shareholders	26,415	7.5	19,082	5.8

Notes: We have reclassified the quarterly consolidated statements of operations for the cumulative consolidated second quarter of the previous fiscal year for presentation purposes in connection with the classification of the AEC as discontinued operations. For more about discontinued operations, see *Discontinued Operations* on P.13. Further, income (loss) from discontinued operations for the current cumulative consolidated second quarter includes the tax effect related to retained earnings in investments in subsidiaries corresponding to the planned transfer of the AEC.

(Quarterly Consolidated Statements of Comprehensive Income)
(Six months ended September 30, 2019)

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net income	26,862	19,293
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments	2,328	(18,129)
Pension liability adjustments	1,534	19,786
Net gains (losses) on derivative instruments	(654)	(118)
Other comprehensive income (loss)	3,208	1,539
Comprehensive income	30,070	20,832
(Breakdown)		
Comprehensive income attributable to noncontrolling interests	468	161
Comprehensive income attributable to OMRON shareholders	29,602	20,671

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
I. Operating Activities:		
1. Net income	26,862	19,293
2. Adjustments to reconcile net income to net cash provided by operating activities:		
(1) Depreciation and amortization	14,689	14,625
(2) Net loss (gain) on sale and disposals of property, plant and equipment	(93)	75
(3) Loss on impairment of long-lived assets	59	12
(4) Gain on sale of business	(75)	—
(5) Net gain on valuation of investment securities	(1,081)	(1,098)
(6) Termination and retirement benefits	2,630	165
(7) Deferred income taxes	207	1,829
(8) Equity in loss (earnings) of affiliates	(126)	230
(9) Changes in assets and liabilities:		
(i) Decrease in notes and accounts receivable — trade	18,169	23,612
(ii) Increase in inventories	(15,032)	(9,419)
(iii) Increase in other assets	(593)	(2,833)
(iv) Decrease in notes and accounts payable — trade	(7,029)	(8,176)
(v) Decrease in income taxes payable	(6,068)	(1,274)
(vi) Decrease in accrued expenses and other current liabilities	(7,666)	(455)
(10) Other, net	521	(115)
Subtotal	(1,488)	17,178
Net cash provided by operating activities	25,374	36,471
II. Investing Activities:		
1. Proceeds from sale of investment securities	426	1,371
2. Purchases of investment securities	(248)	(1,370)
3. Capital expenditures	(18,223)	(15,836)
4. Net decrease (increase) in leasehold deposits	(217)	82
5. Proceeds from sale of property, plant and equipment	1,494	496
6. Proceeds from sale of business, net of cash paid	35	—
7. Acquisition of business, net of cash acquired	(863)	—
8. Other, net	408	333
Net cash used in investing activities	(17,188)	(14,924)
III. Financing Activities:		
1. Net borrowings (repayments) of short-term debt	353	(205)
2. Dividends paid by the Company	(8,003)	(8,625)
3. Dividends paid to noncontrolling interests	(326)	(162)
4. Acquisition of treasury stock	(9,528)	(8)
5. Other, net	(21)	23
Net cash used in financing activities	(17,525)	(8,977)
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	(261)	(6,828)
Net Increase (Decrease) in Cash and Cash Equivalents	(9,600)	5,742
Cash and Cash Equivalents at Beginning of the Period	113,023	110,250
Cash and Cash Equivalents at End of the Period	103,423	115,992
Cash and Cash Equivalents from Discontinued Operations at the End of the Period (Deduct)	8,048	6,129
Cash and Cash Equivalents from Continuing Operations at the End of the Period	95,375	109,863
Notes to cash flows from operating activities:		
1. Interest paid	59	133
2. Taxes paid	15,094	9,727
Notes to investing and financing activities not involving cash flow:		
1. Debt related to capital expenditures	2,567	8,489

(4) Notes Regarding Consolidated Financial Statements

(Notes Regarding Assumptions of Going Concern)

None applicable

(Notes in the Event of Significant Changes in Shareholders' Equity)

None applicable

(Changes in Accounting Policy)

Beginning with the first quarter of the current consolidated fiscal year, OMRON has adopted FASB Accounting Standards Update 2016-02 Leases and FASB Accounting Standards Update 2018-11 Leases. Under Accounting Standards update 2016-02 Leases, lease transactions classified as operating leases (with certain exceptions) are required to be recognized as right-of-use assets and lease liabilities on consolidated balance sheet presentations.

In addition, FASB Accounting Standards Update 2018-11 Leases allows companies to elect not to adjust comparative periods for presentation and disclosure when applying FASB Accounting Standards Update 2016-02 Leases, and OMRON and OMRON subsidiaries have applied this rule.

These accounting standards updates recognize measurement exemptions and short-term lease exceptions for leases that have concluded as of the standards application date or investigations of whether the standard applies to leases for which an agreement exists, lease classifications, and non-remeasurement of capitalized initial direct costs. Accordingly, OMRON and OMRON subsidiaries have applied these exemptions and exceptions.

As of April 1, 2019, right-of-use assets and lease liabilities related to operating leases amounted to JPY34,946 million. OMRON has recorded this amount as assets and liabilities on the company's quarterly consolidated balance sheets. The impact of the adoption of these standards on the OMRON quarterly consolidated statements of operations and quarterly consolidated statements of cash flows is not significant.

Beginning with the first quarter of the current consolidated fiscal year, OMRON has adopted FASB Accounting Standards Update 2017-12 Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities. This accounting standards update changed guidance for recognition and measurement of hedge accounting for the appropriate presentation of hedging transactions and hedge results. This standards update requires all changes in the value of hedging instruments to be presented in the same consolidated income statement line item as the earnings effect of the hedged item. The impact of the adoption of this standard on the OMRON quarterly consolidated financial statements is not significant.

(Segment Information)

Business Segment Information

Six months ended September 30, 2018 (April 1, 2018 – September 30, 2018)

(Millions of yen)

	IAB	EMC	SSB	HCB	Other	Total	Eliminations & Corporate	Consolidated
Net sales								
(1) Sales to external customers	201,480	52,941	23,654	55,505	16,934	350,514	2,447	352,961
(2) Intersegment sales	3,191	26,661	2,561	164	3,517	36,094	(36,094)	—
Total	204,671	79,602	26,215	55,669	20,451	386,608	(33,647)	352,961
Operating expenses	171,323	75,045	28,374	48,480	22,010	345,232	(24,120)	321,112
Segment profit (loss)	33,348	4,557	(2,159)	7,189	(1,559)	41,376	(9,527)	31,849

Notes: 1. In connection with the classification of the AEC as discontinued operations, figures presented for segment information by classification reflect continuing operations excluding amounts from discontinued operations. Further, we have reclassified certain (2) Intersegment sales for the EMC and Eliminations & Corporate to (1) Sales to external customers for presentation herein. For more about discontinued operations, see *Discontinued Operations* on P.13.

2. OMRON revised business classifications in October 2018, reclassifying certain operations under the Other Businesses segment to the SSB segment. The company reclassified results for the cumulative consolidated second quarter of the previous fiscal year under this new categorization for presentation herein.

Six months ended September 30, 2019 (April 1, 2019 – September 30, 2019)

(Millions of yen)

	IAB	EMC	SSB	HCB	Other	Total	Eliminations & Corporate	Consolidated
Net sales								
(1) Sales to external customers	177,908	45,889	31,328	54,622	18,959	328,706	1,523	330,229
(2) Intersegment sales	2,703	22,568	2,818	284	1,859	30,232	(30,232)	—
Total	180,611	68,457	34,146	54,906	20,818	358,938	(28,709)	330,229
Operating expenses	153,032	67,790	33,702	48,019	19,832	322,375	(17,877)	304,498
Segment profit (loss)	27,579	667	444	6,887	986	36,563	(10,832)	25,731

Sales by Geographical Region

Six months ended September 30, 2018 (April 1, 2018 – September 30, 2018)

(Millions of yen)

	IAB	EMC	SSB	HCB	Other	Total	Eliminations & Corporate	Consolidated
Major Regional Markets (External Customers)								
Japan	77,881	11,548	23,500	12,328	13,347	138,604	1,973	140,577
Americas	18,053	8,981	—	11,883	—	38,917	—	38,917
Europe	40,061	9,075	—	10,741	—	59,877	—	59,877
Greater China	43,358	16,551	74	15,113	3,494	78,590	—	78,590
Southeast Asia and Others	21,977	6,744	—	5,158	—	33,879	—	33,879
Direct Exports	150	42	80	282	93	647	474	1,121
Total	201,480	52,941	23,654	55,505	16,934	350,514	2,447	352,961

Notes: 1. In connection with the classification of the AEC as discontinued operations, we have reclassified sales by geographical region to reflect continuing operations excluding amounts from discontinued operations for presentation herein. Further, we have reclassified figures for the cumulative consolidated second quarter of the previous fiscal year in EMC and Eliminations & Corporate for presentation herein. For more about discontinued operations, see *Discontinued Operations* on P.13.

2. OMRON revised business classifications in October 2018, reclassifying certain operations under the Other Businesses segment to the SSB segment. The company reclassified results for the cumulative consolidated second quarter of the previous fiscal year under this new categorization for presentation herein.

Six months ended September 30, 2019 (April 1, 2019 – September 30, 2019)

(Millions of yen)

	IAB	EMC	SSB	HCB	Other	Total	Eliminations & Corporate	Consolidated
Major Regional Markets (External Customers)								
Japan	68,368	11,357	31,181	11,740	18,242	140,888	1,512	142,400
Americas	16,189	7,269	—	10,917	—	34,375	—	34,375
Europe	35,279	7,733	—	9,694	—	52,706	—	52,706
Greater China	37,890	13,126	125	16,710	717	68,568	—	68,568
Southeast Asia and Others	20,057	6,351	—	5,310	—	31,718	—	31,718
Direct Exports	125	53	22	251	—	451	11	462
Total	177,908	45,889	31,328	54,622	18,959	328,706	1,523	330,229

Notes: Major countries or regions belonging to segments other than Japan are as follows:

- (1) Americas: United States of America, Canada, Brazil
- (2) Europe: Netherlands, Great Britain, Germany, France, Italy, Spain
- (3) Greater China: China, Hong Kong, Taiwan
- (4) Southeast Asia and Others: Singapore, Republic of Korea, India, Australia
- (5) Direct Exports: Direct export transactions

(Discontinued Operations)

(1) Overview of Discontinued Operations

At a meeting held April 16, 2019, the OMRON board of directors resolved to transfer the business of AEC OMRON operating segment, namely all shares of consolidated subsidiary OMRON Automotive Electronics Co., Ltd. ("OAE") (Note 1), all shares, etc., of two consolidated subsidiaries including special subsidiary company OMRON AUTOMOTIVE ELECTRONICS de Mexico, S. de R.L. de C.V. and two consolidated Automotive Electronics Component Business subsidiaries (Note 2) to the Nidec Corporation Group for the amount of approximately JPY100.0 billion (Note 3). A share transfer agreement was executed on the same day as the meeting of the board of directors. Beginning with the current consolidated fiscal year, we have classified results as continuing operations and discontinued operations for presentation.

The scheduled execution date of this transaction is October 31, 2019. Therefore, we intend to record a gain on sale for this transaction during the third quarter of the current consolidated fiscal year. (Note 4)

Notes: 1. Nine subsidiaries of OAE will also be transferred, removed as consolidated subsidiaries of OMRON.

2. It has been decided that the automotive electronic components business of OMRON subsidiary OMRON HONG KONG LTD. will no longer be part of this transaction. For more details, see *(Progress of Disclosed Matter) Notice About the Transfer (Share Transfer, etc.) of Our Consolidated Subsidiary and Recording of Gain on Sale and Transfer of Shares*, published today (October 29, 2019).

3. The total transfer price will be finalized at a future date based on the conditions including financial data stated in the transfer agreement. Accordingly, the figures stated above may change in the future.

4. For more details on the impact of this transaction on fiscal-year performance, see *Notice Regarding Revised Earnings Forecasts for the Fiscal Year Ending March 2020*, published today (October 29, 2019).

(Millions of yen)

	Six months ended September 30, 2018		Six months ended September 30, 2019	
		%		%
Net sales	63,882	100.0	56,252	100.0
Cost of sales	49,055	76.8	44,580	79.3
Gross profit	14,827	23.2	11,672	20.7
Selling, general and administrative expenses	5,259	8.2	5,530	9.8
Research and development expenses	4,853	7.6	4,697	8.3
Operating income	4,715	7.4	1,445	2.6
Other expenses (income), net	240	0.4	63	0.1
Income before income taxes from discontinued operations	4,475	7.0	1,382	2.5
Income taxes	1,124	1.8	4,746	8.5
Net income (loss) from discontinued operations	3,351	5.2	(3,364)	(6.0)

Notes: Income taxes for the current cumulative consolidated second quarter include the tax effect related to retained earnings in investments in subsidiaries corresponding to the planned transfer of the AEC.

(Significant Subsequent Event)

At a meeting held on October 29, 2019, the Board of Directors of OMRON Corporation resolved to repurchase the Company's own shares pursuant to Article 156 of the Company Law of Japan applied mutatis mutandis to the provisions of Article 165-3 of the said law, and resolved to cancel treasury stock pursuant to Article 178 of the Company Law of Japan.

Acquisition of Treasury Stock

- | | |
|------------------------------------|---|
| 1. Type of shares to be acquired | Common stock of OMRON Corporation |
| 2. Number of shares to be acquired | Up to 5,000,000 shares
(2.43% of total issued and outstanding shares (excluding treasury stock)) |
| 3. Total amount of acquisition | Up to JPY 20,000,000,000 |
| 4. Period of acquisition | From October 30, 2019 to October 29, 2020 |

Cancellation of Treasury Stock

- | | |
|-------------------------------------|---|
| 1. Type of shares to be cancelled | Common stock of OMRON Corporation |
| 2. Number of shares to be cancelled | 7,713,300 shares
(3.61% of total shares outstanding before the cancellation) |
| 3. Planned date of cancellation | November 29, 2019 |

3. Supplementary Information

(1) Summary of Consolidated Financial Results (U.S. GAAP)

(Millions of yen, %)

	Six months ended September 30, 2018	Six months ended September 30, 2019	Year-on- year change	Year ended March 31, 2019	Year ending March 31, 2020 (projected)	Year-on- year change
Net sales	352,961	330,229	-6.4%	732,581	670,000	-8.5%
Operating income	31,849	25,731	-19.2%	67,254	45,000	-33.1%
[% of net sales]	[9.0%]	[7.8%]	[-1.2%pt]	[9.2%]	[6.7%]	[-2.5%pt]
Income before income taxes from continuing operations	31,521	27,449	-12.9%	65,912	40,000	-39.3%
[% of net sales]	[8.9%]	[8.3%]	[-0.6%pt]	[9.0%]	[6.0%]	[-3.0%pt]
Net income attributable to OMRON shareholders	26,415	19,082	-27.8%	54,323	66,000	+21.5%
Net income per share attributable to OMRON shareholders (basic) (¥)	125.95	92.92	-33.03	260.78	321.39	+60.61
Total assets	740,484	762,907	+3.0%	749,878		
Shareholders' equity	517,387	516,589	-0.2%	504,212		
[Shareholders' equity ratio (%)]	[69.9%]	[67.7%]	[-2.2%pt]	[67.2%]		
Shareholders' equity per share (¥)	2,476.91	2,515.53	+38.62	2,455.24		
Net cash provided by operating activities	25,374	36,471	+11,097	71,245		
Net cash used in investing activities	(17,188)	(14,924)	+2,264	(34,957)		
Net cash used in financing activities	(17,525)	(8,977)	+8,548	(40,783)		
Cash and equivalents from continuing operations at the end of the period	95,375	109,863	+14,488	103,850		

Notes: 1. 145 consolidated subsidiaries and 20 equity-method affiliates.

2. In connection with the classification of the AEC as discontinued operations, net sales, operating income, and income before income taxes from continuing operations presented for the second quarter of the fiscal year ended March 2019 and for the fiscal year ended March 2019, and forecasts for the fiscal year ending March 2020, reflect continuing operations excluding amounts from discontinued operations.
3. Net income attributable to OMRON shareholders referenced in the company's consolidated earnings forecast for the fiscal year ending March 2020 includes an estimated gain on sale related to the transfer of the Automotive Electronic Components Business (AEC).

(2) Consolidated Net Sales by Business Segment

(Billions of yen)

		Six months ended September 30, 2018	Six months ended September 30, 2019	Year-on-year change (%)
IAB	Japan	77.9	68.4	-12.2%
	Americas	18.1	16.2	-10.3%
	Europe	40.1	35.3	-11.9%
	Greater China	43.4	37.9	-12.6%
	Southeast Asia and Others	22.0	20.1	-8.7%
	Direct Exports	0.2	0.1	-16.7%
	Total	201.5	177.9	-11.7%
EMC	Japan	11.5	11.4	-1.7%
	Americas	9.0	7.3	-19.1%
	Europe	9.1	7.7	-14.8%
	Greater China	16.6	13.1	-20.7%
	Southeast Asia and Others	6.7	6.4	-5.8%
	Direct Exports	0.0	0.1	+26.2%
	Total	52.9	45.9	-13.3%
SSB	Japan	23.5	31.2	+32.7%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	0.1	0.1	+68.9%
	Southeast Asia and Others	—	—	—
	Direct Exports	0.1	0.0	-72.5%
	Total	23.7	31.3	+32.4%
HCB	Japan	12.3	11.7	-4.8%
	Americas	11.9	10.9	-8.1%
	Europe	10.7	9.7	-9.7%
	Greater China	15.1	16.7	+10.6%
	Southeast Asia and Others	5.2	5.3	+2.9%
	Direct Exports	0.3	0.3	-11.0%
	Total	55.5	54.6	-1.6%
Other	Japan	13.3	18.2	+36.7%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	3.5	0.7	-79.5%
	Southeast Asia and Others	—	—	—
	Direct Exports	0.1	—	—
	Total	16.9	19.0	+12.0%
Eliminations & Corporate	Japan	2.0	1.5	-23.4%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	—	—	—
	Southeast Asia and Others	—	—	—
	Direct Exports	0.5	0.0	-97.7%
	Total	2.4	1.5	-37.8%
Total	Japan	140.6	142.4	+1.3%
	Americas	38.9	34.4	-11.7%
	Europe	59.9	52.7	-12.0%
	Greater China	78.6	68.6	-12.8%
	Southeast Asia and Others	33.9	31.7	-6.4%
	Direct Exports	1.1	0.5	-58.8%
	Total	353.0	330.2	-6.4%

Notes: 1. In connection with the classification of the AEC as discontinued operations, results for net sales by segment for the cumulative consolidated second quarter of the fiscal year ended March 2019 reflect a reclassification of continuing operations excluding amounts from discontinued operations for presentation herein.

Further, we have reclassified results for the EMC and Eliminations & Corporate for the cumulative consolidated second quarter of the fiscal year ended March 2019 for presentation herein.

2. OMRON revised business classifications in October 2018, reclassifying certain operations under the Other Businesses segment to the SSB segment. Accordingly, we reclassified consolidated results for the cumulative consolidated second quarter of the fiscal year ended March 2019 under this new categorization for presentation herein.

(3) Consolidated Operating Income (Loss) by Business Segment

(Billions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019	Year-on-year change (%)
IAB	33.3	27.6	-17.3%
EMC	4.6	0.7	-85.4%
SSB	(2.2)	0.4	—
HCB	7.2	6.9	-4.2%
Other	(1.6)	1.0	—
Eliminations & Corporate	(9.5)	(10.8)	—
Total	31.8	25.7	-19.2%

- Notes: 1. In connection with the classification of the AEC as discontinued operations, results for profit by segment for the cumulative consolidated second quarter of the fiscal year ended March 2019 reflect a reclassification of continuing operations excluding amounts from discontinued operations for presentation herein. Further, we have reclassified results for the EMC and Eliminations & Corporate for the cumulative consolidated second quarter of the fiscal year ended March 2019 for presentation herein.
2. OMRON revised business classifications in October 2018, reclassifying certain operations under the Other Businesses segment to the SSB segment. Accordingly, we reclassified consolidated results for the cumulative consolidated second quarter of the fiscal year ended March 2019 under this new categorization for presentation herein.

(4) Average Currency Exchange Rate

(One unit of currency, in yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019	Year-on-year change
USD	109.5	109.2	-0.3
EUR	129.5	122.0	-7.5
RMB	16.7	15.9	-0.8

(5) Projected Consolidated Net Sales by Business Segment

(Billions of yen)

	Year ended March 31, 2019	Year ending March 31, 2020	Year-on-year change (%)
IAB	391.8	343.0	-12.5%
EMC	103.1	90.0	-12.7%
SSB	75.0	84.0	+12.0%
HCB	115.5	117.0	+1.3%
Other	41.7	34.0	-18.5%
Eliminations & Corporate	5.4	2.0	-62.8%
Total	732.6	670.0	-8.5%

Notes: 1. In connection with the classification of the AEC as discontinued operations, results for net sales by segment for the cumulative consolidated second quarter of the fiscal year ended March 2019 reflect a reclassification of continuing operations excluding amounts from discontinued operations for presentation herein. Further, we have reclassified EMC and Eliminations & Corporate results for the fiscal year ended March 2019 and forecasts for the fiscal year ending March 2020 for presentation herein.

(6) Projected Consolidated Operating Income (Loss) by Business Segment

(Billions of yen)

	Year ended March 31, 2019	Year ending March 31, 2020	Year-on-year change (%)
IAB	62.9	48.0	-23.7%
EMC	8.2	2.0	-75.5%
SSB	5.8	7.5	+30.1%
HCB	13.0	13.5	+3.6%
Other	(0.5)	0.0	—
Eliminations & Corporate	(22.1)	(26.0)	—
Total	67.3	45.0	-33.1%

Notes: 1. In connection with the classification of the AEC as discontinued operations, results for profit by segment for the consolidated fiscal year ended March 2019 and forecasts for the fiscal year ending March 2020 reflect a reclassification of continuing operations excluding amounts from discontinued operations for presentation herein. Further, we have reclassified EMC and Eliminations & Corporate results for the fiscal year ended March 2019 and forecasts for the fiscal year ending March 2020 for presentation herein.

(7) Projected Average Currency Exchange Rate

(One unit of currency, in yen)

	Year ended March 31, 2019	Year ending March 31, 2020	Year-on-year change
USD	110.7	107.1	-3.6
EUR	128.8	119.5	-9.3
RMB	16.5	15.3	-1.2