



Summary of Consolidated Financial Results for the Year Ended March 31, 2020 (U.S. GAAP)

April 23, 2020

OMRON Corporation (6645)

Exchanges Listed:	Tokyo (first section)
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Annual General Shareholders' Meeting (Scheduled):	June 23, 2020
Start of Distribution of Dividends (scheduled):	June 24, 2020
Filing of Securities Report (<i>Yuka shoken hokokusho</i>) (Scheduled):	June 24, 2020
Preparation of Supplementary Materials for the Financial Results:	Yes
Holding of Presentation of Financial Results:	Yes (for investors via teleconference on April 23)

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 Year Ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(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			
	Year ended March 31, 2020		Year ended March 31, 2019	
		Change (%)		Change (%)
Net sales	677,980	(7.5)	732,581	+0.0
Operating income	54,760	(18.6)	67,254	(12.6)
Income before income taxes	51,836	(21.4)	65,912	(12.3)
Net income attributable to shareholders	74,895	+37.9	54,323	(14.0)
Net income per share attributable to shareholders, basic (JPY)	365.26		260.78	
Net income per share attributable to shareholders, diluted (JPY)	—		—	
Return on equity	14.5%		10.8%	
Income before income taxes / total assets ratio	6.9%		8.8%	
Operating income / net sales ratio	8.1%		9.2%	

Notes: 1. Comprehensive income: Year ended March 31, 2020: JPY 61,857 million (48.8% change);
Year ended March 31, 2019: JPY 41,559 million (-41.9% change)

- With the April 16, 2019, determination to transfer the Automotive Electronic Components Business (AEC), OMRON has classified this business unit as discontinued operations. Figures presented for net sales, operating income, and income before income taxes from continuing operations for the fiscal years ended March 2020 and March 2019 reflect continuing operations excluding discontinued operations.
- Net income attributable to OMRON shareholders includes gain on sale of business in connection with the transfer of the Automotive Electronic Components Business (AEC).

(2) Consolidated Financial Position

	Millions of yen - except per share data and percentages	
	As of	As of
	March 31, 2020	March 31, 2019
Total assets	758,124	749,878
Net assets	532,589	506,311
Shareholders' equity	530,415	504,212
Shareholders' equity ratio (%)	70.0	67.2
Shareholders' equity per share (JPY)	2,626.62	2,455.24

(3) Consolidated Cash Flows

	Millions of yen	
	Year ended	Year ended
	March 31, 2020	March 31, 2019
Net cash provided by operating activities	89,787	71,245
Net cash used in investing activities	28,639	(34,957)
Net cash used in financing activities	(29,430)	(40,783)
Cash and cash equivalents at end of period	185,533	103,850

2. Dividends

		Year ended March 31, 2019	Year ended March 31, 2020	Year ending March 31, 2021 (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	—
Total cash dividends paid (JPY million)		17,463	17,171	
Payout ratio (%)		32.2	23.0	—
Dividends / Shareholders' equity ratio (%)		3.5	3.3	

Note: Dividends for the fiscal year ending March 2021 have yet to be determined.

3. Projected Results for the Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

The company is currently studying the impact of the global spread of COVID-19 with respect to earnings forecasts for the fiscal year ending March 2021. As it is difficult to make rational calculations at present, we have not yet established forecasts for consolidated earnings.

We will make an announcement regarding consolidated earnings forecasts promptly as soon as we are able to do so.

Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): Yes
New: - company (company name)
Excluded: 1 company (company name) OMRON AUTOMOTIVE ELECTRONICS de Mexico, S. de R.L. de C.V.
- (2) 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 5. *Consolidated Financial Statements and Notes (5) Notes Regarding Consolidated Financial Statements(Changes in Accounting Policy)* on P.17.
- (3) Number of shares issued and outstanding (common stock)
(a) Number of shares at end of period (including treasury stock):
March 31, 2020: 206,244,872 shares
March 31, 2019: 213,958,172 shares
(b) Treasury stock at end of period:
March 31, 2020: 4,306,748 shares
March 31, 2019: 8,596,608 shares
(c) Average number of shares during the period:
Year ended March 31, 2020 205,044,394 shares
Year ended March 31, 2019 208,306,026 shares
Note: As of the end of the fiscal year ended March 2020, 761,242 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 shares deducted in the calculation of net income per share attributable to shareholders.

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Financial Results for the Year Ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(1) Non-consolidated Sales and Income

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

	Millions of yen - except per share data and percentages			
	Year ended March 31, 2020		Year ended March 31, 2019	
		Change (%)		Change (%)
Net sales	295,651	(9.0)	324,908	+1.5
Operating income	14,200	(47.5)	27,049	(3.2)
Ordinary income	28,122	(42.8)	49,135	+28.4
Net income	79,376	+76.3	45,017	+47.8
Net income per share (JPY)	387.12		216.11	
Net income per share, diluted (JPY)	—		—	

(2) Non-consolidated Financial Position

Millions of yen - except per share data and percentages

	As of March 31, 2020	As of March 31, 2019
	Total assets	510,158
Net assets	302,811	259,824
Net worth ratio (%)	59.4	55.9
Net assets per share (JPY)	1,499.52	1,265.20

(Reference) Net worth: Year ended March 31, 2020: JPY 302,811 million; Year ended March 31, 2019: JPY 259,824 million

***This summary of consolidated results is exempt from the review procedures.**

***Commentary Regarding Appropriate Use of Projections of Results and Other Matters**

1. The company is currently studying the impact of the global spread of COVID-19 with respect to earnings forecasts for the fiscal year ending March 2021. As it is difficult to make rational calculations at present, we have not yet established forecasts for consolidated earnings. We will make an announcement regarding consolidated earnings forecasts promptly as soon as we are able to do so.
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. As we become able to provide earnings forecasts with greater reliability, we will determine and announce fiscal year-end March 2021 dividends in line with our basic policy on returning profits to shareholders. We plan to announce interim dividends for the next fiscal year in October 2020 at the latest and year-end dividends in April 2021.
4. The Company plans to hold a presentation for investors via teleconference on Thursday, April 23, 2020.

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: During the fiscal year ended March 2020, we categorized our Automotive Electronic Components Business (AEC) as discontinued operations.

For more about discontinued operations, see *Discontinued Operations* on P.20.

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1. Analysis of Results of Operations and Financial Condition

(1) Analysis of Results of Operations

1) General Overview

The business environment surrounding the OMRON Group during the fiscal year was underscored by severe conditions globally. The U.S.-China trade frictions from the beginning of the fiscal year resulted in weak business sentiment among manufacturers, while the negative impact of the spread of COVID-19 beginning in the fourth quarter expanded. In this environment, OMRON Group results for net sales and operating income underperformed the prior fiscal year. The group recorded a record high in gross profit margin, owing to earnings structure reforms conducted jointly among manufacturing, sales, and development across our organization, steadily improving our earnings capacity. Net income attributable to OMRON shareholders rose significantly compared to the previous fiscal year. This result was due to a gain on sale of JPY51.5 billion recorded in connection with the completion of the transfer of the OMRON Automotive Electronic Components Business (AEC) to the Nidec Corporation Group on October 31, 2019. (For more, see Discontinued Operations on P.20)

Despite signs of recovery in certain areas of the digital industry during the second half of the fiscal year, our Industrial Automation Business (IAB) and Electronic and Mechanical Components Business (EMC) recorded lower sales and operating profits compared to the prior fiscal year due to weakening capital investment in the automobile and other industries. Our Public Transportation (Automated Ticket Gates, Ticket Vending Machines) and Road Management Systems businesses experienced firm demand for upgrades, which helped drive Social Systems, Solutions and Service Business (SSB) sales and operating profit significantly higher. The Healthcare Business (HCB) reported lower sales due to slow demand in Japan and North America. On the other hand, the segment recorded an increase in operating profit.

Consolidated results for fiscal 2019 were as follows.

(Billions of yen, except exchange rate data and percentages)

	Year ended March 31, 2019	Year ended March 31, 2020	Change
Net sales	732.6	678.0	-7.5%
Gross profit	325.5	303.7	-6.7%
[% of net sales]	[44.4%]	[44.8%]	[+0.4%pt]
Operating income	67.3	54.8	-18.6%
[% of net sales]	[9.2%]	[8.1%]	[-1.1%pt]
Income before income taxes from continuing operations	65.9	51.8	-21.4%
Net income attributable to OMRON shareholders	54.3	74.9	+37.9%
Average USD exchange rate (JPY)	110.7	109.1	-1.6
Average EUR exchange rate (JPY)	128.8	121.2	-7.6
Average RMB exchange rate (JPY)	16.5	15.7	-0.8

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

2) Results by Business Segment

IAB (Industrial Automation Business)

(Billions of yen, %)

	Year ended March 31, 2019	Year ended March 31, 2020	Change
Sales to external customers	391.8	352.8	-10.0%
Segment profit	62.9	53.6	-14.8%

Sales

Despite weak demand for capital investment in the digital industry at the beginning of the fiscal year, we saw signs of a recovery during the second half of the year, including a recommencement of certain investments related to semiconductors. Meanwhile, the automobile industry experienced limited investment in connection with lower sales of new vehicles globally, resulting in weak demand.

Further, the impact of foreign exchange due to a stronger yen and other factors combined to drive sales significantly lower year on year.

Segment Profit

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

EMC (Electronic and Mechanical Components Business)

(Billions of yen, %)

	Year ended March 31, 2019	Year ended March 31, 2020	Change
Sales to external customers	103.1	88.4	-14.3%
Segment profit	8.2	0.9	-88.8%

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

Sales

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

Further, the impact of foreign exchange due to a stronger yen and other factors combined to drive sales significantly lower compared to the prior fiscal year.

Segment Profit

In addition to lower sales to external customers and group companies, the impact of foreign exchange resulted in a significant decrease in segment profit for the year.

SSB (Social Systems, Solutions and Service Business)

(Billions of yen, %)

	Year ended March 31, 2019	Year ended March 31, 2020	Change
Sales to external customers	75.0	84.5	+12.6%
Segment profit	5.8	8.2	+41.9%

Sales

The segment experienced firm demand for upgrades in the Public Transportation (Automated Ticket Gates, Ticket Vending Machines) and Road Management Systems Business. In response, we proposed solutions tailored to the needs of our clients.

As a result of these factors, sales increased significantly compared to the prior fiscal year.

Segment Profit

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

HCB (Healthcare Business)

(Billions of yen, %)

	Year ended March 31, 2019	Year ended March 31, 2020	Change
Sales to external customers	115.5	112.0	-3.0%
Segment profit	13.0	13.5	+3.7%

Sales

Demand for blood pressure monitors was firm in China, Europe, and Asia. In contrast, Japan experienced slow demand due to factors including the consumption tax increase, while the impact of U.S.-China trade frictions resulted in declining demand in North America. Further, the global spread of COVID-19 during the fourth quarter had a negative impact on performance. Foreign exchange differences due to a stronger yen also contributed to drive sales lower.

Segment Profit

Despite the impact of foreign exchange, segment profit rose compared to the prior fiscal year, mainly due to productivity improvements and efficient management of fixed costs.

Other Businesses

(Billions of yen, %)

	Year ended March 31, 2019	Year ended March 31, 2020	Change
Sales to external customers	41.7	36.4	-12.7%
Segment profit (loss)	(0.5)	0.7	—

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 strong performance for the year in response to growth in demand for storage battery systems. The Backlights Business recorded sharply lower sales due to structural reform. As a result, Other Businesses segment sales fell significantly compared to the prior fiscal year.

Segment Profit

Higher sales in the Environmental Solutions Business and the impact of structural reform in our Backlights Business were the main factors resulting in significantly higher segment profit year on year.

(2) Analysis of Financial Condition

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

Total assets as of the end of the fiscal year increased JPY8.2 billion compared with the end of the previous fiscal year to JPY758.1 billion. Although assets held for sale decreased due to the conclusion of the transfer of the Automotive Electronic Components Business (AEC), an increase in cash and cash equivalents, the recording of right-of-use assets for operating leases, and other factors contributed to this increase. Total liabilities decreased JPY18.0 billion to JPY225.5 billion. Although the balance for operating lease liabilities increased, we recorded a decrease in liabilities held for sale and a decrease in reserve for termination and retirement benefits stemming from a revision to our corporate pension plan. Net assets increased JPY26.3 billion compared to the end of the prior fiscal year to JPY532.6 billion. This result was due to the company's recording net income attributable to shareholders for the fiscal year, offset in part by share buybacks and other factors.

As a result, the OMRON Group shareholders' equity ratio was 70.0%, compared to 67.2% at the end of the previous fiscal year, indicating a strong financial footing. Cash on hand as of the end of the fiscal year amounted to JPY185.5 billion. Further, OMRON has signed commitment line agreements with financial institutions in the amount of JPY30.0 billion. In addition, OMRON has received a long-term credit rating of stable from ratings firms, reflecting our strong ability to raise capital. Despite operating in an uncertain business environment due to COVID-19, we will maintain positive relationships with global financial institutions, while ensuring liquidity and our ability to procure capital.

(3) Summary of Cash Flows for the Year Ended March 31, 2020

Net cash provided by operating activities was JPY89.8 billion, JPY18.5 billion higher compared to the previous fiscal year. This result was mainly due to the recording of net income, depreciation and amortization, a decrease in notes and accounts receivable-trade, and an increase in income taxes payable.

Net cash provided by investing activities was JPY28.6 billion, JPY63.6 billion higher compared to the previous fiscal year. While the Company made investments in production capacity increases and future growth, we also recorded a gain on sale of business in connection with the transfer of a business.

Free cash flows (cash provided by operating activities plus cash used in investing activities) amounted to JPY118.4 billion, an increase of JPY82.1 billion compared to the prior fiscal year.

Net cash used in financing activities was JPY29.4 billion, which was a decrease in net cash used of JPY11.4 billion compared to the prior fiscal year. This result was mainly due to dividends paid and share buybacks.

In addition to the preceding, changes in foreign currency translation and discontinued operations were factors having an impact on cash and cash equivalents. As a result, the balance of cash and cash equivalents at the end of the fiscal year amounted to JPY185.5 billion, an increase of JPY81.7 billion compared to the end of the previous consolidated fiscal year.

Cash Flow Indicators and Trends

Consolidated cash flow indicators and trends for the 5 most-recent fiscal years are as follows:

	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020
Shareholders' equity ratio (%)	65.1	67.2	67.9	67.2	70.0
Shareholders' equity ratio on market value basis (%)	104.8	149.7	177.0	141.9	149.9
Debt coverage ratio	0.0	0.0	0.0	0.0	0.0
Interest coverage ratio	219.6	487.0	429.5	165.2	388.9

Notes: Shareholders' equity ratio: Shareholders' equity/Total assets

Shareholders' equity ratio on market value basis: Total market value of shares/Total assets

Debt coverage ratio: Interest-bearing liabilities/Net cash provided by operations

Interest coverage ratio: Net cash provided by operations/Interest paid

1. All indicators are calculated on a consolidated basis.
2. Total market value of shares is calculated by multiplying the total number of shares outstanding at the end of the period (excluding treasury stock) by the closing share price at the end of the period.
3. Net cash provided by operating activities 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 paid is as stated in the notes to the consolidated statements of cash flows.

(4) Basic Policy for Distribution of Profits, and Dividends for the Year Ended March 31, 2020 and the Year Ending March 31, 2021

OMRON consults with our general meeting of Shareholders regarding decisions on dividends from retained earnings, with the exception of interim dividends, which are decided by resolution of the Board of Directors based on the provisions of the Articles of Incorporation. OMRON views dividend policy as one of our most important management issues, and we apply the following basic policy with regard to distribution of profits to shareholders:

- 1) Aiming for sustainable corporate value growth, OMRON prioritizes investment necessary for future business expansion. These investments include research and development, capital investments, mergers and acquisitions, and other investments for future growth. Having secured internal reserves, the company makes decisions regarding ongoing profit distribution to shareholders in consideration of capital efficiency.
- 2) Annual dividends are based on consolidated earnings, payout ratio, and dividends on equity (return on equity multiplied by payout ratio). These considerations reflect the company's policy to provide stable and sustainable profit distributions to shareholders. Specifically, the company has established a guideline of approximately 30% in payout ratio and approximately 3% in DOE for profit distributions for the fiscal years 2017 through 2020 covered under our medium-term management plan, VG2.0.
- 3) The company will distribute retained earnings accumulated over the long term to shareholders through strategic share buybacks and other measures.

For the current fiscal year (fiscal 2019), OMRON plans to pay a year-end dividend of JPY42 per share for the purpose of stable, ongoing dividends in light of company earnings, DOE standards, and past dividend levels. In addition to an interim dividend of JPY42 per share implemented on December 3, 2019, our full-year dividend will amount to JPY84 per share. We have not yet established a forecast for interim and year-end dividends for the next fiscal year (fiscal 2020), as projecting earnings results is difficult at present. We will make an announcement regarding dividends forecasts when we are able to announce consolidated earnings forecasts.

(5) Outlook for the Year Ending March 31, 2021

We are currently studying the impact of the global spread of COVID-19 on capital investment among customers and on consumer purchasing sentiment with respect fiscal 2020 consolidated earnings. As it is difficult to make rational calculations at present, we have not yet established forecasts for consolidated earnings. We will make an announcement regarding consolidated earnings forecasts promptly as soon as we are able to do so.

2. The OMRON Group

In our most-recent securities report (submitted June 19, 2019), we reported a change in business lines under which we planned to transfer our Automotive Electronic Components Business (AEC) operating segment to the Nidec Corporation Group on October 31, 2019. Further, in conjunction with this transfer, we removed consolidated subsidiary OMRON Automotive Electronics Co., Ltd. and nine of that company's consolidated subsidiaries from OMRON Group consolidated subsidiaries. We also removed special subsidiary company OMRON AUTOMOTIVE ELECTRONICS de Mexico, S. de R.L. de C.V. and one other consolidated subsidiary from OMRON Group consolidated subsidiaries.

The OMRON Group made no significant changes in any other details of our businesses or affiliated companies since submitting our most recent securities report. Accordingly, we have omitted fiscal 2019 disclosures here.

3. Management Policies

(1) OMRON's Basic Management Policies

The OMRON Group aims to become a global value-creating group that is qualitatively and quantitatively superior by conducting management based on Value Generation 2020 (VG2020), our ten-year vision formulated in 2011. We began operating under the current medium-term management plan (VG2.0), the final stage of VG2020, in fiscal 2017.

(2) Targeted Management Indicators and Medium-to-Long-Term Corporate Management Strategy

Our VG2.0 plan accurately identified further rises in social needs, including labor shortages, declining birth rates, aging societies, climate change, and other issues. The OMRON Group has to *progress technologically to innovate and grow* as defined under VG2.0, making progress in our core Sensing & Control + THINK technologies and aiming for sustainable growth as we answer social needs through innovations in technology.

Fiscal 2019 Results

During fiscal 2019, the third year of VG2.0, OMRON continued to secure a platform to *soundly establish a self-driven growth structure in times of adversity*. We pursued a basic policy to increase earnings power, enhance growth power, and strengthen our ability to respond to change.

Under VG2.0, we also set fiscal 2019 targets of JPY830.0 billion in net sales, JPY65.0 billion in operating income, and a gross profit margin of 42%. With the April 2019 announcement related to the transfer of our Automotive Electronic Components Business, we also revised fiscal 2019 earnings targets for continuing operations to JPY709.0 billion in net sales, JPY57.5 billion in operating income, and a gross profit margin of 45.5%, adjusted for the exclusion of this business. Our objective in transferring the Automotive Electronic Components Business, etc., is to allow the business to develop and survive in an automobile industry undergoing a major revolution. At the same time, this transfer strengthens our business portfolio, consolidated management resources in targeted business domains, and accelerates our competitive and growth strategies.

Given the subsequent worsening in the business environment due to U.S.-China trade frictions, we further revised fiscal 2019 earnings targets to JPY670.0 billion in net sales, JPY45.0 billion in operating income, and a gross profit margin of 44.5%. Although we incurred the negative impact of COVID-19 beginning January 2020, we were able to record JPY678.0 billion in net sales, JPY54.8 billion in operating income, and a gross profit margin of 44.8%, exceeding forecasts significantly in all three measures.

We have made steady progress in basic policy initiatives to strengthen our earning capacity, growing capability, and responsiveness to change. The following provides more specifics about our performance.

1. Enhance Growth Power

During the first two years of VG2.0 (fiscal years 2017 and 2018), we accelerated initiatives to link product capacity, technological capacity, and business infrastructure to tangible results.

In particular, our Industrial Automation Business worked to speed our pace of innovative-Automation (Note). Here, we have expanded the number of Automation Centers to 37 globally. These centers serve as bases for us to work with customers in solving their production floor issues. In January 2020, we built the world's largest automation center in Shinagawa, Tokyo. We have leveraged this Tokyo location to invite customer top management and factory general managers from throughout the world to work with us in co-creation. Further, we increased the number of application engineers by 20% to strengthen our ability to solve customer issues. Application engineers are responsible for providing practical implementations of solutions developed through co-creation.

Our Healthcare Business strives to eliminate serious circulatory disease events, moving forward in offering solutions through innovative devices. We began selling the world's first wristwatch-style wearable blood pressure monitor in Japan, the Americas, and Europe. We also introduced a combination blood pressure monitor and electrocardiograph device, which monitors both blood pressure and ECG at the same time, in the U.S. market. Both of these products are firsts of their kind to receive medical device certifications from authorities around the world, including certification by the

U.S. Food and Drug Administration. We expect to expand sales of these products to global markets in the future.

In the field of renewable energy, our Environmental Solutions Business has combined product capacity, consisting mainly of PV inverters and storage battery systems, with the engineering capabilities and 24/7/365 maintenance services of our Social Systems, Solutions and Service Business to create a total solutions platform for energy management.

2. Increase Earnings Power

Despite decreasing sales, OMRON has raised gross profit margins, steadily increasing our earnings power. This is the result of the unified efforts of our manufacturing, sales, and development companies to generate higher unit prices through solutions proposals, to introduce new, highly competitive products, and to reduce variable and fixed manufacturing costs. For example, our Electronic and Mechanical Components Business generated greater efficiency in fixed manufacturing costs, mainly through consolidating operating locations and production lines.

Further, we achieved more efficient use of fixed costs by consolidating business entities and office locations under head office functional departments. At the same time, we have centralized and standardized finance, human resources, general affairs, and other support functions from each group company. We have also reduced costs of indirect materials in Japan, China, and elsewhere through centralized purchasing, while also revising our global logistics infrastructure. In this way and others, we have created more efficiencies in fixed costs.

3. Strengthen Ability to Respond to Change

The OMRON Group has optimized our business portfolio looking toward future changes in our business environment. Our factory automation, healthcare, and social solutions business feature many core products and services that enjoy barriers to entry and significant market shares. We have decided to focus management resources in these three businesses and in the devices/modules businesses that provide related support. In conjunction with this measure, we finalized the sale of the Automotive Electronic Components Business and the conclusion of the Backlights Business, aiming to secure long-term competitive advantage.

(3) Issues Facing the Company

Initiatives in Response to COVID-19

In late January 2020, soon after the outbreak of COVID-19, the OMRON Group acted quickly for the sake of employee safety and business continuity by launching a Pandemic Task Force. Headed by our CEO, the Pandemic Task Force is working closely with each OMRON Group company around the world, prioritizing the health and safety of our employees, while arranging to deliver support supplies for employees working in regulated areas, to expand options for telecommuting, and to provide support via other measures. Beginning in January 2020, the spread of COVID-19 forced us to suspend manufacturing at our production centers in China, Italy, and America. Our facilities in Japan and other regions experienced a decrease in capacity utilization due to delays in securing manufacturing components, personnel, etc. However, our production centers in China and Japan are currently recovering to near normal levels. We will continue to place the highest priority on the safety and security of our employees as we engage in business continuity measures designed to accomplish our responsibilities to our customers and society.

The OMRON Group experienced the negative impact of a declining business environment due to the U.S.-China trade friction and COVID-19 this fiscal year. Even so, our lower year-on-year performance in net sales means we have yet to reach our goal of building a self-driven growth structure. As one example, we must continue with restructuring in our Electronic and Mechanical Components Business, which recorded significantly lower sales and profits due to the negative impact of the business environment. We will also continue investments in IT infrastructure to digitize company-wide, building a strong business foundation capable of taking us into the future. We must create bolder initiatives for solving new social issues in the post-COVID-19 environment, establishing a structure that supports self-driven growth.

Fiscal 2020 Plan

Fiscal 2020 is the final year of VG2.0 and also the final year of our Long-Term Vision VG2020 business plan. Our policy for the year is *Achieve Self-Driven Growth: ~Complete VG2.0~*. We intend to execute our action plans toward self-driven growth based on certain priorities. However, it is difficult to predict the impact of COVID-19 on our business. For this reason, we have yet to establish forecasts and announce our future plans for the time being. We will make an announcement promptly after conditions begin to settle down.

The spread of COVID-19 has had an impact on our personal values and industrial structures, accelerating social reform in a variety of areas. New social issues have emerged, leading to more potential business opportunities. OMRON will accelerate initiatives to leverage business opportunities in our three focus business domains for the post-COVID-19 world. Some examples of tying opportunities to growth include our factory automation business, which is pursuing new projects to expand 5G, a part of future social infrastructure supporting medical and food product security and safety. This business is also working on new automation projects to prevent the spread of disease on production floors. In the healthcare field, we are solving social issues through remote medicine services and other programs. We also plan to integrate our Social Systems, Solutions and Service Business and Environmental Solutions Business to accelerate social solutions in energy management and other fields. At the same time, we intend to strengthen our IT infrastructure. Moving forward, the OMRON Group will reach new levels of growth power, earnings power, and ability to respond to change, allowing us to make a dramatic leap ahead after the impact of COVID-19 has settled.

- * innovative-Automation is the OMRON concept to introduce innovations to manufacturing. innovative-Automation consists of three “i”s representing evolutions in automation that bring dramatic advancements to the production floor and high added value to manufacturing processes.
 - integrated:** Evolution in control technologies allowing any operator of any experience the ability to perform work efficiently.
 - intelligent:** Using a broad range of control devices and AI connected through ICT to introduce self-learning and self-maintenance in production machinery for ever-evolving equipment and production lines.
 - interactive:** Machines in the workplace anticipate and assist human movement, introducing a new harmony between human and machine.

4. Basic Stance on the Selection of Accounting Standards

The OMRON Group has adopted U.S. GAAP, an international accounting standard, to secure the trust of stakeholders worldwide.

5. Consolidated Financial Statements and Notes
(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019		As of March 31, 2020		Increase (decrease)
		%		%	
ASSETS					
Current assets:	459,973	61.3	447,139	59.0	(12,834)
Cash and cash equivalents	103,850		185,533		81,683
Notes and accounts receivable - trade	149,171		134,786		(14,385)
Allowance for doubtful receivables	(861)		(759)		102
Inventories	120,379		104,301		(16,078)
Assets held for sale	73,331		441		(72,890)
Other current assets	14,103		22,837		8,734
Property, plant and equipment:	115,083	15.3	114,526	15.1	(557)
Land	21,746		20,446		(1,300)
Buildings	118,036		129,110		11,074
Machinery and equipment	151,355		147,038		(4,317)
Construction in progress	11,316		5,467		(5,849)
Accumulated depreciation	(187,370)		(187,535)		(165)
Investments and other assets:	174,822	23.4	196,459	25.9	21,637
Right-of-use assets under operating leases	—		30,327		30,327
Goodwill	40,532		38,568		(1,964)
Investments in and advances to affiliates	26,022		29,251		3,229
Investment securities	28,997		25,782		(3,215)
Leasehold deposits	7,533		7,486		(47)
Deferred income taxes	42,537		37,416		(5,121)
Other assets	29,201		27,629		(1,572)
Total assets	749,878	100.0	758,124	100.0	8,246

(Millions of yen)

	As of March 31, 2019		As of March 31, 2020		Increase (decrease)
		%		%	
LIABILITIES					
Current liabilities	175,555	23.4	151,299	20.0	(24,256)
Notes and accounts payable - trade	71,360		64,496		(6,864)
Accrued expenses	38,290		37,179		(1,111)
Income taxes payable	3,174		2,516		(658)
Short-term operating lease liabilities	—		11,070		11,070
Liabilities held for sale	27,730		—		(27,730)
Other current liabilities	35,001		36,038		1,037
Deferred income taxes	733	0.1	1,717	0.2	984
Termination and retirement benefits	55,036	7.3	40,236	5.3	(14,800)
Long-term operating lease liabilities	—	—	19,820	2.6	19,820
Other long-term liabilities	12,243	1.7	12,463	1.6	220
Total liabilities	243,567	32.5	225,535	29.7	(18,032)
NET ASSETS					
Shareholders' equity	504,212	67.2	530,415	70.0	26,203
Common stock	64,100	8.5	64,100	8.5	—
Capital surplus	100,233	13.4	100,521	13.3	288
Legal reserve	21,826	2.9	20,981	2.8	(845)
Retained earnings	433,639	57.8	451,768	59.6	18,129
Accumulated other comprehensive income (loss)	(70,200)	(9.3)	(83,606)	(11.0)	(13,406)
Foreign currency translation adjustments	(7,687)		(31,408)		(23,721)
Pension liability adjustments	(62,648)		(52,250)		10,398
Net gains (losses) on derivative instruments	135		52		(83)
Treasury stock	(45,386)	(6.1)	(23,349)	(3.2)	22,037
Noncontrolling interests	2,099	0.3	2,174	0.3	75
Total net assets	506,311	67.5	532,589	70.3	26,278
Total liabilities and net assets	749,878	100.0	758,124	100.0	8,246

Note: 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.20.

**(2) Consolidated Statements of Operations and Consolidated
Statements of Comprehensive Income (Loss)
(Consolidated Statements of Operations)**

(Millions of yen)

	Year ended March 31, 2019		Year ended March 31, 2020		Increase (decrease)
		%		%	
Net sales	732,581	100.0	677,980	100.0	(54,601)
Cost of sales	407,097	55.6	374,278	55.2	(32,819)
Gross profit	325,484	44.4	303,702	44.8	(21,782)
Selling, general and administrative expenses	208,895	28.5	202,954	29.9	(5,941)
Research and development expenses	49,335	6.7	45,988	6.8	(3,347)
Operating income	67,254	9.2	54,760	8.1	(12,494)
Other expenses, net	1,342	0.2	2,924	0.5	1,582
Income before income taxes from continuing operations	65,912	9.0	51,836	7.6	(14,076)
Income taxes	17,016	2.3	11,270	1.7	(5,746)
Current	17,691		10,470		(7,221)
Deferred	(675)		800		1,475
Equity in loss (earnings) of affiliates	1,578	0.2	963	0.1	(615)
Income from continuing operations	47,318	6.5	39,603	5.8	(7,715)
Income from discontinued operations	7,673	1.0	35,732	5.3	28,059
Net income	54,991	7.5	75,335	11.1	20,344
Net income attributable to noncontrolling interests	668	0.1	440	0.1	(228)
Net income (loss) attributable to OMRON shareholders	54,323	7.4	74,895	11.0	20,572

Note: In connection with the classification of the AEC as discontinued operations, we have reclassified our consolidated statement of operations for the previous consolidated fiscal year for presentation herein. For more about discontinued operations, see *Discontinued Operations* on P.20.

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020	Increase (decrease)
Net income	54,991	75,335	20,344
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments	(4,528)	(23,793)	(19,265)
Pension liability adjustments	(8,863)	10,398	19,261
Net gains (losses) on derivative instruments	(41)	(83)	(42)
Other comprehensive income (loss)	(13,432)	(13,478)	(46)
Comprehensive income	41,559	61,857	20,298
(Breakdown)			
Comprehensive income attributable to noncontrolling interests	651	368	(283)
Comprehensive income attributable to OMRON shareholders	40,908	61,489	20,581

(3) Consolidated Statements of Changes in Shareholders' Equity

(Millions of yen)

	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total shareholders' equity	Non-controlling interests	Total net assets
Balance, March 31, 2018	64,100	99,588	19,940	398,600	(56,785)	(19,689)	505,754	1,856	507,610
Net income				54,323			54,323	668	54,991
Cash dividends paid to OMRON Corporation shareholders				(17,398)			(17,398)		(17,398)
Cash dividends paid to noncontrolling interests							—	(343)	(343)
Decrease in non-controlling interests due to decrease on consolidated subsidiaries							—	(65)	(65)
Stock-based payment		645					645		645
Reversal of legal retained earnings			1,886	(1,886)			—		—
Foreign currency translation adjustments					(4,511)		(4,511)	(17)	(4,528)
Pension liability adjustments					(8,863)		(8,863)		(8,863)
Net gains (losses) on derivative instruments					(41)		(41)		(41)
Acquisition of treasury stock						(25,697)	(25,697)		(25,697)
Balance, March 31, 2019	64,100	100,233	21,826	433,639	(70,200)	(45,386)	504,212	2,099	506,311
Net income				74,895			74,895	440	75,335
Cash dividends paid to OMRON Corporation shareholders				(17,107)			(17,107)		(17,107)
Cash dividends paid to noncontrolling interests							—	(293)	(293)
Equity transactions with noncontrolling interests and other		2					2		2
Change in shareholders' equity due to decrease in consolidated subsidiaries		(74)	(2,386)	2,460			—		—
Stock-based payment (Note)		360					360		360
Reversal of legal retained earnings			1,541	(1,541)			—		—
Foreign currency translation adjustments					(23,721)		(23,721)	(72)	(23,793)
Pension liability adjustments					10,398		10,398		10,398
Net gains (losses) on derivative instruments					(83)		(83)		(83)
Acquisition of treasury stock						(18,541)	(18,541)		(18,541)
Cancellation of treasury stock				(40,578)		40,578	—		—
Balance, March 31, 2020	64,100	100,521	20,981	451,768	(83,606)	(23,349)	530,415	2,174	532,589

Note: Includes a decrease of JPY275 million in capital surplus due to a change in estimate related to stock-based compensation.

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020	Increase (decrease)
I. Operating Activities:			
1. Net income	54,991	75,335	20,344
2. Adjustments to reconcile net income to net cash provided by operating activities:			
(1) Depreciation and amortization	30,459	28,605	
(2) Net loss on sale and disposals of property, plant and equipment	(1,098)	(1,487)	
(3) Loss on impairment of long-lived assets	196	498	
(4) Gain on sale of investment securities	—	43	
(5) Gain on sale of business	(407)	(51,450)	
(6) Net loss on valuation of investment securities	563	1,170	
(7) Termination and retirement benefits	3,818	(436)	
(8) Deferred income taxes	(383)	(125)	
(9) Equity in loss of affiliates	1,578	963	
(10) Changes in assets and liabilities:			
(i) Decrease (increase) in notes and accounts receivable — trade	(534)	12,944	
(ii) Decrease (increase) in inventories	(3,491)	10,704	
(iii) Increase in other assets	(294)	(6,442)	
(iv) Decrease in notes and accounts payable — trade	(5,401)	(1,319)	
(v) Increase (decrease) in income taxes payable	(2,775)	15,614	
(vi) Increase (decrease) in accrued expenses and other current liabilities	(6,851)	3,570	
(11) Other, net	874	1,600	
Subtotal	16,254	14,452	(1,802)
Net cash provided by operating activities	71,245	89,787	18,542
II. Investing Activities:			
1. Proceeds from sale of investment securities	465	1,423	958
2. Purchase of investment securities	(602)	(2,344)	(1,742)
3. Capital expenditures	(39,045)	(37,629)	1,416
4. Net increase in leasehold deposits	(193)	62	255
5. Proceeds from sale of property, plant and equipment	3,475	4,565	1,090
6. Decrease in investments in and advances to affiliates	(498)	(2,231)	(1,733)
7. Proceeds from sale of business, net of cash paid	1,817	64,460	62,643
8. Payment for acquisition of business, net of cash acquired	(830)	—	830
9. Other, net	454	333	(121)
Net cash used in investing activities	(34,957)	28,639	63,596
III. Financing Activities:			
1. Net increase in short-term debt	2,109	6,365	4,256
2. Dividends paid by the Company	(16,776)	(17,250)	(474)
3. Dividends paid to noncontrolling interests	(343)	(293)	50
4. Acquisition of treasury stock	(25,716)	(18,571)	7,145
5. Other, net	(57)	319	376
Net cash used in financing activities	(40,783)	(29,430)	11,353
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents			
Net Increase (Decrease) in Cash and Cash Equivalents	1,722	(13,713)	(15,435)
Cash and Cash Equivalents at Beginning of the Period	(2,773)	75,283	78,056
Cash and Cash Equivalents at End of the Period	113,023	110,250	(2,773)
Cash and Cash Equivalents at End of the Period	110,250	185,533	75,283
Cash and Cash Equivalents from Discontinued Operations at End of the Period (Deduct)	6,400	—	(6,400)
Cash and Cash Equivalents from Continuing Operations at End of the Period	103,850	185,533	81,683
Notes to cash flows from operating activities:			
1. Interest paid	431	231	(200)
2. Taxes paid	22,529	13,513	(9,016)
Notes to investing and financing activities not involving cash flow:			
1. Debt related to capital expenditures	4,221	3,362	(859)
2. Decrease in retained earnings due to retirement of treasury stock	—	40,578	40,578

Note: Consolidated statements of cash flows consist of cash flows from continuing operations and cash flows from discontinued operations. We have not presented cash flows separately for discontinued operations. For more about discontinued operations, see *Discontinued Operations* on P.20.

(5) Notes Regarding Consolidated Financial Statements

(Notes Regarding Assumptions of Continuing Operations)

None applicable

(Preparation of the Consolidated Financial Statements)

Omitted because no material changes have been made since publication of the most recent Securities Report (*Yuka shoken hokokusho*), submitted on June 19, 2019.

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

None applicable

(Changes in Accounting Policy)

Beginning with 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 consolidated balance sheets. The impact of the adoption of these rules on the OMRON consolidated statements of operations and consolidated statements of cash flows is not significant.

Beginning with the current consolidated fiscal year, OMRON has adopted FASB Accounting Standards Update 2017-12 Derivatives and Hedging: 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 rule on the OMRON consolidated financial statements is not significant.

(Per Share Data)

The Company calculates net income per share in accordance with FASB Statement No. 260, "Earnings per Share." The number of shares used to compute basic and diluted net income per share available to shareholders is as follows:

(Number of shares)	Year ended March 31, 2019	Year ended March 31, 2020
Basic	208,306,026	205,044,394
Diluted	—	—

(Note) Presentation of diluted shares for the fiscal year ended March 2019 and the fiscal year ended March 2020 omitted as no potentially dilutive shares were outstanding for the period.

(Major Components of Other Expenses, Net)

The major components of Other Expenses, Net are as follows:

Year ended March 31, 2019

Foreign exchange loss, net	JPY2,790 million
Net gain on sales and disposals of property, plant, and equipment	JPY (1,074) million
Loss on disaster	JPY 2,478 million
Insurance income	JPY (2,535) million
Net loss on valuation of investment securities	JPY 563 million

(Note) In connection with the classification of the Automotive Electronic Components Business (AEC) as discontinued operations, we have reclassified the main components of *other expenses, net* to reflect continuing operations excluding amounts from discontinued operations for presentation herein. For more about discontinued operations, see *Discontinued Operations* on P.20.

Year ended March 31, 2020

Foreign exchange loss, net	JPY797 million
Net gain on sales and disposals of property, plant, and equipment	JPY (545) million
Insurance income	JPY (326) million
Net loss on valuation of investment securities	JPY 1,170 million
Provision for retirement benefits	JPY 1,282 million
Restructuring charges	JPY 1,250 million

Notes concerning lease transactions, related party transactions, tax effect accounting, financial products, securities, derivative transactions, retirement benefits, business combinations and asset retirement obligations have not been included in this summary of consolidated financial results, as the Company considers their disclosure here to be of marginal importance.

(Segment Information)

Business Segment Information

Year ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(Millions of yen)

	IAB	EMC	SSB	HCB	Other	Total	Eliminations & Corporate	Consolidated
Net sales								
(1) Sales to external customers	391,826	103,123	75,023	115,493	41,739	727,204	5,377	732,581
(2) Intersegment sales	6,426	51,115	5,805	172	7,114	70,632	(70,632)	—
Total	398,252	154,238	80,828	115,665	48,853	797,836	(65,255)	732,581
Operating expenses	335,357	146,073	75,065	102,632	49,326	708,453	(43,126)	665,327
Segment profit (loss)	62,895	8,165	5,763	13,033	(473)	89,383	(22,129)	67,254

Note: 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.20.

Year ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(Millions of yen)

	IAB	EMC	SSB	HCB	Other	Total	Eliminations & Corporate	Consolidated
Net sales								
(1) Sales to external customers	352,762	88,357	84,501	111,999	36,428	674,047	3,933	677,980
(2) Intersegment sales	5,120	44,061	5,826	440	4,015	59,462	(59,462)	—
Total	357,882	132,418	90,327	112,439	40,443	733,509	(55,529)	677,980
Operating expenses	304,287	131,500	82,147	98,928	39,773	656,635	(33,415)	623,220
Segment profit (loss)	53,595	918	8,180	13,511	670	76,874	(22,114)	54,760

Sales by Geographical Region

Year ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(Millions of yen)

	IAB	EMC	SSB	HCB	Other	Total	Eliminations & Corporate	Consolidated
Major Regional Markets (External Customers)								
Japan	154,726	23,187	73,765	26,909	35,510	314,097	4,587	318,684
Americas	34,980	17,883	—	23,612	—	76,475	—	76,475
Europe	79,851	17,742	—	22,668	—	120,261	—	120,261
Greater China	78,169	30,768	435	30,968	6,136	146,476	—	146,476
Southeast Asia and Others	43,771	13,469	—	10,696	—	67,936	—	67,936
Direct Exports	329	74	823	640	93	1,959	790	2,749
Total	391,826	103,123	75,023	115,493	41,739	727,204	5,377	732,581

Note: In connection with the classification of the Automotive Electronic Components Business (AEC) as discontinued operations, we have reclassified sales by geographical region to reflect continuing operations excluding amounts from discontinued operations for presentation herein. In addition, Electronic and Mechanical Components Business (EMC) and Eliminations & Corporate for the previous consolidated fiscal year have been reclassified for presentation herein.

For more about discontinued operations, see *Discontinued Operations* on P.20.

Year ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(Millions of yen)

	IAB	EMC	SSB	HCB	Other	Total	Eliminations & Corporate	Consolidated
Major Regional Markets (External Customers)								
Japan	139,970	22,845	83,718	26,081	34,989	307,603	3,908	311,511
Americas	32,635	13,560	—	21,605	—	67,800	—	67,800
Europe	71,766	15,051	—	21,690	—	108,507	—	108,507
Greater China	68,775	24,149	283	31,408	1,439	126,054	—	126,054
Southeast Asia and Others	39,404	12,530	—	10,808	—	62,742	—	62,742
Direct Exports	212	222	500	407	—	1,341	25	1,366
Total	352,762	88,357	84,501	111,999	36,428	674,047	3,933	677,980

Note: 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 specified subsidiary OMRON AUTOMOTIVE ELECTRONICS de Mexico, S. de R.L. de C.V. and two consolidated Automotive Electronics Component Business operations to the Nidec Corporation Group (Note 2). A share transfer agreement was executed on the same day as the meeting of the board of directors. The transfer agreement in question was executed on October 31, 2019 with certain exceptions (Note 3).

In March 2020, we completed adjustments to the final transfer price for the business transfer conducted in October 2019 according to the transfer agreement. Therefore, we recorded JPY64,460 million in adjusted transfer price (net of cash received) and JPY51,450 million in gain on sale of discontinued operations before income taxes. (Note 4)

Notes: 1. Nine subsidiaries of OAE have also been transferred, removed as consolidated subsidiaries of OMRON.

2. In connection with this determination, we have classified profit and loss results for this business as continuing operations and discontinued operations for presentation beginning with the current consolidated fiscal year.

3. In connection with this transfer agreement, the Company plans to transfer the automotive electronic components businesses of subsidiaries OMRON VIETNAM CO., LTD. and PT. OMRON MANUFACTURING OF INDONESIA to the Nidec Corporation Group on or about June 30, 2020.

4. We recorded JPY62,296 million in gain on sale of affiliated company stock on the non-consolidated statements of operations for the fiscal year ended March 2020.

The following presentations have been reclassified in connection with this transaction.

Business performance, gain on sale of business related to the transaction, and costs related to the transfer of the AEC segment have been classified and presented separately as discontinued operations in the consolidated statement of operations for the current consolidated fiscal year. We have also reclassified the consolidated statement of operations for the prior consolidated fiscal year.

We have reclassified the consolidated balance sheet of the prior fiscal year, reclassifying and presenting assets and liabilities of the AEC segment as assets held for sale and liabilities held for sale.

Consolidated statements of cash flows consist of cash flows from continuing operations and cash flows from discontinued operations. We have not presented cash flows separately for discontinued operations. We recorded JPY64,460 million as proceeds from sale of business, net of cash paid on the consolidated statement of cash flows to reflect the difference between cash and cash equivalents in the transferred business and cash and cash equivalents received in payment for this business transfer.

(2) Income (Loss) From Discontinued Operations

(Millions of yen)

	Year ended March 31, 2019		Year ended March 31, 2020	
		%		%
Net sales	128,148	100.0	65,793	100.0
Cost of sales	99,540	77.7	52,435	79.7
Gross profit	28,608	22.3	13,358	20.3
Selling, general and administrative expenses	10,788	8.4	7,812	11.9
Research and development expenses	8,441	6.6	5,363	8.1
Operating income	9,379	7.3	183	0.3
Other expenses, net	(141)	(0.1)	(209)	(0.3)
Income before income taxes from discontinued operations	9,520	7.4	392	0.6
Gain on sale of discontinued operations before income taxes	—	—	51,450	78.2
Income taxes	1,847	1.4	16,110	24.5
Net income from discontinued operations	7,673	6.0	35,732	54.3

Note: Business performance for discontinued operations during the current consolidated fiscal year represent a seven-month period from the beginning of the fiscal year to the business transfer conducted on October 31, 2019.

6. Supplementary Information

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

(Millions of yen, %)

	Year ended March 31, 2019	Year ended March 31, 2020	Year-on- year change
Net sales	732,581	677,980	-7.5%
Operating income	67,254	54,760	-18.6%
[% of net sales]	[9.2%]	[8.1%]	[-1.1%pt]
Income (loss) before income taxes	65,912	51,836	-21.4%
[% of net sales]	[9.0%]	[7.6%]	[-1.4%pt]
Net income (loss) attributable to shareholders	54,323	74,895	+37.9%
Net income per share attributable to shareholders (basic) (¥)	260.78	365.26	+104.48
Total assets	749,878	758,124	+1.1%
Shareholders' equity	504,212	530,415	+5.2%
[Shareholders' equity ratio (%)]	[67.2%]	[70.0%]	[+2.8%pt]
Shareholders' equity per share (¥)	2,455.24	2,626.62	+171.38
Net cash provided by operating activities	71,245	89,787	+18,542
Net cash used in investing activities	(34,957)	28,639	+63,596
Net cash used in financing activities	(40,783)	(29,430)	+11,353
Cash and cash equivalents at end of period	103,850	185,533	+81,683

Notes: 1. 129 consolidated subsidiaries and 19 equity-method affiliates.

2. In connection with the classification of the Automotive Electronic Components Business (AEC) as discontinued operations, we have reclassified net sales, operating income, and income before income taxes from continuing operations excluding amounts from discontinued operations for presentation herein.

(2) Non-consolidated Financial Results

(Millions of yen, %)

	Year ended March 31, 2019	Year ended March 31, 2020	Year-on- year change
Net sales	324,908	295,651	-9.0%
Operating income	27,049	14,200	-47.5%
[% of net sales]	[8.3%]	[4.8%]	[-3.5%pt]
Ordinary income	49,135	28,122	-42.8%
[% of net sales]	[15.1%]	[9.5%]	[-5.6%pt]
Income before income taxes	51,466	83,518	+62.3%
[% of net sales]	[15.8%]	[28.2%]	[+12.4%pt]
Net income	45,017	79,376	+76.3%
Net income per share (basic) (¥)	216.11	387.12	+171.01
Net income per share (diluted) (¥)	—	—	—
Common stock	64,100	64,100	±0.0%
Total assets	464,405	510,158	+9.9%
Net assets	259,824	302,811	+16.5%
Net worth ratio (%)	55.9%	59.4%	+3.5%pt
Net assets per share (¥)	1,265.20	1,499.52	+234.32

(3) Consolidated Net Sales by Business Segment

(Billions of yen)

		Year ended March 31, 2019	Year ended March 31, 2020	Year-on-year change (%)
IAB	Japan	154.7	140.0	-9.5%
	Americas	35.0	32.6	-6.7%
	Europe	79.9	71.8	-10.1%
	Greater China	78.2	68.8	-12.0%
	Southeast Asia and Others	43.8	39.4	-10.0%
	Direct Exports	0.3	0.2	-35.6%
	Total	391.8	352.8	-10.0%
EMC	Japan	23.2	22.8	-1.5%
	Americas	17.9	13.6	-24.2%
	Europe	17.7	15.1	-15.2%
	Greater China	30.8	24.1	-21.5%
	Southeast Asia and Others	13.5	12.5	-7.0%
	Direct Exports	0.1	0.2	+200.0%
	Total	103.1	88.4	-14.3%
SSB	Japan	73.8	83.7	+13.5%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	0.4	0.3	-34.9%
	Southeast Asia and Others	—	—	—
	Direct Exports	0.8	0.5	-39.2%
	Total	75.0	84.5	+12.6%
HCB	Japan	26.9	26.1	-3.1%
	Americas	23.6	21.6	-8.5%
	Europe	22.7	21.7	-4.3%
	Greater China	31.0	31.4	+1.4%
	Southeast Asia and Others	10.7	10.8	+1.0%
	Direct Exports	0.6	0.4	-36.4%
	Total	115.5	112.0	-3.0%
Other	Japan	35.5	35.0	-1.5%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	6.1	1.4	-76.5%
	Southeast Asia and Others	—	—	—
	Direct Exports	0.1	—	±0.0%
	Total	41.7	36.4	-12.7%
Eliminations & Corporate	Japan	4.6	3.9	-14.8%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	—	—	—
	Southeast Asia and Others	—	—	—
	Direct Exports	0.8	0.0	-96.8%
	Total	5.4	3.9	-26.9%
Total	Japan	318.7	311.5	-2.3%
	Americas	76.5	67.8	-11.3%
	Europe	120.3	108.5	-9.8%
	Greater China	146.5	126.1	-13.9%
	Southeast Asia and Others	67.9	62.7	-7.6%
	Direct Exports	2.7	1.4	-50.3%
	Total	732.6	678.0	-7.5%

Note: In connection with the classification of the AEC as discontinued operations, we have reclassified net sales by consolidated segment for the year ended March 2019 to reflect continuing operations excluding amounts from discontinued operations for presentation herein.

In addition, Electronic and Mechanical Components Business (EMC) and Eliminations & Corporate for the fiscal year ended March 2019 have been reclassified for presentation herein.

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

(Billions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020	Year-on-year change (%)
IAB	62.9	53.6	-14.8%
EMC	8.2	0.9	-88.8%
SSB	5.8	8.2	+41.9%
HCB	13.0	13.5	+3.7%
Other	(0.5)	0.7	—
Eliminations & Corporate	(22.1)	(22.1)	—
Total	67.3	54.8	-18.6%

Note: In connection with the classification of the Automotive Electronic Components Business (AEC) as discontinued operations, we have reclassified operating profit by consolidated segment for the year ended March 2019 to reflect continuing operations excluding amounts from discontinued operations for presentation herein. In addition, Electronic and Mechanical Components Business (EMC) and Eliminations & Corporate for the fiscal year ended March 2019 have been reclassified for presentation herein.

(5) Average Currency Exchange Rate

(One unit of currency, in yen)

	Year ended March 31, 2019	Year ended March 31, 2020	Year-on-year change
USD	110.7	109.1	-1.6
EUR	128.8	121.2	-7.6
RMB	16.5	15.7	-0.8