OMRON Corporation and Subsidiaries

Consolidated Balance Sheets as of March 31, 2020 and 2019 and Consolidated Statements of Income, Comprehensive Income, Equity, and Cash Flows for Each of the Three Years in the Period Ended March 31, 2020 and Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of OMRON Corporation:

We have audited the accompanying consolidated financial statements of OMRON Corporation and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of March 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended March 31, 2020, and the related notes to the consolidated financial statements, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of OMRON Corporation and its subsidiaries as of March 31, 2020 and 2019, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, the Company has classified the Automotive Electronic Components Business ("AEC") as a discontinued operations in accordance with ASC 205-20 "Presentation of Financial Statements - Discontinued Operations". Consequently, the Company has retrospectively recast its consolidated statements of income and balance sheets for all periods presented to reflect the AEC as discontinued operations. Such recast includes business performance, gain on sale of business related to the transaction, and costs related to the transfer of the AEC for the current fiscal year. Our opinion is not modified with respect to this matter.

Deloitte Touche Tohmatsu LLC

June 24, 2020

OMRON Corporation and Subsidiaries

Consolidated Balance Sheets
March 31, 2020 and 2019

ASSETS	Millions of Yen 2020	Millions of Yen 2019
CURRENT ASSETS:		
Cash and cash equivalents (Note 1)	¥ 185,533	¥ 103,850
Notes and accounts receivable – trade (Note 5)	134,786	149,171
Allowance for doubtful receivables (Note 1)	(759)	(861)
Inventories (Notes 1 and 3)	104,301	120,379
Assets held for sale (Notes 1 and 21)	441	73,331
Other current assets (Notes 4, 17, 18 and 20)	22,837	14,103
Total current assets	447,139	459,973
PROPERTY, PLANT, AND EQUIPMENT (Notes 1, 7 and 20):		
Land	20,446	21,746
Buildings	129,110	118,036
Machinery and equipment	147,038	151,355
Construction in progress	5,467	11,316
Total	302,061	302,453
Accumulated depreciation	(187,535)	(187,370)
Net property, plant, and equipment	114,526	115,083
INVESTMENTS AND OTHER ASSETS:		
Right-of-use assets under operating leases (Note 8)	30,327	-
Goodwill (Notes 1, 6, 20 and 23)	38,568	40,532
Investments in and advances to affiliates (Note 1)	29,251	26,022
Investment securities (Notes 1, 4 and 20)	25,782	28,997
Leasehold deposits	7,486	7,533
Deferred income taxes (Notes 1 and 12)	37,416	42,537
Other assets (Notes 1, 6, 7, 20 and 23)	27,629	29,201
Total investments and other assets	196,459	174,822
TOTAL	¥ 758,124	¥ 749,878

LIABILITIES AND EQUITY	Millions of Yen 2020	Millions of Yen 2019
CURRENT LIABILITIES:		
Notes and accounts payable – trade	¥ 64,496	¥ 71,360
Accrued expenses	37,179	38,290
Income taxes payable	2,516	3,174
Short-term operating lease liabilities (Note 8)	11,070	-
Liabilities held for sale (Notes 1 and 21)	-	27,730
Other current liabilities (Notes 1, 9, 12, 17, 18, 19 and 20)	36,038	35,001
Total current liabilities	151,299	175,555
DEFERRED INCOME TAXES (Notes 1 and 12)	1,717	733
TERMINATION AND RETIREMENT BENEFITS (Notes 1 and 9)	40,236	55,036
LONG-TERM OPERATING LEASE LIABILITIES (Note 8)	19,820	-
OTHER LONG-TERM LIABILITIES (Note 19)	12,463	12,243
Total liabilities	225,535	243,567
EQUITY (Notes 1 and 10):		
Common stock, no par value: authorized, 487,000,000 shares in 2020 and 2019; issued, 206,244,872 shares and 213,958,172 shares in 2020 and 2019	64,100	64,100
Capital surplus	100,521	100,233
Legal reserve	20,981	21,826
Retained earnings	451,768	433,639
Accumulated other comprehensive income (loss) (Notes 1 and 16)	(83,606)	(70,200)
Treasury stock, at cost, 4,306,748 shares and 8,596,608 shares in 2020 and 2019, respectively	(23,349)	(45,386)
Total	530,415	504,212
Noncontrolling interests	2,174	2,099
Total equity	532,589	506,311
TOTAL	¥ 758,124	¥ 749,878

Note: OMRON Corporation (the "Company") and its subsidiaries (collectively, the "Companies") have reclassified certain amounts on Consolidated Balance Sheets as of the previous fiscal year for presentation purposes in connection with the classification of Automotive Electronic Components Business ("AEC") as a discontinued operation. For more information, see Note 21. DISCONTINUED OPERATIONS.

See notes to consolidated financial statements.

OMRON Corporation and Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2020, 2019 and 2018

	Millions of Yen		
	2020	2019	2018
NET SALES (Notes 1 and 2)	¥ 677,980	¥ 732,581	¥ 732,306
COSTS AND EXPENSES (Note 8):			
Cost of sales	374,278	407,097	404,721
Selling, general and administrative expenses (Note 1)	202,954	208,895	201,777
Research and development expenses	45,988	49,335	48,622
Other expenses, net (Note 11)	2,924	1,342	2,053
Total	626,144	666,669	657,173
INCOME BEFORE INCOME TAXES AND EQUITY IN EARNINGS OF AFFILIATES	51,836	65,912	75,133
INCOME TAXES (Notes 1 and 12)	11,270	17,016	19,968
EQUITY IN LOSS (EARNINGS) OF AFFILIATES	963	1,578	(1,754)
NET INCOME FROM CONTINUING OPERATIONS	39,603	47,318	56,919
NET INCOME FROM DISCONTINUED OPERATIONS	35,732	7,673	6,587
NET INCOME	75,335	54,991	63,506
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	440	668	347
NET INCOME ATTRIBUTABLE TO OMRON CORPORATION SHAREHOLDERS	¥ 74,895	¥ 54,323	¥ 63,159

	Yen		
	2020	2019	2018
PER SHARE DATA (Note 13):			
Basic:			
Net income from continuing operations attributable to OMRON Corporation shareholders	¥191.00	¥223.95	¥265.89
Net income from discontinued operations attributable to OMRON Corporation shareholders	174.26	36.84	30.96
Net income attributable to OMRON Corporation shareholders	365.26	260.78	296.85
Diluted:			
Net income from continuing operations attributable to OMRON Corporation shareholders	-	-	-
Net income from discontinued operations attributable to OMRON Corporation shareholders	-	-	-
Net income attributable to OMRON Corporation shareholders	-	-	-

Note: The Companies have reclassified certain amounts on the consolidated statements of income for the previous fiscal years for presentation purposes in connection with the classification of AEC as a discontinued operation. For more information, see Note 21. DISCONTINUED OPERATIONS.

See notes to consolidated financial statements.

OMRON Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income
Years Ended March 31, 2020, 2019 and 2018

	Millions of Yen		
	2020	2019	2018
NET INCOME	¥ 75,335	¥ 54,991	¥63,506
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX (Note 16):			
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during the year	(23,674)	(4,419)	3,153
Reclassification adjustment for the portion realized in net income	(119)	(109)	-
Net unrealized gain (loss)	(23,793)	(4,528)	3,153
Pension liability adjustments:			
Pension liability adjustments arising during the year	7,033	(11,419)	451
Reclassification adjustment for the portion realized in net income	3,365	2,556	2,335
Net unrealized gain (loss)	10,398	(8,863)	2,786
Unrealized gains (losses) on available-for-sale securities:			
Unrealized holding gains (losses) arising during the year	-	-	3,695
Reclassification adjustment for the portion realized in net income	-	-	(2,034)
Net unrealized gain (loss)	-	-	1,661
Net gains (losses) on derivative instruments:			
Unrealized holding gains (losses) arising during the year	77	32	(514)
Reclassification adjustment for the portion realized in net income	(160)	(73)	920
Net unrealized gain (loss)	(83)	(41)	406
OTHER COMPREHENSIVE INCOME (LOSS)	(13,478)	(13,432)	8,006
COMPREHENSIVE INCOME	61,857	41,559	71,512
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	368	651	349
COMPREHENSIVE INCOME ATTRIBUTABLE TO OMRON CORPORATION SHAREHOLDERS (Note 1)	¥ 61,489	¥ 40,908	¥71,163

See notes to consolidated financial statements.

OMRON Corporation and Subsidiaries

Consolidated Statements of Equity
Years Ended March 31, 2020, 2019 and 2018

		Millions of Yen								
	Number of Common Shares Issued	Common Stock	Capital Surplus	Legal Reserve	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total	Noncontrolling Interests	Total Equity
BALANCE, MARCH 31, 2017	213,958,172	¥64,100	¥ 99,138	¥17,813	¥346,000	¥(57,363)	¥ (659)	¥469,029	¥1,728	¥470,757
Net income					63,159			63,159	347	63,506
Cash dividends paid to OMRON Corporation shareholders, ¥76 per share					(16,083)			(16,083)		(16,083)
Cash dividends paid to noncontrolling interests								-	(215)	(215)
Equity transaction with noncontrolling interests and other			6		1			7	(6)	1
Share-based compensation			444					444		444
Transfer to legal reserve				2,127	(2,127)			-		-
Other comprehensive income (loss)						8,004		8,004	2	8,006
Acquisition of treasury stock							(19,030)	(19,030)		(19,030)
BALANCE, MARCH 31, 2018	213,958,172	64,100	99,588	19,940	390,950	(49,359)	(19,689)	505,530	1,856	507,386
Cumulative effects from the adoption of accounting standard update (ASU) No. 2016-01 and 2018-03*					7,650	(7,426)		224		224
BALANCE, APRIL 1, 2018 AFTER THE ADOPTION OF ASU NO. 2016-01 AND 2018-03*	213,958,172	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, ¥84 per share					(17,398)			(17,398)		(17,398)
Cash dividends paid to noncontrolling interests								-	(343)	(343)
Equity transaction with noncontrolling interests and other								-	(65)	(65)
Share-based compensation			645					645		645
Transfer to legal reserve				1,886	(1,886)			-		-
Other comprehensive income (loss)						(13,415)		(13,415)	(17)	(13,432)
Acquisition of treasury stock							(25,697)	(25,697)		(25,697)
BALANCE, MARCH 31, 2019	213,958,172	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, ¥84 per share					(17,107)			(17,107)		(17,107)
Cash dividends paid to noncontrolling interests								-	(293)	(293)
Equity transaction with noncontrolling interests and other			2					2		2
Change in shareholders' equity due to decrease in consolidated subsidiaries			(74)	(2,386)	2,460			-		-
Share-based compensation**			360					360		360
Transfer to legal reserve				1,541	(1,541)			-		-
Other comprehensive income (loss)						(13,406)		(13,406)	(72)	(13,478)
Acquisition of treasury stock							(18,541)	(18,541)		(18,541)
Cancellation of treasury stock					(40,578)		40,578	-		-
BALANCE, MARCH 31, 2020	206,244,872	¥64,100	¥100,521	¥20,981	¥451,768	¥(83,606)	¥(23,349)	¥530,415	¥2,174	¥532,589

* Represents the impact of adopting the new accounting standard related to financial instruments. For more information, see Note 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.
** Includes a decrease of ¥275 million in capital surplus due to a change in estimate related to share-based compensation.

See notes to consolidated financial statements.

OMRON Corporation and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2020, 2019 and 2018

	Millions of Yen		
	2020	2019	2018
OPERATING ACTIVITIES:			
Net income	¥ 75,335	¥ 54,991	¥ 63,506
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	28,605	30,459	29,465
Net loss (gain) on sales and disposals of property, plant, and equipment	(1,487)	(1,098)	949
Impairment losses on long-lived assets	498	196	911
Net loss on valuation of investment securities	1,170	563	-
Net loss (gain) on sales of investment securities	43	-	(3,003)
Impairment losses on investment securities	-	-	155
Termination and retirement benefits	(436)	3,818	2,706
Deferred income taxes	(125)	(383)	(2,607)
Equity in loss (earnings) of affiliates	963	1,578	(1,754)
Loss (gain) on sales of businesses	(51,450)	(407)	14
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable – trade	12,944	(534)	(3,210)
Decrease (increase) in inventories	10,704	(3,491)	(17,409)
Decrease (increase) in other assets	(6,422)	(294)	(6,113)
Increase (decrease) in notes and accounts payable – trade	(1,319)	(5,401)	4,116
Increase (decrease) in income taxes payable	15,614	(2,775)	(614)
Increase (decrease) in accrued expenses and other current liabilities	3,570	(6,851)	6,276
Other, net	1,600	874	285
Total adjustments	14,452	16,254	10,167
Net cash provided by operating activities	89,787	71,245	73,673
INVESTING ACTIVITIES:			
Proceeds from sale or maturities of investment securities	1,423	465	3,776
Purchase of investment securities	(2,344)	(602)	(649)
Capital expenditures	(37,629)	(39,045)	(38,542)
Decrease (increase) in leasehold deposits, net	62	(193)	(634)
Proceeds from sales of property, plant, and equipment	4,565	3,475	990
Increase in investment in and loans to affiliates, net	(2,231)	(498)	-
Proceeds from sales of businesses, net of cash paid	64,460	1,817	(427)
Acquisition of business, net of cash acquired	-	(830)	(20,445)
Other, net	333	454	89
Net cash provided by (used in) investing activities	28,639	(34,957)	(55,842)
FINANCING ACTIVITIES:			
Net borrowings (repayments) of short-term debt	6,365	2,109	951
Dividends paid by the Company	(17,250)	(16,776)	(15,378)
Dividends paid to noncontrolling interests	(293)	(343)	(215)
Acquisition of treasury stock	(18,571)	(25,716)	(18,530)
Other, net	(319)	(57)	90
Net cash used in financing activities	(29,430)	(40,783)	(33,082)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(13,713)	1,722	2,248
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	75,283	(2,773)	(13,003)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	110,250	113,023	126,026
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	185,533	110,250	113,023
CASH AND CASH EQUIVALENTS FROM DISCONTINUED OPERATIONS AT END OF THE YEAR	-	6,400	6,800
CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS AT END OF THE YEAR	¥ 185,533	¥ 103,850	¥ 106,223

Note: Consolidated statements of cash flows consist of cash flows from continuing operations and cash flows from discontinued operations. The Company has not presented cash flows separately for discontinued operations. For more information, see Note 21. DISCONTINUED OPERATIONS.

See notes to consolidated financial statements.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Company is a multinational manufacturer of automation components, equipment and systems with advanced computer, communications, and control technologies. The Company conducts business in more than 30 countries around the world and strategically manages its worldwide operations through five regional management centers in the United States, the Netherlands, China, Singapore and South Korea. Products, classified by type and market, are organized into operating segments as described below.

Industrial Automation Business (IAB) manufactures and sells programmable controllers, motion controllers, sensing devices, industrial camera/code reader devices, inspection systems, safety devices and industrial robots. IAB is innovating manufacturing worksites through a wide range of control devices in the industry and unique control technologies to contribute to productivity improvements throughout the manufacturing industries worldwide.

Electronic and Mechanical Components Business (EMC) manufactures and sells relays, switches, connectors, amusement components and units, general sensors, facial recognition software, image sensing component and micro-electro-mechanical systems (MEMS) sensors. EMC also provides electronic components globally in a wide range of fields including built-in control components for general application (consumer) devices, automotive devices, environmental and energy devices, industrial equipment, built-in components for mobile devices such as mobile phones, etc.

Social Systems Solution and Service Business (SSB) creates solutions using sensing and control technologies, software, and total maintenance services for safer, more secure, and more comfortable communities, and works with customers to contribute to building an optimized society. SSB provides products such as railway station service systems, traffic and road management systems, card payment services, security and safety solutions, energy management business, IoT (power protection, data protection) solutions and related maintenance business.

Healthcare Business (HCB) products and services worldwide help with the prevention, improvement, and management of lifestyle diseases from household-use measurement devices to professional medical equipment in order to contribute to the health and comfortable lifestyle for people. In the data service field, HCB provides *OMRON connect,* which allows for data coordination between various health and medical applications of other companies and data measured using OMRON products to support people's health. HCB provides products such as digital blood pressure monitors, nebulizers, low-frequency therapy equipment, ECGs, oxygen generators, digital thermometers, body composition monitors, pedometers and activity meters, electric toothbrushes, massagers, blood glucose monitors, vascular screening devices and visceral fat monitors.

Other develops and strengthens existing businesses as well as explores and develops new business fields under the direct control of headquarters. The group provides products such as solar power conditioners, electricity storage systems, electrical power measuring devices and power protection devices.

Basis of Financial Statements

The accompanying consolidated financial statements are stated in Japanese yen. Based upon requirements for depositary receipts issued in Europe, the consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America. Certain reclassifications have been made to amounts previously reported in order to conform to classifications as of and for the year ended March 31, 2020. The Company is not registered with the Securities and Exchange Commission in the United States of America.

Principles of Consolidation

The consolidated financial statements include the accounts of the Companies. All significant intercompany accounts and transactions have been eliminated in consolidation.

Investments in which the Companies do not exert control but have a 20% to 50% interest (affiliates) are accounted for using the equity method.

The consolidated financial statements include all of the Company's subsidiaries (129 companies at March 31, 2020 and 150 companies at March 31, 2019).

The Companies have introduced a performance based share compensation plan using structures called a BIP Trust and an ESOP Trust starting from the fiscal year ended March 31, 2018. The Companies acquired the Company's shares from the stock market and grant the Company's shares and cash in the amount of the converted value of such shares to the members of the Board of Directors and Executive Officers according to their executive position and degree of achievement of performance targets.

The Companies have both the power to direct the activities that most significantly impact the trusts' economic performance through the establishment of their plans. The Companies have the potential obligation since the Companies may entrust additional money to the trusts for use in acquisition of additional shares of the Company. As a result, the Companies are considered to be the primary beneficiaries of the trusts and therefore consolidate the trusts as variable interest entities, however, the trusts are not included in the number of the Company's subsidiaries.

The carrying amounts of assets and net assets of the trusts which are included in the consolidated balance sheet as of March 31, 2020 and 2019 were ¥168 million and ¥113 million of cash and cash equivalents and ¥4,164 million and ¥4,194 million of treasury stock, respectively.

Application of Equity Method

Investments in the Company's affiliated companies are accounted for using the equity method.

Affiliated companies that are accounted for using the equity method are

Hitachi-Omron Terminal Solutions, Corp. and others.
Total: 19 companies and 20 companies as of March 31, 2020 and 2019, respectively.

Differing Fiscal Year-Ends

There are 27 and 36 subsidiaries as of March 31, 2020 and 2019, respectively, which have different fiscal year-ends from that of the Company. The March 31 year-end financial statements were used by 26 and 34 subsidiaries as of March 31, 2020 and 2019, respectively, for the purpose of the Company's consolidation. The remaining subsidiaries were consolidated based on their respective year end as the effects due to the differing fiscal year-ends did not have a material effect on the Company's consolidated financial statements.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In response to the ongoing and rapidly evolving global outbreak the novel corona virus disease ("COVID-19"), we considered the impact of the estimated economic implications on our significant accounting estimates, including the impairment of long-lived assets and the assessment of recoverability of deferred tax assts.

Given the extensive effect of COVID-19 to the economy and corporate activities, it is challenging to predict the future spread and pinpoint when containment can be achieved. Based on external information available at the end of the current fiscal year, the Companies believe that the effect of COVID-19 will continue for a certain period during the next fiscal year, and factored such consideration into the above-mentioned accounting estimates. For more information about these balances as of the end of the current fiscal year, see Consolidated Financial Statements and related Notes to Consolidated Financial Statements.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less, including time deposits, commercial paper, securities purchased with resale agreements and money market instruments.

Allowance for Doubtful Receivables

An allowance for doubtful receivables is established in amounts considered to be appropriate based primarily upon the Companies' past credit loss experience and an evaluation of potential losses within the outstanding receivables.

Investments

The Companies measure equity securities that have readily determinable fair value at fair values with changes recognized in "Net loss on investment securities" or "Net gain on valuation of investment securities". Equity securities without readily determinable fair values are accounted for at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer or at other reasonable methods with changes recognized in "Net loss on valuation of investment securities" or "Net gain on valuation of investment securities". Realized gains and losses are determined by the average cost method.

Inventories

Domestic inventories are mainly stated at the lower of cost, determined by the first-in, first-out method, or net realizable value. Overseas inventories are mainly stated at the lower of cost, determined by the moving-average method, or net realizable value.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Depreciation of property, plant, and equipment is computed principally by the declining-balance method based upon the estimated useful lives of the assets. However, certain of the Company's subsidiaries located outside of Japan calculate depreciation using the straight-line method based upon the estimated useful lives of the assets.

The estimated useful lives primarily range from 3 to 50 years for buildings and from 2 to 15 years for machinery and equipment. Depreciation expense was ¥19,497 million, ¥19,222 million, and ¥18,153 million for the years ended March 31, 2020, 2019 and 2018, respectively.

Goodwill and Other Intangible Assets

The Companies account for goodwill and other intangible assets in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350, "Intangibles - Goodwill and Other", which requires that goodwill is not to be amortized, but instead tested for impairment annually during the fourth quarter of the fiscal year and between annual tests if an event occurs or circumstances change that would indicate the carrying amount may be impaired. Impairment testing for goodwill is done at the reporting unit level. Reporting units are operating segments or one level below the operating segments.

The Companies typically use the discounted cash flow method to estimate the fair value of these assets, which is based on forecasts of the expected future cash flows attributable to the respective assets. Significant estimates and assumptions inherent in the valuations reflect the view of market participants, and include the amount and timing of future cash flows (including expected growth rates and profitability). Estimates utilized in the discounted cash flows include consideration of macroeconomic conditions, overall category growth rates, competitive activities, cost containment and margin expansion, Company business plans, the underlying product or technology life cycles, economic barriers to entry, a brand's relative market position and the discount rate applied to the cash flows. Unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions.

If the fair value of a reporting unit exceeds its carrying amount, goodwill is not considered to be impaired. If the carrying amount of a reporting unit exceeds its fair value, the Companies then calculate the implied fair value of the goodwill, and compare it with the carrying amount of the goodwill. If the carrying amount of the goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess.

Intangible assets with finite lives are amortized over their respective estimated useful lives.

Long-Lived Assets

Property, plant, and equipment and intangible assets which is amortized ("long-lived assets") are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might be unrecoverable. Long-lived Assets are reviewed for impairment for each asset group. An asset group is the unit of accounting for a long-lived asset or assets to be held and used, which represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. The recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted cash flows expected to be generated by the asset. If such assets are considered to be potentially impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. The Companies use present values of the expected future cash flows which is based on forecasts of the respective assets or observable market prices to estimate the fair value of these assets. Estimates of future cash flows are based on the remaining useful life of the primary asset of the group. Assets to be disposed of other than by sale are considered held and used until disposed. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value, less selling costs.

Leases

As lessees, the Companies enters into various operating and finance leases for buildings, warehouses, corporate housings, and cars. Right-of-use assets and lease liabilities are recognized at the start of the lease contracts. Some of the contracts include options to extend or to terminate the lease. The Companies take such options into consideration in order to determine the lease term when it is reasonably certain that it will exercise these options. As the rate implicit in the majority of the Companies' leases cannot be determined, the Companies use their incremental borrowing rate based on the information available at commencement to determine the present values of lease payments. The incremental borrowing rate is the rate of interest that the Companies would have to pay to borrow, on a collateralized basis, an amount equal to the lease payments, in a similar economic environment and over a similar term. The Companies elect not to recognize right-of-use assets and lease liabilities for short-term leases of which the lease term is 12 months or less. And the Companies do not have any material finance lease agreements for the year ended March 31, 2020 and the year ended March 31, 2019.

Advertising Costs

Advertising costs are charged to earnings as incurred and included in selling, general and administrative expenses. Advertising expense was ¥9,701 million, ¥11,354 million, and ¥10,312 million for the years ended March 31, 2020, 2019 and 2018, respectively.

Shipping and Handling Charges

Shipping and handling charges are included in selling, general and administrative expenses. Shipping and handling charges were ¥9,208 million, ¥9,079 million, and ¥9,064 million for the years ended March 31, 2020, 2019 and 2018, respectively.

Termination and Retirement Benefits

Termination and retirement benefits are accounted for and are disclosed in accordance with ASC 715, "Compensation - Retirement Benefits", based on the fiscal year end fair value of plan assets and the projected benefit obligations of employees. The provision for termination and retirement benefits includes amounts for directors and corporate auditors of the Companies.

Income Taxes

Deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts, operating loss carryforwards, and tax credit carryforwards. Carrying amounts of deferred tax assets require a reduction by a valuation allowance if, based on available evidence, it is more likely than not that such assets will not be realized prior to expiration. Accordingly, the need to establish a valuation allowance for deferred tax assets is assessed periodically with appropriate consideration given to all positive and negative evidence related to the realization of the deferred tax assets. Management's judgments related to this assessment consider, among other matters, the nature, frequency and severity of current and cumulative losses on an individual tax jurisdiction basis, forecasts of future profitability, excess of appreciated asset value over the tax basis of net assets, the duration of statutory carryforward periods, the past utilization of net operating loss carryforwards prior to expiration, as well as the feasibility of tax planning strategies which would be planned by the Companies to prevent net operating loss and tax credit carryforwards from expiring.

The Companies apply the guidance ASC 740, "Accounting for Uncertainty in Income Taxes". In evaluating the tax benefits based on available information at the reporting date, the Company records a tax benefit using a more likely than not threshold.

The Company and certain domestic subsidiaries compute current income taxes based on consolidated taxation system as permitted by Japanese tax regulations. The Company and certain domestic subsidiaries will shift to a tax sharing system established by the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020) and the items under the non-consolidated taxation system has been reviewed in conjunction with the transition to the group tax sharing system. The effects resulting from the adoption of this law was not material.

Consumption Taxes and Other Value-Added Taxes

Consumption taxes and other value-added taxes have been excluded from sales.

Product Warranties

A liability for estimated warranty-related costs is established at the time revenue is recognized and is included in other current liabilities. The liability is established using historical information, including the nature, frequency, and average cost of past warranty claims.

Derivatives

Derivative instruments and hedging activities are accounted for in accordance with ASC 815, "Derivatives and Hedging". This standard establishes accounting and reporting standards for derivative instruments and for hedging activities and requires that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheets and measure those instruments at fair value.

For forward exchange contracts, currency option contracts and commodity swap contracts, on the date the derivative contract is entered into, the Companies designate the derivative as a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). The Companies formally document all relationships between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as cash flow hedges to specific assets and liabilities in the consolidated balance sheet or to specific firm commitments or forecasted transactions. Based on the Companies' policy, all forward exchange contracts, currency option contracts and commodity swap contracts entered into must be highly effective in offsetting changes in cash flows of hedged items.

Changes in fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are recorded in other comprehensive income (loss) until earnings are affected by the variability in cash flows of the designated hedged item.

Cash Dividends

Cash dividends are reflected in the consolidated financial statements at proposed amounts in the year to which they are applicable, even though payment is not approved by shareholders until the annual general meeting of shareholders held early in the following fiscal year. Corresponding dividends payable are included in other current liabilities in the consolidated balance sheets.

Revenue Recognition

Revenue from contracts with customers is recognized when, or as, control of promised goods or services transfers to customers in an amount that reflects the consideration to which the Companies expects to be entitled in exchange for transferring these goods or services by applying the following five steps model:

Step 1: Identify the contracts with customers
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when, or as, the entity satisfies a performance obligation

The transaction price is the amount of consideration in a contract to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, less any discounts, rebates or other similar items. The Companies consider all the information (historical, current, and forecast) that is reasonably available to estimate the amount of variable consideration. As a practical expedient, the Companies do not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Share-Based Compensation

The Companies apply ASC 718, "Compensation - Stock Compensation", and measure stock-based compensation costs based on the fair value at the grant date and recognize the costs over the vesting period.

Translation of Financial Statement Items of the Company's Subsidiaries Located Outside of Japan into Japanese Yen

Consolidated financial statements of the Company's subsidiaries located outside of Japan are translated in accordance with ASC 830, "Foreign Currency Matters". Assets and liabilities of the subsidiaries are translated into Japanese yen at the rate of exchange in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the year. Gains and losses resulting from translation of financial statements are reported in accumulated other comprehensive income (loss) as foreign currency translation adjustments.

Comprehensive Income

The Companies apply ASC 220, "Comprehensive Income". Comprehensive income is composed of net income attributable to shareholders, changes in foreign currency translation adjustments, changes in pension liability adjustments, changes in unrealized gains (losses) on available-for-sale securities and changes in net gains (losses) on derivative instruments designated as cash flow hedges and disclosed within the consolidated statements of comprehensive income.

New Accounting Standards

Recently adopted accounting guidance

In February 2016, the FASB issued ASU No. 2016-02, "Leases". The ASU requires the recognition of most lease right-of-use assets and liabilities on balance sheet which are classified as operating leases in the current standard. In July 2018, the FASB issued ASU No. 2018-11, "Leases". This ASU provides entities with an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, the Companies initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption.

The Company elected the package of practical expedients which allow the Company not to reassess whether: any existing, or expired contracts are or contain leases; the lease classification for expired or existing leases; or whether previously-capitalized initial direct costs would qualify for capitalization under the new standard, including short-term lease recognition exemption.

As a result of the adoption, as of April 1, 2019, the Companies recognized right-of-use assets and lease liabilities related to operating leases in the amount of ¥34,946 million. The effects resulting from the adoption of these standards on the consolidated statements of operations and consolidated statements of cash flows were not material.

In August 2017, the FASB issued ASU No. 2017-12, "Targeted Improvements to Accounting for Hedging Activities". This ASU amends the hedge accounting recognition and presentation requirements and requires an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. As a result of the adoption, as of April 1, 2019, the effects resulting from the adoption of this guidance were not material.

Recently issued accounting guidance not yet adopted

In January 2017, the FASB issued ASU No. 2017-04, "Simplifying the Test for Goodwill Impairment". This ASU requires the elimination of Step 2 from the goodwill impairment test. This ASU also requires the recognition of an impairment charge for the amount by which the carrying amount exceeds a reporting unit's fair value, on the condition that the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The Companies plan to adopt ASU No. 2017-04 on April 1, 2021. The Companies are currently evaluating the effect that the adoption of this guidance will have on the consolidated financial statements.

2. REVENUE

Disaggregation of Revenue

The following table presents the Companies' revenues disaggregated by geographical region and operating segment for the years ended March 31, 2020, 2019 and 2018.

	Millions of Yen							
2020	IAB	EMC	SSB	HCB	Other	Total	Eliminations and Others	Consolidated
Sales:								
Sales to external customers	¥ 352,762	¥ 88,357	¥ 84,501	¥ 111,999	¥ 36,428	¥ 674,047	¥ 3,933	¥ 677,980
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
Major regional market (external customers):								
Japan	¥ 139,970	¥ 22,845	¥ 83,718	¥ 26,081	¥ 34,989	¥ 370,603	¥ 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
Southern 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

	Millions of Yen							
2019	IAB	EMC	SSB	HCB	Other	Total	Eliminations and Others	Consolidated
Sales:								
Sales to external customers	¥ 391,826	¥ 103,123	¥ 75,023	¥ 115,493	¥ 41,739	¥ 727,204	¥ 5,377	¥ 732,581
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
Major regional market (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
Southern 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

	Millions of Yen							
2018	IAB	EMC	SSB	HCB	Other	Total	Eliminations and Others	Consolidated
Sales:								
Sales to external customers	¥ 396,140	¥ 107,161	¥ 70,289	¥ 108,489	¥ 44,377	¥ 726,456	¥ 5,850	¥ 732,306
Intersegment sales	6,724	57,765	5,273	306	7,849	77,917	(77,917)	-
Total	¥ 402,864	¥ 164,926	¥ 75,562	¥ 108,795	¥ 52,226	¥ 804,373	¥ (72,066)	¥ 732,306
Major regional market (external customers):								
Japan	¥ 151,975	¥ 25,673	¥ 69,424	¥ 26,034	¥ 35,460	¥ 308,566	¥ 4,742	¥ 313,308
Americas	35,282	17,532	-	23,785	-	76,599	-	76,599
Europe	77,725	16,945	-	20,962	-	115,632	-	115,632
Greater China	77,660	32,007	295	26,796	8,524	145,282	-	145,282
Southern Asia and Others	53,073	14,889	-	10,327	-	78,289	-	78,289
Direct Exports	425	115	570	585	393	2,088	1,108	3,196
Total	¥ 396,140	¥ 107,161	¥ 70,289	¥ 108,489	¥ 44,377	¥ 726,456	¥ 5,850	¥ 732,306

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, South Korea, India, Australia
(5) Direct Exports: Direct delivery exports

In relation to businesses other than the SSB and Environment component (which is included in the Other segment), the Companies recognize revenue from domestic sales of goods when goods are delivered at customer's sites, unless stated otherwise in a contract. The revenue from export sales for such businesses is recognized when the transfer of the risk of loss to customer is complete, based on the trade terms and conditions such as Incoterms.

In addition, the Companies will provide for an estimate of rebates for customers based on the quantities sold to promote the sales of its products. The amount of the rebate is included in variable consideration and can be reasonably estimated, therefore, the estimate of variable consideration is not constrained. Consideration is received in approximately three months. The product of the Company or subsidiaries does not include any right of return.

In relation to the SSB or Environment component, the Companies recognize revenue when the products are accepted by the customers. Consideration is received in approximately three months. In addition, certain trades include long-term maintenance service for which revenue is recognized over a certain period. Consideration for such service rendered is received in approximately three months. The Companies may receive consideration as an advance payment for future products or sales, in which case will be recognized as a contract liability is recorded in other current liabilities or other non-current liabilities.

Contract Balances

The beginning and the ending balances of contract liabilities for the fiscal year ended March 31, 2020 were as follows:

	Millions of Yen			
		Contract Liabilities		
	Notes and Accounts Receivable	Other Current Liabilities	Other Long-Term Liabilities	Total
Balance at beginning of year	¥149,171	¥1,710	¥8,543	¥10,253
Balance at ending of year	134,786	2,248	8,903	11,151

For the year ended March 31, 2020, revenue of ¥1,778 million was recognized from contract liabilities at the beginning of the year.

The beginning and the ending balances of contract liabilities for the fiscal year ended March 31, 2019 were as follows:

	Millions of Yen			
		Contract Liabilities		
	Notes and Accounts Receivable	Other Current Liabilities	Other Long-Term Liabilities	Total
Balance at beginning of year	¥151,148	¥1,685	¥7,360	¥ 9,045
Balance at ending of year	149,171	1,710	8,543	10,253

For the year ended March 31, 2019, revenue of ¥1,552 million was recognized from contract liabilities at the beginning of the year.

Transaction Price Allocated to Remaining Performance Obligations

Remaining performance obligations at March 31, 2020 are mainly expected to be recognized as revenue within 1 to 10 years. We have not disclosed information about transaction price allocated to remaining performance obligations that have original expected durations of one year or less.

3. INVENTORIES

Inventories at March 31, 2020 and 2019 consisted of:

	Millions of Yen	
	2020	2019
Finished products	¥ 61,262	¥ 72,226
Work in process	14,094	14,765
Materials and supplies	28,945	33,388
Total	¥ 104,301	¥ 120,379

4. INVESTMENTS

The unrealized holding gains or losses and realized gains or losses on equity securities for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen	
	2020	2019
Net losses (gains) recognized during the period on equity securities	¥1,170	¥563
Net losses (gains) realized during the period on equity securities sold during the period	101	(36)
Unrealized losses (gains) recognized during the period on equity securities held at March 31	1,069	599

Equity securities without readily determinable fair values are accounted for at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

No impairment was recorded, and other adjustments resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer, recorded to loss during the year ended March 31, 2020 were ¥126 million. The aggregate amount of equity securities without readily determinable fair values was ¥2,788 million at March 31, 2020.

No impairment was recorded, and other adjustments resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer, recorded to gains during the year ended March 31, 2019 were ¥48 million. The aggregate amount of equity securities without readily determinable fair values was ¥4,738 million at March 31, 2019.

5. NOTES AND ACCOUNTS RECEIVABLE

The Companies have entered into different types of transactions with affiliated companies through the ordinary course of business.

The amount of accounts receivable with affiliates resulting from these transactions was ¥1,565 million and ¥1,808 million for the years ended March 31, 2020 and 2019, respectively.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

The components of acquired intangible assets, excluding goodwill, at March 31, 2020 and 2019 were as follows:

	Millions of Yen			
	2020		2019	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Intangible assets subject to amortization:				
Software	¥61,748	¥50,966	¥58,416	¥46,887
Customer-related asset	5,490	1,035	5,835	811
Technology-based asset	6,754	2,081	6,808	1,485
Other	4,441	867	5,716	1,678
Total	¥78,433	¥54,949	¥76,775	¥50,861

Aggregate amortization expense related to intangible assets was ¥6,207 million, ¥6,132 million, and ¥6,162 million for the years ended March 31, 2020, 2019 and 2018, respectively.

Estimated amortization expense for the next five years ending March 31 is as follows:

Years Ending March 31	Millions of Yen
2021	¥5,512
2022	4,661
2023	3,872
2024	2,707
2025	1,718

Intangible assets, not subject to amortization, at March 31, 2020 and 2019 were immaterial.

The carrying amounts of goodwill in each segment at March 31, 2020 and 2019, and changes in their carrying amounts for the years ended March 31, 2020 and 2019 were as follows:

	Millions of Yen					
	2020					
	IAB	EMC	SSB	HCB	Other	Total
Balance at beginning of year:						
Goodwill	¥39,683	¥ 425	¥ -	¥ 6,495	¥ 1,475	¥48,078
Accumulated impairment losses	(5,739)	(332)	-	-	(1,475)	(7,546)
Total	¥33,944	¥ 93	¥ -	¥ 6,495	¥ -	¥40,532
Acquisition	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Sales of business entity	-	-	-	-	-	-
Foreign currency translation adjustments and other	(737)	(7)	-	(1,220)	-	(1,964)
Balance at end of year:						
Goodwill	38,946	418	-	5,275	1,475	46,114
Accumulated impairment losses	(5,739)	(332)	-	-	(1,475)	(7,546)
Total	¥33,207	¥ 86	¥ -	¥ 5,275	¥ -	¥38,568

	Millions of Yen					
	2019					
	IAB	EMC	SSB	HCB	Other	Total
Balance at beginning of year:						
Goodwill	¥42,026	¥ 429	¥ -	¥5,988	¥ 1,475	¥ 49,918
Accumulated impairment losses	(9,406)	(332)	-	-	(1,475)	(11,213)
Total	¥32,620	¥ 97	¥ -	¥5,988	¥ -	¥ 38,705
Acquisition	-	-	-	1,203	-	1,203
Impairment	-	-	-	-	-	-
Sales of business entity	-	-	-	-	-	-
Foreign currency translation adjustments and other	1,324	(4)	-	(696)	-	624
Balance at end of year:						
Goodwill	39,683	425	-	6,495	¥ 1,475	48,078
Accumulated impairment losses	(5,739)	(332)	-	-	(1,475)	(7,546)
Total	¥33,944	¥ 93	¥ -	¥6,495	¥ -	¥ 40,532

The Companies records goodwill and other intangible assets in accordance with ASC 350, "Intangibles - Goodwill and Other". No impairment losses were recognized for the fiscal years ended March 31, 2020 and 2019. The fair value of the reporting unit was estimated by using the present value of expected future cash flows method.

7. IMPAIRMENT LOSSES ON LONG-LIVED ASSETS

In accordance with ASC 360, "Property, Plant, and Equipment", the Companies recognized impairment losses of ¥339 million related to certain idle equipment used by the EMC segment for the fiscal year ended March 31, 2020. The Companies also recognized impairment losses of ¥113 million on long-lived assets due to some idle equipment under Eliminations and Others. Furthermore, the Companies recognized impairment losses of ¥46 million on long-lived assets due to decreasing profitability of the backlight business, in the Other segment.

The Companies recognized impairment losses of ¥99 million related to certain idle equipment used by the EMC segment for the fiscal year ended March 31, 2019. The Companies also recognized impairment losses of ¥97 million on long-lived assets due to decreasing profitability of the backlight business, in the Other segment.

The Companies recognized impairment losses of ¥5 million on long-lived assets for the fiscal year ended March 31, 2018 related the HCB segment as a result of the closure of a part of the service business. The Companies also recognized impairment losses of ¥163 million on long-lived assets due to decreasing profitability of the backlight business and ¥73 million due to decreasing profitability of the micro-device related business, both in the Other segment. Furthermore, the Companies recognized impairment losses of ¥670 million on long-lived assets due to some idle equipment under Eliminations and Others.

These impairment losses are included in other expenses, net within the consolidated statements of income. The fair values were estimated using the present value of expected future cash flows and the appraised value.

8. LEASES

The Companies do not have any material finance lease agreements.

The Companies have operating lease agreements primarily involving offices and equipment for varying periods. Generally, leases that expire are expected to be renewed or replaced by other leases. The Companies determine if a contract is, or contains, a lease at the inception of each contract. Some of the contracts include options to extend or to terminate the lease. The Companies take such options into accounts to determine the lease term when it is reasonably certain that it will exercise these options. The Companies' lease arrangements do not contain material residual value guarantees or material restrictive covenants. As the rate implicit in the majority of the Companies' leases cannot be determined, the Companies use their incremental borrowing rate based on the information available at commencement to determine the present values of lease payments. The incremental borrowing rate is the rate of interest that the Companies would have to pay to borrow, on a collateralized basis, an amount equal to the lease payments, in a similar economic environment and over a similar term. The Companies have lease contracts with lease and non-lease components, which are accounted for separately. The Companies allocate the consideration in the lease contract to the lease and non-lease components based upon the estimated standalone prices. Lease expense for lease payments are recognized on a straight-line basis over the term of the lease. The Companies determine the stand-alone prices for each of the lease and non-lease components based on the prices which lessor or similar suppliers would charge to sell the lease or nonlease component separately.

Lease costs are included in cost of goods sold or selling, general and administrative expense in the accompanying consolidated statement of income. Supplemental income statement information is as follows:

Year Ended March 31	Millions of Yen
	2020
Finance lease cost:	
Amortization of right-of-use assets	¥ 2,506
Operating lease cost	12,359
Short-term lease cost	794
Other lease cost	863
Total lease cost	¥16,522

Operating Lease Cash Flow

Supplemental cash flow information is as follows:

Year Ended March 31	Millions of Yen
	2020
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	¥11,479
Noncash activity - Right-of-use assets obtained in exchange for operating lease liabilities	
Operating leases	8,311

Maturity Analysis

The following is a schedule by year of the future minimum lease payments under operating leases at March 31, 2020:

Years Ending March 31	Millions of Yen
2021	¥11,182
2022	7,965
2023	5,200
2024	2,217
2025	1,440
Thereafter	3,948
Total future minimum lease payments	32,072
Less Imputed Interest	(1,181)
Total lease liabilities	¥30,890

Remaining Lease Term and Discount Rate

The following is remaining lease term and discount rate under operating leases at March 31, 2020:

Year Ended March 31	Millions of Yen 2020
Weighted-average remaining lease term – operating leases	55 months
Weighted-average discount rate – operating leases	1.2%

9. TERMINATION AND RETIREMENT BENEFITS

In the fiscal year ended March 31, 2020, the Company and certain domestic subsidiaries decided to switch from the existing defined benefit pension plan and lump-sum payment plan (the "Plans") to the defined contribution pension plan (the "DC") for future service rendered on or after July 1, 2019. The Company also decided to amend the Plans and switch certain parts of the Plans for service rendered prior to June 30, 2019 to the DC over a period required by the regulation.

The Companies recognized a decrease in pension benefit obligation ("PBO") due to the amendment of the Plans as "Amendments" and also recorded a "Prior service benefit". In addition, the decrease in PBO from the Plans termination (curtailments) was recognized as "Curtailments" in the table below and also recognized as "Net actual loss". Furthermore, prior service benefit recorded in prior years was recognized as "Curtailments gain" as one-time gain. Additionally, the decrease in PBO from the payment to the DC for the current fiscal year as a result of the switch to the DC was recognized as "Settlements", and the difference between the PBO decrease and the payment to the DC was recognized as "Settlements loss" in earnings.

The Company and its domestic subsidiaries had sponsored termination and retirement benefit plans which cover substantially all domestic employees (the "funded contributory termination and retirement plan in Japan") until the switch to the DC was decided. Benefits had been based on a point-based benefits system, under which benefits are calculated mainly based on accumulated points awarded to employees each year according to their job classification and performance. If termination is involuntary, employees are usually entitled to greater payments than in the case of voluntary termination.

The Company and its domestic subsidiaries fund a portion of the obligation under these plans. The general funding policy is to contribute amounts computed in accordance with actuarial methods acceptable under Japanese tax law.

Obligations and Funded Status

The reconciliation of beginning and ending balances of the benefit obligations and the fair value of the plan assets at March 31, 2020 and 2019 were as follows:

	Millions of Yen	
	2020	2019
Change in benefit obligation:		
Benefit obligation at beginning of year	¥ 238,081	¥ 229,842
Service cost	1,856	6,884
Interest cost	1,117	1,724
Actuarial loss	4,757	8,937
Benefits paid	(8,466)	(7,967)
Settlement paid	(1,433)	(748)
Divestitures	-	(591)
Curtailments	(15,660)	-
Amendments	(9,939)	-
Settlements	(1,114)	-
Benefit obligation at end of year	¥ 209,200	¥ 238,081
Change in plan assets:		
Fair value of plan assets at beginning of year	¥ 156,180	¥ 157,289
Actual return on plan assets	(1,697)	1,371
Employers' contributions	689	2,140
Contributions from assets in retirement benefit trust	1,284	2,029
Benefits paid	(5,918)	(5,702)
Settlement paid	(1,433)	(748)
Divestitures	-	(199)
Fair value of plan assets at end of year	¥ 149,105	¥ 156,180
Fair value of assets in retirement benefit trust at beginning of year	¥ 30,271	¥ 36,167
Actual return on assets in retirement benefit trust	(4,327)	(3,867)
Contributions to plan assets	(1,284)	(2,029)
Fair value of assets in retirement benefit trust at end of year	¥ 24,660	¥ 30,271
Funded status at end of year	¥ (35,435)	¥ (51,630)

Amounts recognized in the consolidated balance sheets at March 31, 2020 and 2019, consisted of:

	Millions of Yen	
	2020	2019
Other current liability	¥ (1,113)	¥ (1,267)
Termination and retirement benefit	(34,322)	(50,363)
Total	¥(35,435)	¥(51,630)

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2020 and 2019, before tax, consisted of:

	Millions of Yen	
	2020	2019
Net actuarial loss	¥ 100,872	¥ 99,890
Prior service benefit	(15,236)	(535)
Total	¥ 85,636	¥ 99,355

The accumulated benefit obligation at March 31, 2020 and 2019 was as follows:

	Millions of Yen	
	2020	2019
Accumulated benefit obligation	¥209,200	¥227,625

Components of Net Periodic Benefit Cost

The expense recorded for the contributory termination and retirement benefit plans for the years ended March 31, 2020, 2019 and 2018, included the following components:

	Millions of Yen		
	2020	2019	2018
Service cost	¥ 1,856	¥ 6,884	¥ 6,482
Interest cost on projected benefit obligation	1,117	1,724	1,771
Expected return on plan assets	(4,846)	(4,880)	(4,670)
Amortization	3,814	3,029	3,099
Curtailments gain	(537)	-	-
Settlements loss	1,734	-	-
Net periodic benefit cost	¥ 3,138	¥ 6,757	¥ 6,682

In accordance with ASC 715, "Compensation - Retirement Benefits", the unrecognized prior service benefit occurred in the fiscal year ended March 31, 2020 is amortized on a straight-line basis over the average remaining life expectancy years of 37 years. The unrecognized actuarial gains and losses are amortized on a straight-line basis over 15 years that exceed 10% of the larger of the projected benefit obligation or plan assets.

The estimated net actuarial loss and prior service benefit that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost for the year ending March 31, 2021 are summarized as follows:

	Millions of Yen
Net actuarial loss	¥4,197
Prior service benefit	(423)

Measurement Date

The Company and some of its domestic subsidiaries which cover the majority of the projected benefit obligation and plan assets of the termination and retirement benefits use March 31 as the measurement date.

Assumptions

Weighted-average assumptions used to determine the benefit obligations at March 31, 2020 and 2019 were as follows:

	2020	2019
Discount rate	0.58%	0.60%
Compensation increase rate	- %	2.00%

Weighted-average assumptions used to determine termination and retirement benefit costs for the years ended March 31, 2020, 2019 and 2018 were as follows:

	2020	2019	2018
Discount rate	0.52%	0.75%	0.80%
Compensation increase rate	- %	2.00%	2.00%
Expected long-term rate of return on plan assets	3.00%	3.00%	3.00%

The expected return on plan assets is determined by estimating the future rate of return on each category of plan assets considering actual historical returns and current economic trends and conditions.

Since the Company and certain domestic subsidiaries decided to switch from the existing Plans to the DC for future service rendered on or after July 1, 2019, Compensation increase rate is no longer required.

Plan Assets

The Company's investment policies are designed to ensure that adequate plan assets are available to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, the Company formulates a model portfolio composed of the optimal combination of equity and debt securities in order to yield a total return that will match the expected return on a mid-term to long-term basis.

The Company evaluates the gap between long-term expected return and actual return of invested plan assets to determine if such differences necessitate a revision in the formulation of the model portfolio. In the event that the Company determines the need for a revision of the model portfolio to accomplish the expected long-term rate of return on plan assets, the Company revises the model portfolio to the extent necessary.

The target allocation of plan assets is 20.0% equity securities, 47.0% debt securities and life insurance general account assets, and 33.0% other. Equity securities are mainly composed of stocks that are listed on various securities exchanges. The Company has investigated the business condition of investee companies and appropriately diversified the equity investments by type of industry, brand, and other relevant factors. Debt securities are primarily composed of government bonds, public debt instruments, and corporate bonds. The Company has investigated the quality of the debt issued, including credit rating, interest rate, and repayment dates and appropriately diversified the debt investments. For investments in life insurance general account assets, contracts with the insurance companies include a guaranteed interest and return of capital. Others are joint trusts mainly composed of alternative and appropriately diversified.

The fair values of the Company's pension plan assets by asset category as of March 31, 2020 and 2019 were as follows:

	Millions of Yen			
	2020			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Domestic stocks (*1 and 2)	¥23,166	¥ -	¥ -	¥ 23,166
Joint trusts (*3 and 4)	-	-	-	23,672
Debt securities:				
Joint trusts (*3 and 5)	-	-	-	37,734
Other assets:				
Life insurance general account assets	-	30,838	-	30,838
Joint trusts (*3)	-	-	-	56,861
Other	1,475	19	-	1,494
Total	¥24,641	¥30,857	¥ -	¥173,765

	Millions of Yen			
	2019			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Domestic stocks (*1 and 2)	¥27,946	¥ -	¥ -	¥ 27,946
Joint trusts (*3 and 4)	-	-	-	25,115
Debt securities:				
Joint trusts (*3 and 5)	-	-	-	36,623
Other assets:				
Life insurance general account assets	-	30,030	-	30,030
Joint trusts (*3)	-	-	-	64,414
Other	2,275	48	-	2,323
Total	¥30,221	¥30,078	¥ -	¥186,451

(*) 1 No common stock of the Company was included in Domestic stocks for the years ended March 31, 2020 and 2019.

2 Domestic stocks include ¥23,166 million and ¥27,946 million of retirement benefit trusts for the years ended March 31, 2020 and 2019, respectively.

3 Certain assets evaluated by net asset value per share (or its equivalent) are not categorized in the fair value hierarchy. Total amounts in the above table are presented to reconcile the amounts in the fair value hierarchy to the amounts stated on the consolidated balance sheets.

4 Joint trusts of equity securities invest in listed equity securities at a ratio of 20% Japanese companies and 80% foreign companies for the year ended March 31, 2020 and 10% Japanese companies and 90% foreign companies for the year ended March 31, 2019.

5 Joint trusts of debt securities invested at a ratio of approximately 30% in Japanese government bonds and 70% in foreign government bonds for the year ended March 31, 2020, and 10% Japanese government bonds and 90% in foreign government bonds for the year ended March 31, 2019.

Level 1 assets are composed principally of cash in bank and equity securities which are valued using unadjusted quoted market prices in active markets with sufficient volume and frequency of transactions.

Level 2 assets are composed principally of life insurance general account assets. Life insurance general account assets are valued based on the sum of original value and return.

Joint trusts are valued at their net asset values.

Cash Flows

Contributions

As of March 31, 2019, the Companies' expected contribution to their domestic termination and retirement benefit plans for the year ended March 31, 2020 was ¥702 million; however, the Companies actually contributed ¥689 million to the retirement benefit plans for the year ended March 31, 2020. The Companies do not expect to contribute to their domestic termination and retirement benefit plans in the year ending March 31, 2021.

Benefit payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Years Ending March 31	Millions of Yen
2021	¥ 8,716
2022	9,027
2023	9,499
2024	9,617
2025	9,773
2026 – 2030	47,032

The aggregate liability for the termination plans, excluding the funded contributory termination and retirement plan in Japan, as of March 31, 2020 and 2019 was ¥5,914 million and ¥4,673 million, respectively. The aggregate net periodic benefit cost for such plans for the years ended March 31, 2020, 2019 and 2018 was ¥256 million, ¥351 million, and ¥563 million, respectively.

The termination plans excluding the funded contributory termination and Omron Corporate pension plan, include the termination and retirement benefit plans in European subsidiaries and the Companies' other termination and retirement benefit plans. Certain employees of European subsidiaries are covered by a defined benefit pension plan. The projected benefit obligation for the plan and related fair value of plan assets in European subsidiaries were ¥9,371 million and ¥8,559 million, respectively, at March 31, 2020, and ¥8,932 million and ¥8,175 million, respectively, at March 31, 2019. The projected benefit obligation and related fair value of the Companies' other termination and retirement benefit plans were not material at March 31, 2020 and 2019. The Companies also have unfunded noncontributory termination plans administered by the Companies.

Defined contribution

	Millions of Yen		
	2020	2019	2018
Defined contribution expenses	¥6,116	¥3,261	¥2,487

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act").

The Companies Act requires that all shares of common stock be issued with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock, while the remaining net proceeds are required to be presented as additional paid-in capital, which is included in capital surplus. The Companies Act permits Japanese companies, upon approval of the board of directors, to issue shares to existing shareholders without consideration by way of a stock split. Such issuance of shares generally does not give rise to changes within equity.

The Companies Act also requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as: (1) having a board of directors; (2) having independent auditors; (3) having a Board of Corporate Auditors; and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the board of directors may declare dividends (except for dividends in kind) if the Company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution of the board of directors if it is stipulated by the articles of incorporation of the Company. Under the Companies Act, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Companies Act also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million. Such amount available for dividends under the Companies Act was ¥126,506 million at March 31, 2020, based on the amount recorded in the Company's general books of account.

11. OTHER EXPENSES (INCOME), NET

Other expenses (income), net, for the years ended March 31, 2020, 2019 and 2018, consisted of the following:

	Millions of Yen		
	2020	2019	2018
Net loss (gain) on sales and disposals of property, plant, and equipment	¥(1,089)	¥(1,074)	¥ 963
Impairment losses on long-lived assets	498	196	911
Cost for quality control	-	606	1,068
Net loss on valuation of investment securities	1,170	563	-
Net gain on sales of investment securities	-	-	(3,003)
Impairment losses on investment securities	-	-	155
Loss (gain) on sales of businesses	-	(407)	14
Disaster related expenses	-	2,478	-
Insurance proceeds	(326)	(2,535)	-
Interest income, net	(965)	(515)	(868)
Foreign exchange loss, net	797	2,790	2,994
Dividend income	(818)	(772)	(752)
Net periodic benefit costs	1,282	(128)	200
Restructuring expenses	1,250	-	-
Other, net	1,125	140	371
Total	¥ 2,924	¥ 1,342	¥ 2,053

12. INCOME TAXES

The provision for income taxes for the years ended March 31, 2020, 2019 and 2018, consisted of the following:

	Millions of Yen		
	2020	2019	2018
Current income tax expense	¥10,470	¥17,691	¥22,542
Deferred income tax expenses, exclusive of the following	890	838	(3,589)
Change in the valuation allowance	(90)	(1,513)	778
Change in the effective statutory tax rates	-	-	237
Total	¥11,270	¥17,016	¥19,968

With the reduction of corporate tax rates enacted into U.S. law in December 2017, income tax expense increased due to a decrease of ¥396 million in deferred tax assets resulting from the revaluation of such assets based on the newly-enacted income tax rates.

The Company and its domestic subsidiaries are subject to a number of taxes based on income. The statutory effective tax rate is 30.5% for the fiscal year ended March 31, 2020, and was 31.0% for the fiscal years ended March 31, 2019 and 2018.

The effective income tax rates of the Companies differ from the normal Japanese statutory effective tax rates for the years ended March 31, 2020, 2019 and 2018, as follows:

	2020	2019	2018
Japanese statutory effective tax rates	30.5%	31.0%	31.0%
Increase in taxes resulting from permanently nondeductible items	0.8	1.0	0.5
Tax credit for research and development expenses	(4.3)	(3.7)	(3.8)
Losses of subsidiaries for which no tax benefit was provided	3.1	1.8	1.0
Difference in subsidiaries' tax rates	(4.0)	(3.6)	(3.0)
Change in the valuation allowance	(3.3)	(4.1)	(0.0)
Realization of previously unrecognized deferred tax effects	0.0	(0.3)	(0.2)
Change in the effective statutory tax rates	-	-	0.3
Taxes on undistributed earnings	1.7	3.3	0.0
Temporary difference in investments to subsidiaries	(1.7)	-	-
Other, net	(1.1)	(0.4)	0.8
Effective income tax rates	21.7%	25.8%	26.6%

The approximate effect of temporary differences and tax credit and loss carryforwards that gave rise to deferred tax balances at March 31, 2020 and 2019 were as follows:

	Millions of Yen			
	2020		2019	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Inventory valuation	¥ 6,596	¥ -	¥ 7,754	¥ -
Accrued bonuses and vacations	6,060	-	5,609	-
Termination and retirement benefits	15,889	-	22,147	-
Marketable securities	-	3,276	-	3,039
Property, plant, and equipment	2,592	-	2,916	-
Taxes on undistributed earnings	-	5,078	-	4,438
Other temporary differences	9,536	1,131	9,825	925
Net operating loss carryforwards	7,604	-	6,561	-
	¥48,277	¥9,485	¥54,812	¥8,402
Valuation allowance	(3,093)	-	(4,606)	-
Total	¥45,184	¥9,485	¥50,206	¥8,402

The total valuation allowance decreased by ¥1,513 million in 2020 and ¥3,465 million in 2019.

As of March 31, 2020, the Companies had net operating loss carryforwards for corporate income taxes approximating ¥27,196 million in domestic subsidiaries which will expire by 2027 and ¥26,205 million in overseas which will expire by 2038.

The Company has not provided deferred tax liabilities on unremitted earnings of certain foreign subsidiaries to the extent that they are believed to be indefinitely reinvested. The accumulated unremitted earnings of the foreign subsidiaries for which the Company has not recognized deferred tax liabilities were ¥51,847 million and ¥45,581 million at March 31, 2020 and 2019, respectively. Dividends received from domestic subsidiaries are expected to be substantially free of tax.

A reconciliation of beginning and ending amounts of unrecognized tax benefits was as follows:

	Millions of Yen	
	2020	2019
Balance at beginning of year	¥1,080	¥1,080
Additions based on tax positions related to the current year	357	-
Reductions for tax positions of current years	(111)	-
Balance at end of year	¥1,326	¥1,080

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is ¥1,326 million and ¥1,080 million for the years ended March 31, 2020 and 2019, respectively.

Based on the information available as of March 31, 2020, a change to the unrecognized tax benefits within the next 12 months is expected to be immaterial.

The Companies recognize interest and penalties accrued related to unrecognized tax benefits in income taxes in the consolidated statements of income. The Companies file income tax returns in Japan and foreign jurisdictions. With few exceptions, tax examinations in Japan and in foreign countries for years on or prior to March 31, 2019 and 2007, respectively, have been completed.

13. SHARE BASED PAYMENTS

Outline of Performance Share Plan

The Companies introduced a performance share plan (hereinafter the "Plan") for the members of the board of directors and executive officers in the fiscal year ended March 31, 2018.

The Plan is consisted of two structures, a BIP Trust and an ESOP Trust. The BIP Trust is established for an executive incentive program similar to the performance share and restricted stock plans in the U.S. and Europe. It is designed to grant the Company's shares acquired by the BIP Trust and cash in the amount of the converted value of such shares to directors and executive officers according to executive position and their degree of achievement of performance targets. The ESOP Trust is used for an employee incentive program using a trust fund based on the Employee Stock Ownership Plan in the U.S. The shares held by the BIP Trust and the ESOP Trust are accounted for as treasury stock.

Vesting conditions are subject to individuals holding the position of directors and executive officers and meeting other specific requirements. The rights of granted points (1 point = 1 share) will be awarded to directors and executive officers on the last day of each fiscal year during the term of a new medium-term management plan according to their positions and the degree of achievement of performance targets. The number of performance-linked points due to directors and executive officers will be awarded after the term of the plan, and non-performance-linked points will be awarded over a specified period each year during the term of the plan. Directors and executive officers will receive the Company's shares and cash which are awarded based on their points, upon completion of certain settlement procedures.

The following table summarizes the unvested points activity in 2020 and 2019:

	2020		2019	
		Millions of Yen		Millions of Yen
	Number of Points	Weighted-Average Grant-Date Fair Value	Number of Points	Weighted-Average Grant-Date Fair Value
Outstanding at beginning of year	226,868	¥5,075	115,747	¥5,044
Granted	117,816	5,248	114,538	5,103
Vested	-	-	(3,417)	4,974
Change in accounting estimate	(54,211)	5,069	-	-
Outstanding at ending of year	290,473	¥5,146	226,868	¥5,075

Note: The Weighted-Average Grant-Date Fair Value is calculated by using the market value of the Company's shares with adjustment considering expected dividend.

Share-Based Payment Expenses

Share-based payment expense recognized in the consolidated statement of income for the fiscal year ended March 31, 2020 was ¥371 million, and was ¥632 million for the fiscal year ended March 31, 2019.

14. PER SHARE DATA

The Company calculates its net income per share in accordance with ASC 260, "Earnings Per Share". The numerators and denominators of net income attributable to shareholders per share computations are shown below. The dilutive effect was not stated since there were no potentially dilutive securities as of March 31, 2020 and 2019.

Numerator

	Millions of Yen		
	2020	2019	2018
Net income from continuing operations attributable to shareholders	¥39,163	¥46,650	¥56,572
Net income from discontinued operations attributable to shareholders	35,732	7,673	6,587
Net income attributable to shareholders	74,895	54,323	63,159
Diluted net income from continuing operations attributable to shareholders	-	-	-
Diluted net income from discontinued operations attributable to shareholders	-	-	-
Diluted net income attributable to shareholders	-	-	-

Denominator

	2020	2019	2018
Weighted-average common shares outstanding	205,044,394	208,306,026	212,766,401
Dilutive effect of:			
Diluted common shares outstanding	-	-	-

Note: The Company's shares held through the BIP Trust and the ESOP Trust are included in the number of treasury stock shares to be deducted in calculation of the weighted-average shares for the earnings per share computation (765,846 shares for the year ended March 31, 2020, 767,253 shares for the year ended March 31, 2019 and 473,908 shares for the year ended March 31, 2018).

15. SUPPLEMENTAL INFORMATION FOR CASH FLOWS

Supplemental cash flow information for the years ended March 31, 2020, 2019 and 2018 was as follows:

	Millions of Yen		
	2020	2019	2018
Interest paid	¥ 231	¥ 431	¥ 172
Income taxes paid	13,513	22,529	23,678
Noncash investing and financing activities:			
Liabilities assumed in connection with capital expenditures	3,362	4,221	1,405
Decrease in retained earnings due to Cancellation of treasury stock	40,578	-	-

16. OTHER COMPREHENSIVE INCOME (LOSS)

Tax effects allocated to each component of other comprehensive income (loss), including other comprehensive income (loss) attributable to noncontrolling interests and reclassification adjustments for the years ended March 31, 2020, 2019 and 2018 were as follows:

	Millions of Yen								
	2020			2019			2018		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Foreign currency translation adjustments:									
Beginning balance	¥ 7,408	¥ (279)	¥ (7,687)	¥ (2,814)	¥ (362)	¥ (3,176)	¥ (6,058)	¥ (269)	¥ (6,327)
Foreign currency translation adjustments arising during the year	(23,889)	215	(23,674)	(4,502)	83	(4,419)	3,246	(93)	3,153
Reclassification adjustment for the portion realized in net income	(173)	54	(119)	(109)	-	(109)	-	-	-
Net unrealized gain (loss)	(24,062)	269	(23,793)	(4,611)	83	(4,528)	3,246	(93)	3,153
Other comprehensive income (loss) attributable to noncontrolling interests	72	-	72	17	-	17	(2)	-	(2)
Ending balance	(31,398)	(10)	(31,408)	(7,408)	(279)	(7,687)	(2,814)	(362)	(3,176)
Pension liability adjustments:									
Beginning balance	(102,199)	39,551	(62,648)	(89,313)	35,528	(53,785)	(93,358)	36,787	(56,571)
Pension liability adjustments arising during the year	10,112	(3,079)	7,033	(16,590)	5,171	(11,419)	661	(210)	451
Reclassification adjustment for the portion realized in net income	4,852	(1,487)	3,365	3,704	(1,148)	2,556	3,384	(1,049)	2,335
Net unrealized gain (loss)	14,964	(4,566)	10,398	(12,886)	4,023	(8,863)	4,045	(1,259)	2,786
Ending balance	(87,235)	34,985	(52,250)	(102,199)	39,551	(62,648)	(89,313)	35,528	(53,785)
Unrealized gains (losses) on available-for-sale securities:									
Beginning balance	-	-	-	15,005	(7,579)	7,426	12,598	(6,833)	5,765
Cumulative effects from the adoption of ASU No. 2016-01 and 2018-03*	-	-	-	(15,005)	7,579	(7,426)	-	-	-
Unrealized holding gains (losses) arising during the year	-	-	-	-	-	-	5,355	(1,660)	3,695
Reclassification adjustment for the portion realized in net income	-	-	-	-	-	-	(2,948)	914	(2,034)
Net unrealized gain (loss)	-	-	-	-	-	-	2,407	(746)	1,661
Ending balance	-	-	-	-	-	-	15,005	(7,579)	7,426
Net gains (losses) on derivative instruments:									
Beginning balance	210	(75)	135	269	(93)	176	(319)	89	(230)
Unrealized holding gains (losses) arising during the year	111	(34)	77	46	(14)	32	(745)	231	(514)
Reclassification adjustment for the portion realized in net income	(230)	70	(160)	(105)	32	(73)	1,333	(413)	920
Net unrealized gain (loss)	(119)	36	(83)	(59)	18	(41)	588	(182)	406
Ending balance	91	(39)	52	210	(75)	135	269	(93)	176
Other comprehensive income (loss):									
Beginning balance	(109,397)	39,197	(70,200)	(76,853)	27,494	(49,359)	(87,137)	29,774	(57,363)
Cumulative effects from the adoption of ASU No. 2016-01 and 2018-03*	-	-	-	(15,005)	7,579	(7,426)	-	-	-
Unrealized holding gains (losses) arising during the year	(13,666)	(2,898)	(16,564)	(21,046)	5,240	(15,806)	8,517	(1,732)	6,785
Reclassification adjustment for the portion realized in net income	4,449	(1,363)	3,086	3,490	(1,116)	2,374	1,769	(548)	1,221
Net unrealized gain (loss)	(9,217)	(4,261)	(13,478)	(17,556)	4,124	(13,432)	10,286	(2,280)	8,006
Other comprehensive income (loss) attributable to noncontrolling interests	72	-	72	17	-	17	(2)	-	(2)
Ending balance	¥ (118,542)	¥ 34,936	¥ (83,606)	¥ (109,397)	¥ 39,197	¥ (70,200)	¥ (76,853)	¥ 27,494	¥ (49,359)

* Represents the impact of adopting the new accounting standard related to financial instruments.

The reclassification adjustment related to pension liability adjustments for the portion realized in net income is included in other retirement benefit expenses and expenses, net. The reclassification adjustment related to net gains (losses) on derivative instruments for the portion realized in net income is included in cost of sales and other expenses, net. The reclassification adjustment related to discontinued operations is included in net income from discontinued operations. The tax effect related to continuing operations is included in income tax expense, and the tax effect related to discontinued operations is included in net income from discontinued operations.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value of Financial Instruments

The carrying amounts and estimated fair values as of March 31, 2020 and 2019, of the Companies' financial instruments were as follows:

	Millions of Yen			
	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(Derivatives)				
Forward exchange contracts:				
Other current assets	¥ 1,125	¥ 1,125	¥ 769	¥ 769
Other current liabilities	(1,563)	(1,563)	(1,897)	(1,897)

The following methods and assumptions were used to estimate the fair values of each class of financial instrument for which it is practicable to estimate its value:

Derivatives

The fair value of derivatives generally reflects the estimated amounts that the Companies would receive or pay to terminate the contracts at the reporting date, thereby taking into account the current unrealized gains or losses on open contracts. Dealer quotes are available for most of the Companies' derivatives. For the rest of the Companies' derivatives, valuation models are applied to current market information to estimate fair value. The Companies do not use derivatives for trading purposes.

Nonderivatives

(1) Cash and cash equivalents, notes and accounts receivable, leasehold deposits, and notes and accounts payable:

The carrying amounts approximate fair value. Cash and cash equivalents are classified as Level 1, while others are classified as Level 2.

(2) Investment securities

Equity securities that have readily determinable fair values are valued using quoted market prices in active markets. Equity securities without readily determinable fair values are valued with adjustments for observable changes in prices or impairments, or using other reasonable methods. (See Note 20 about equity securities measured at fair value on a recurring basis.)

18. DERIVATIVES AND HEDGING ACTIVITIES

The Companies enter into forward exchange contracts and currency option contracts to hedge changes in foreign currency exchange rates (primarily the U.S. dollar and the Euro). The Companies enter into commodity swap contracts to hedge changes in prices of commodities, including copper and silver used in the manufacturing of various products. The Companies do not use derivatives for trading purposes. The Companies are exposed to credit risk in the event of nonperformance by counterparties to derivatives, but management considers the exposure to such risk to be minimal since the counterparties maintain good credit ratings.

Changes in the fair value of forward exchange contracts, currency option contracts and commodity swap contracts designated and qualifying as cash flow hedges are reported in accumulated other comprehensive income (loss). Gains and losses on forward exchange contracts and currency option contracts are subsequently reclassified into other expenses, net, and gains and losses on commodity swap contracts are subsequently reclassified into cost of sales, net, in the same period as and when the hedged items affect earnings. Substantially all of the accumulated other comprehensive income (loss) in relation to derivatives at March 31, 2020 is expected to be reclassified into earnings within 12 months.

The notional amounts of outstanding contracts to exchange foreign currencies at March 31, 2020 and 2019 were as follows:

	Millions of Yen	
	2020	2019
Forward exchange contracts	¥107,245	¥87,613

The fair values of derivatives at March 31, 2020 and 2019 were as follows:

Derivatives designated as hedges

Assets

		Millions of Yen	
	Account	2020	2019
Forward exchange contracts	Other current assets	¥1,125	¥769

Liabilities

		Millions of Yen	
	Account	2020	2019
Forward exchange contracts	Other current liabilities	¥(1,563)	¥(1,897)

The effects on the consolidated statements of income for the years ended March 31, 2020, 2019 and 2018 were as follows:

Derivatives designated as hedges

Cash flow hedge

	Unrealized Holding Gains (Losses) in Other Comprehensive Income (Loss) (Hedge Effective Portion)			Transfer from Other Comprehensive Income (Loss) to Profit and Loss (Hedge Effective Portion)		
	Millions of Yen			Millions of Yen		
	2020	2019	2018	2020	2019	2018
Forward exchange contracts	¥77	¥ 50	¥(523)	¥(187)	¥(79)	¥ 929
Commodity swap contracts	-	(18)	9	27	6	(9)

The amount of hedge ineffectiveness was immaterial.

19. COMMITMENTS AND CONTINGENT LIABILITIES

Commitment

The Companies have non-cancelable contracts with outside service providers to receive certain information technology-related services. The amounts of outstanding contracts as of March 31, 2020 and 2019 is ¥1,366 million and ¥1,277 million, respectively.

Concentration of Credit Risk

Financial instruments that potentially subject the Companies to concentrations of credit risk consist principally of short-term cash investments and trade receivables. The Companies place their short-term cash investments with high credit quality financial institutions. Concentrations of credit risk with respect to trade receivables, as approximately 46% of total sales are concentrated in Japan, are limited due to the large number of well-established customers and their dispersion across many industries. The Company normally requires customers to deposit funds to serve as security for ongoing credit sales.

Cost for Environmental Remediation

The Companies record an environmental remediation accrual when it is probable that a liability has been incurred and the amount can reasonably be estimated. The environmental remediation accrual as of March 31, 2020 and 2019 was ¥300 million and ¥520 million, respectively.

Product Warranties

The Companies issue contractual product warranties under which they generally guarantee the performance of products delivered and services rendered for a certain period or term. Changes in accrued product warranty cost for the years ended March 31, 2020 and 2019 were summarized as follows:

	Millions of Yen	
	2020	2019
Balance at beginning of year	¥ 1,820	¥ 2,229
Additions	870	1,985
Utilizations	(1,373)	(2,344)
Others	-	(50)
Balance at end of year	¥ 1,317	¥ 1,820

Deferred Revenue

The Companies provide extended warranties for certain products, and the revenue is recognized using the straight-line method over the warranty term. The costs from the extended warranties are charged to earnings as incurred. The deferred revenue as of March 31, 2020 and 2019 was ¥10,708 million and ¥9,828 million, respectively and recorded in other current liabilities and other long-term liabilities.

Lawsuits

The Company and some of its subsidiaries are facing several petitions and lawsuits arising from the normal course its business. However, based upon the information currently available to both the Company and its legal counsel, management of the Company believes that damages from such petitions and lawsuits, if any, would not have a material effect on the consolidated financial statements.

20. FAIR VALUE MEASUREMENTS

ASC 820, "Fair Value Measurements and Disclosures", defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

Level 1 - Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs are significant to measure fair value of assets or liabilities and unobservable.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The assets and liabilities that are measured at fair value on a recurring basis at March 31, 2020 and 2019 were as follows:

	Amount of Fair Value Measurements			
	Millions of Yen			
	2020			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities:				
Equity securities	¥18,036	¥ -	¥2,268	¥20,304
Derivative:				
Forward exchange contracts	-	1,125	-	1,125
Liabilities				
Derivative:				
Forward exchange contracts	¥ -	¥1,563	¥ -	¥ 1,563

	Amount of Fair Value Measurements			
	Millions of Yen			
	2019			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities:				
Equity securities	¥20,403	¥ -	¥2,036	¥22,439
Derivative:				
Forward exchange contracts	-	769	-	769
Liabilities				
Derivative:				
Forward exchange contracts	¥ -	¥1,897	¥ -	¥ 1,897

Investment Securities

Investment securities consist of stocks. Since fair values of the publicly listed stocks are valued using quoted market prices in active markets for identical assets and can be observed, these are classified as Level 1. Since fair values of unlisted stocks are estimated using information mainly obtained from the investee companies, and considering its non-liquidity, such securities are classified as Level 3.

Derivatives

Derivatives consist of forward exchange contracts, currency option contracts and commodity swap contracts. Since fair value of derivatives is determined using the observable market data, such as rates or interest rates, these are classified as Level 2.

A reconciliation of Level 3 assets measured at fair value on a recurring basis for the years ended March 31, 2020 and 2019 is as follows:

	Investment Security
	Equity Security
	2020
	Millions of Yen
Balance at beginning of year	¥2,036
Amount included in net income:	
Other expenses, net	29
Purchases	203
Sales	-
Balance at end of year	¥2,268

	Investment Security
	Equity Security
	2019
	Millions of Yen
Balance at beginning of year after adoption of ASU No. 2016-01 and 2018-03	¥2,056
Amount included in net income:	
Other expenses, net	12
Purchases	18
Sales	(50)
Balance at end of year	¥2,036

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The assets and liabilities that are measured at fair value on a nonrecurring basis at March 31, 2020 and 2019 were as follows:

	Amount of Fair Value Measurements				
	Millions of Yen				
	2020				
	Total Amount of Gain (Loss)	Level 1	Level 2	Level 3	Total Amount of Fair Value
Assets					
Investment securities	¥(126)	¥ -	¥5,842	¥ -	¥5,842
Long-lived assets	(498)	-	-	309	309

	Amount of Fair Value Measurements				
	Millions of Yen				
	2019				
	Total Amount of Gain (Loss)	Level 1	Level 2	Level 3	Total Amount of Fair Value
Assets					
Investment securities	¥ 48	¥ -	¥691	¥ -	¥691
Long-lived assets	(196)	-	-	22	22

The Company classified the investment securities listed above as Level 2, as the Company accounted for at its cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. In addition the Company classified long-lived assets listed above as Level 3, as the Company used unobservable inputs to value these assets when recognizing impairment losses related to the assets. The fair value for the major assets was measured using the discounted future cash flows method.

21. DISCONTINUED OPERATIONS

(1) Overview of Discontinued Operations

At a meeting held April 16, 2019, the Company board of directors resolved to transfer the entire business of AEC operating segment, to the Nidec Corporation Group (Note 1). The transfer includes the transfer of all shares of three consolidated subsidiaries and the AEC operations that forms part of two other consolidated subsidiaries of OMRON. The three consolidated subsidiaries transferred include OMRON Automotive Electronics Co., Ltd. ("OAE") (Note 2) and OMRON AUTOMOTIVE ELECTRONICS de Mexico, S. de R.L. de C.V.. A share transfer agreement was executed on the same day as the meeting of the board of directors. The Company entered into a share transfer agreement on the same day as the meeting of the board of directors. The transfer agreement was executed on October 31, 2019 with certain exceptions (Note 3).

In March 2020, the Company completed final adjustments to the final transfer price for the business transfer conducted in October 2019 according to the transfer agreement. Therefore, we recorded ¥64,460 million in adjusted transfer price (net of cash received) and ¥51,450 million in gain on sale of discontinued operations before income taxes.

Notes: 1. In connection with this determination, the Company has classified profit or loss from this business as discontinuing operation, and presented them separately on the consolidated statements of operations.

2. Nine subsidiaries of OAE were also transferred and as such, were removed as consolidated subsidiaries of the Company.

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 September 30, 2020. These operations are controlled by the Nidec Corporation Group as of March 31, 2020.

The Company concluded that the divestiture of the AEC represents a strategic shift that has a major effect on the Company's operations and financial results. Thus, the Company has classified AEC as a discontinued operations in accordance with ASC 205-20 "Presentation of Financial Statements - Discontinued Operations". Consequently, the Company has retrospectively recast its consolidated statements of income and balance sheets for all periods presented to reflect the AEC as discontinued operations. Such recast includes business performance, gain on sale of business related to the transaction, and costs related to the transfer of the AEC for the current fiscal year.

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 ¥64,460 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) Financial Position of Discontinued Operations

	Millions of Yen	
	2020	2019
Cash and cash equivalents	¥ -	¥ 6,400
Notes and accounts receivable – trade	-	22,025
Allowance for doubtful receivables	-	(84)
Inventories	-	9,704
Other current assets	-	3,979
Net property, plant, and equipment	-	27,629
Deferred income taxes	-	1,158
Other assets	-	2,521
Assets held for sale	¥ -	¥ 73,331
Notes and accounts payable – trade	¥ -	¥ 17,875
Accrued expenses	-	3,259
Other current liabilities	-	2,177
Deferred income taxes	-	605
Termination and retirement benefits	-	3,296
Other long-term liabilities	-	518
Liabilities held for sale	¥ -	¥ 27,730

(3) Income from Discontinued Operations

	Millions of Yen		
	2020	2019	2018
Net sales	¥ 65,793	¥ 128,148	¥ 130,655
Cost of sales:			
Gross profit	52,435	99,540	100,482
Selling, general and administrative expenses	7,812	10,788	10,772
Research and development expenses	5,363	8,441	10,478
Other expenses (income), net	(209)	(141)	689
Total	65,401	118,628	122,421
Income before income taxes from discontinued operations	392	9,520	8,234
Gain on sale of discontinued operations before income taxes	51,450	-	-
Income taxes	16,110	1,847	1,647
Net income from discontinued operations	¥ 35,732	¥ 7,673	¥ 6,587

Note: Business performance for discontinued operations during the fiscal year ended March 31, 2020 represent a seven-month period from the beginning of the fiscal year to the business transfer conducted on October 31, 2019.

The Company retains no significant continuing involvement with the discontinued operation.

(4) Depreciation, Amortization and Capital Expenditures

Depreciation of tangible assets, amortization of intangible assets and capital expenditures incurred by the discontinued operation for the years ended March 31, 2020, 2019 and 2018 were as follows:

	Millions of Yen		
	2020	2019	2018
Depreciation and amortization	¥2,899	¥5,105	¥5,150
Capital expenditures	5,043	6,200	5,825

22. SEGMENT INFORMATION

Operating Segment Information

ASC 280, "Segment Reporting", establishes the disclosure of information about operating segments in financial statements. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company has four operating segments: "IAB", "EMC", "SSB", and "HCB". These segments are mainly separated based on the Companies' consideration of their nature of the products and the business standing in the group. The Company presents operating segments other than the above four segments in "Other".

The primary products included in each segment are as follows:

(1) IAB: Programmable controllers, motion controllers, sensing devices, industrial camera/code reader devices, inspection systems, safety devices and industrial robots.

(2) EMC: Relays, switches, connectors, amusement components and units, general sensors, face recognition software, image sensing component and MEMS sensors.

(3) SSB: Railway station service systems, traffic and road management systems, card payment services, security and safety solutions, energy management business, IoT (power protection, data protection) solutions and related maintenance business.

(4) HCB: Digital blood pressure monitors, nebulizers, low-frequency therapy equipment, ECGs, oxygen generators, digital thermometers, body composition monitors, pedometers and activity meters, electric toothbrushes, massagers, blood glucose monitors, vascular screening devices and visceral fat monitors.

(5) Other: Solar power conditioners, electricity storage system, electrical power measuring devices, power protection devices and high-quality backlight units for LCDs.

The segment information is presented in accordance with accounting principles generally accepted in the United States of America. Revenues and expenses directly associated with specific segments are disclosed in the figures of each segment's operating results. Based on the Company's allocation method used by management to evaluate results of each segment, revenues and expenses not directly associated with specific segments are allocated to each segment or included in "Eliminations and Others". Segment profit (loss) is presented by subtracting cost of sales, selling, general and administrative expenses, and research and development expenses from net sales.

Operating segment information as of and for the years ended March 31, 2020, 2019 and 2018 was as follows:

	Millions of Yen							
2020	IAB	EMC	SSB	HCB	Other	Total	Eliminations and Others	Consolidated
I. Sales and segment profit (loss)								
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
Segment profit (loss)	¥ 53,595	¥ 918	¥ 8,180	¥ 13,511	¥ 670	¥ 76,874	¥(22,114)	¥ 54,760
II. Assets, depreciation, and capital expenditures								
Assets	¥412,340	¥124,866	¥97,084	¥107,584	¥34,385	¥776,259	¥(18,135)	¥758,124
Depreciation and amortization	6,918	7,323	1,436	2,807	589	19,073	6,633	25,706
Capital expenditures	4,812	5,940	2,180	5,961	857	19,750	13,360	33,110

	Millions of Yen							
2019	IAB	EMC	SSB	HCB	Other	Total	Eliminations and Others	Consolidated
I. Sales and segment profit (loss)								
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
Segment profit (loss)	¥ 62,895	¥ 8,165	¥ 5,763	¥ 13,033	¥ (473)	¥ 89,383	¥(22,129)	¥ 67,254
II. Assets, depreciation, and capital expenditures								
Assets	¥397,921	¥132,488	¥83,656	¥ 95,335	¥34,768	¥744,168	¥ 5,710	¥749,878
Depreciation and amortization	6,863	7,612	1,498	2,826	627	19,426	5,929	25,355
Capital expenditures	7,430	11,998	1,875	4,024	875	26,202	9,459	35,661

	Millions of Yen							
2018	IAB	EMC	SSB	HCB	Other	Total	Eliminations and Others	Consolidated
I. Sales and segment profit (loss)								
1. Sales to external customers	¥396,140	¥107,161	¥70,289	¥108,489	¥44,377	¥726,456	¥ 5,850	¥732,306
2. Intersegment sales	6,724	57,765	5,273	306	7,849	77,917	(77,917)	-
Total	¥402,864	¥164,926	¥75,562	¥108,795	¥52,226	¥804,373	¥(72,066)	¥732,306
Segment profit (loss)	¥ 73,980	¥ 12,474	¥ 4,823	¥ 11,211	¥ (1,158)	¥101,330	¥(24,343)	¥ 76,987
II. Assets, depreciation, and capital expenditures								
Assets	¥384,926	¥145,770	¥81,041	¥ 92,024	¥37,760	¥741,521	¥ 3,431	¥744,952
Depreciation and amortization	5,216	7,745	1,504	3,037	704	18,206	6,109	24,315
Capital expenditures	9,322	10,100	1,646	3,152	753	24.973	8,053	33,027

Annotations about the above segment information:

- Intersegment sales are recorded at the same prices used in transactions with third parties.

- Eliminations and Others include not allocated expenses and eliminations of intersegment transactions.

- Depreciation and amortization and capital expenditures include expenses and expenditures arising from intangible assets.

- In connection with the classification of the AEC as discontinued operations, the Companies have excluded amounts related to the AEC from each segment. In addition, amounts previously under the EMC and Eliminations and Others in the previous consolidated fiscal year have been reclassified for presentation herein. For more about discontinued operations, see Note 21. DISCONTINUED OPERATIONS.

A reconciliation between segment profit (loss) and income before income taxes and equity in loss (earnings) of affiliates for the years ended March 31, 2020, 2019 and 2018 is as follows:

	Millions of Yen		
	2020	2019	2018
Total amount of segment profit	¥ 76,874	¥ 89,383	¥ 99,311
Other expenses, net	2,924	1,342	2,543
Eliminations and Others	(22,114)	(22,129)	(22,324)
Income before income taxes and equity in loss (earnings) of affiliates	¥ 51,836	¥ 65,912	¥ 74,444

Geographic Information

Information on the Companies' sales to external customers and property, plant, and equipment by major geographic area as of and for the years ended March 31, 2020, 2019 and 2018, was as follows:

	Millions of Yen						
	2020						
	Japan	Americas	Europe	Greater China	Southeast Asia and Others	Direct Exports	Consolidated
Sales to external customers	¥311,511	¥67,800	¥108,507	¥126,054	¥62,742	¥1,366	¥677,980
Property, plant, and equipment	70,508	5,117	3,451	28,598	6,852	-	114,526

	Millions of Yen						
	2019						
	Japan	Americas	Europe	Greater China	Southeast Asia and Others	Direct Exports	Consolidated
Sales to external customers	¥318,684	¥76,475	¥120,261	¥146,476	¥67,936	¥2,749	¥732,581
Property, plant, and equipment	66,311	4,373	4,747	31,972	7,680	-	115,083

	Millions of Yen						
	2018						
	Japan	Americas	Europe	Greater China	Southeast Asia and Others	Direct Exports	Consolidated
Sales to external customers	¥313,308	¥76,599	¥115,632	¥145,282	¥78,289	¥3,196	¥732,306
Property, plant, and equipment	62,938	4,584	4,857	29,306	7,121	-	108,806

Annotations about the above geographic information:

- Classification of country or area is based upon physical geographic proximity.

- Major countries or areas 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 and Spain
  (3) Greater China: China, Hong Kong and Taiwan
  (4) Southeast Asia and Others: Singapore, South Korea, India and Australia
  (5) Direct Exports: Direct delivery exports

- For sales and property, plant, and equipment, there were no material amounts specific to a particular country, except for Japan, that require separate disclosure as of and for the years ended March 31, 2020, 2019 and 2018.

- For sales to external customers, there were no amounts specific to particular customers that require separate disclosure for the years ended March 31, 2020, 2019 and 2018.

23. BUSINESS COMBINATIONS

1. Sentech Co., Ltd.

On July 3, 2017, the Company, through Omron Sentech Co., Ltd., acquired the industrial camera business of Sentech Co., Ltd. (ST Group), including 100% of outstanding stocks of its seven subsidiaries. The Company paid ¥3,193 million for this acquisition in cash. The acquisition-related costs incurred in connection with the acquisition of the stock of ST Group, such as due diligence costs, were immaterial. The purpose of this acquisition is to enhance the Companies' factory automation technology by acquiring the high resolution, high speed and miniaturized camera design technology of ST Group. The newly acquired business is included in the IAB segment. The fair values of the acquired assets and assumed liabilities at July 3, 2017 were as follows:

	Fair Value
	Millions of Yen
Current assets	¥ 3,013
Property, plant, and equipment	18
Total investments and other assets	1,561
Current liabilities	(1,366)
Long-term liabilities	(33)
Total equity	¥(3,193)

Goodwill and identifiable intangible assets included in total investments and other assets were ¥26 million and ¥1,455 million, respectively. The goodwill has been assigned to the IAB segment. The pro forma information for the acquisition of ST Group was immaterial.

2. Microscan Systems, Inc.

On October 2, 2017 the Company, through Omron Management Center of America Inc., acquired 100% of outstanding stock of Microscan Systems, Inc. (MS Group), including three subsidiaries of MS Group. The Company paid ¥17,478 million for this acquisition in cash. The acquisition-related costs incurred in connection with the acquisition of the stock of MS Group, such as due diligence costs, were immaterial. The purpose of this acquisition is to help develop the Companies' factory automation technology and enhance the skills of the sales force in the IAB segment. The fair values of the acquired assets and assumed liabilities at October 2, 2017 were as follows:

	Fair Value
	Millions of Yen
Current assets	¥ 2,343
Property, plant, and equipment	126
Total investments and other assets	17,173
Current liabilities	(921)
Long-term liabilities	(1,243)
Total equity	¥(17,478)

Goodwill and identifiable intangible assets included in total investments and other assets were ¥10,694 million and ¥6,179 million, respectively. The goodwill has been assigned to the IAB segment and is not deductible from taxable income. The pro forma information for the acquisition of MS Group was immaterial.

There were no significant acquisitions for the years ended March 31, 2020 and 2019.

24. SALES OF BUSINESSES

1. Omron Nohgata Co., Ltd.

On October 26, 2018, the Company reached an agreement to sell 80% of its shares in Omron Nohgata Co., Ltd., a wholly-owned subsidiary of the Company, be sold to Advantech Co., Ltd. Since the completion of the transfer was planned by the end of fiscal year ended March 31, 2019, the assets and the liabilities of Omron Nohgata Co., Ltd. were classified as held-for-sale assets and liabilities in the quarterly consolidated balance sheets for the quarter ended December 31, 2018. As a result of the completion of the transfer of shares on February 1, 2019, a gain on sale of the business of ¥370 million was included in other expenses, net in the consolidated statement of income for the year ended March 31, 2019. Omron Nohgata Co., Ltd. was included in the Other segment.

2. Omron Credit Service Co., Ltd.

On May 15, 2017, the Company sold all of its shares of Omron Credit Service Co., Ltd., which was a wholly-owned subsidiary of the Company, to a third party, Aino Taxiticket Corporation. The transfer of shares was completed on August 1, 2017. The loss on sale of the business was immaterial. Omron Credit Service Co., Ltd. was included in the Eliminations and Others segment.

For Sales of businesses for the year ended March 31, 2020, see Note 21. DISCONTINUED OPERATIONS.

25. SUBSEQUENT EVENTS

The Companies have evaluated subsequent events in accordance with ASC 855, "Subsequent Events".

No significant subsequent events took place at June 24, 2020, the date when the Yukashouken-Houkokusho (Annual Securities Report filed under the Financial Instruments and Exchange Act of Japan) for the year ended March 31, 2020 was available to be issued.

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