



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

July 25, 2019

OMRON Corporation (6645)

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Filing of Quarterly Securities Report (<i>Shihanki hokokusho</i>) (scheduled):	August 9, 2019
Start of Distribution of Dividends (scheduled):	—
Preparation of Supplementary Materials for the Quarterly Financial Results:	Yes
Holding of Presentation of Quarterly Financial Results:	Yes (for investors)

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

Note: Figures are rounded to the nearest million yen.

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

(1) Sales and Income (cumulative)

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

	Millions of yen - except per share data and percentages			
	Three months ended June 30, 2019		Three months ended June 30, 2018	
		Change (%)		Change (%)
Net sales	160,037	(9.9)	177,559	+3.2
Operating income	10,032	(41.2)	17,066	(16.5)
Income before income taxes from continuing operations	10,959	(39.0)	17,959	(9.6)
Net income attributable to OMRON shareholders	8,540	(41.8)	14,678	(5.4)
Net income per share attributable to OMRON shareholders, basic (JPY)	41.59		69.86	
Net income per share attributable to OMRON shareholders, diluted (JPY)	—		—	

Notes: 1. Comprehensive income: Three months ended June 30, 2019: JPY 16,840 million (23.6 % change);
Three months ended June 30, 2018: JPY 13,627 million (-36.8 % change)

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

(2) Consolidated Financial Position

	Millions of yen - except per share data and percentages	
	As of June 30, 2019	As of March 31, 2019
Total assets	752,396	749,878
Net assets	523,156	506,311
Shareholders' equity	521,176	504,212
Shareholders' equity ratio (%)	69.3	67.2

2. Dividends

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

Notes: Revisions since the most recently announced dividend forecast: No

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

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

	Millions of yen	
	Full year ending March 31, 2020	Change (%)
Net sales	709,000	(3.2)
Operating income	57,500	(14.5)
Income before income taxes from continuing operations	52,500	(20.3)
Net income attributable to OMRON shareholders	42,500	(21.8)
Net income per share attributable to OMRON shareholders (JPY)	206.95	

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

We have not made changes to figures for our consolidated results forecast for the fiscal year ending March 2020 as announced on April 24, 2019. However, we have classified the AEC subject to transfer as a discontinued operation. Accordingly, earnings forecasts for net sales, operating income, and income before income taxes from continuing operations, as well as year-on-year comparisons for applicable accounts, reflect continuing operations excluding discontinued operations.

Notes

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

New: – companies (–) Excluded: – companies (–)

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

(3) Changes in accounting policy

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

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

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

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

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

June 30, 2019: 213,958,172 shares

March 31, 2019: 213,958,172 shares

(b) Treasury stock at end of period:

June 30, 2019: 8,597,208 shares

March 31, 2019: 8,596,608 shares

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

Three months ended June 30, 2019: 205,361,316 shares

Three months ended June 30, 2018: 210,096,489 shares

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

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

Commentary Regarding Appropriate Use of Projections of Results and Other Matters

1. Projections of results and future developments are based on information available to the Company at the time of writing, as well as certain assumptions judged by the Company to be reasonable. Various risks, uncertainties and other factors could cause actual results to differ materially from these projections. For the assumptions that form the basis of the projected results and appropriate use, see *1. Qualitative Information on Quarterly Financial Results (3) Description of Information on Outlook, Including Consolidated Performance Forecast* on P.5.
2. The Company applies the single step method for presentation of its Consolidated Financial Statements based on U.S. GAAP. However, to facilitate comparison with other companies, operating income on the Consolidated Income Statement is presented by subtracting selling, general and administrative expenses and research and development expenses from gross profit.
3. The Company plans to hold a presentation for investors on Thursday, July 25, 2019. The Company also plans to post an overview and the (voice) content of its explanations, together with financial materials used at the presentation, promptly on its website.

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

Continuing Operations

IAB: Industrial Automation Business

EMC: Electronic and Mechanical Components Business

SSB: Social Systems, Solutions and Service Business

HCB: Healthcare Business

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

Discontinued Operations

AEC: Automotive Electronic Components Business

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

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

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1. Qualitative Information on Quarterly Financial Results

(1) Description of Results of Operations

General Overview

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

Consolidated results for the first quarter were as follows.

Billions of yen, except exchange rate data and percentages			
	Three months ended June 30, 2018	Three months ended June 30, 2019	Change
Net sales	177.6	160.0	-9.9%
Gross profit	80.0	71.5	-10.6%
[% of net sales]	[45.1%]	[44.7%]	[-0.4%pt]
Operating income	17.1	10.0	-41.2%
[% of net sales]	[9.6%]	[6.3%]	[-3.3%pt]
Income before income taxes from continuing operations	18.0	11.0	-39.0%
Net income attributable to OMRON shareholders	14.7	8.5	-41.8%
Average USD exchange rate (JPY)	108.1	110.7	+2.6
Average EUR exchange rate (JPY)	129.9	123.6	-6.3
Average RMB exchange rate (JPY)	17.1	16.3	-0.8

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

Results by Business Segment

IAB (Industrial Automation Business)

(Billions of yen, %)

	Three months ended June 30, 2018	Three months ended June 30, 2019	Change (%)
Sales to external customers	102.8	89.1	-13.3%
Segment profit	17.0	13.3	-22.1%

Sales

Demand for segment products and services remained firm, supported by needs for labor savings, automation, and quality management on production floors.

Meanwhile, sluggish investment for semiconductors in the digital industry, as well as limited investment in the automobile industry in response to the impact of U.S.-Chinese trade friction and lower production, have resulted in weak demand for capital investment.

As a result, IAB sales fell sharply compared to the same period in the prior fiscal year.

Segment Profit

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

EMC (Electronic and Mechanical Components Business)

(Billions of yen, %)

	Three months ended June 30, 2018	Three months ended June 30, 2019	Change
Sales to external customers	27.0	23.0	-14.8%
Segment profit	2.9	0.0	-99.8%

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

Sales

OMRON global customers experienced a further downturn in business, mainly due to U.S-China trade friction. Particularly in China, constrained capital investment, declining consumer purchase sentiment, and other factors combined to decrease demand.

As a result, EMC sales fell sharply compared to the same period in the prior fiscal year.

Segment Profit

Despite steady results in investments for productivity improvements, sales to external customers and OMRON Group companies declined, resulting in a significant decrease in segment profit year on year.

SSB (Social Systems, Solutions and Service Business)

(Billions of yen, %)

	Three months ended June 30, 2018	Three months ended June 30, 2019	Change
Sales to external customers	9.6	10.4	+8.1%
Segment profit (loss)	(2.1)	(1.8)	—

Sales

The segment experienced firm demand for upgrades in the Public Transportation Business and Road Management Systems Business. In response, we proposed solutions tailored to the needs of our clients. As a result, sales increased compared to the prior fiscal year.

Segment Profit

The SSB segment reported narrower losses year on year, which was the result of higher sales and improved productivity.

HCB (Healthcare Business)

(Billions of yen, %)

	Three months ended June 30, 2018	Three months ended June 30, 2019	Change
Sales to external customers	27.9	27.7	-0.7%
Segment profit	3.9	3.4	-13.6%

Sales

Although demand for blood pressure monitors in Japan was level with the same period of the prior fiscal year, the segment experienced lower demand for low-frequency therapy equipment. Demand for segment products was weak in Brazil, Argentina, Russia, and other countries of the Americas and Europe. At the same time, demand remained firm in China for medical equipment, while online sales of blood pressure monitors and nebulizers were strong.

As a result, sales were level year on year.

Segment Profit

Segment profit was significantly lower year on year due to ongoing investment for future growth.

Other Businesses

(Billions of yen, %)

	Three months ended June 30, 2018	Three months ended June 30, 2019	Change
Sales to external customers	9.2	9.2	+0.2%
Segment profit (loss)	(0.3)	0.4	—

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

Sales

The Environmental Solutions Business reported strong performance for the quarter, experiencing growing demand for storage battery systems. The Backlights Business saw a temporary increase in customer demand.

As a result of these factors and the sale of OMRON's Electronic Design and Manufacturing Service Business (EDMS) in the previous fiscal year, Other Businesses segment sales were flat year on year.

Segment Profit

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

(2) Description of Financial Condition

Financial Condition

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

Total assets as of the end of the consolidated first quarter increased JPY2.5 billion compared with the end of the previous fiscal year to JPY752.4 billion, mainly due to the recording of operating lease right-of-use assets, which more than offset a decrease in notes and accounts receivable-trade. Total liabilities decreased JPY14.3 billion compared with the end of the previous fiscal year to JPY229.2 billion, mainly due to a decrease in termination and retirement benefits stemming from a plan revision, offset in part by the recording of operating lease liabilities. Net assets increased JPY16.8 billion compared to the end of the previous fiscal year to JPY523.2 billion, owing to increases in net income attributable to OMRON shareholders and other factors. As a result, OMRON Group shareholders' equity ratio was 69.3%, compared with 67.2% at the end of the previous fiscal year, maintaining a strong financial footing capable of active investment and responding to changes in our operating environment.

Summary of Cash Flows

The following summarizes cash flow activity for the consolidated first quarter.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥17.2 billion, ¥1.0 billion lower compared to the same period in the previous fiscal year. This result was mainly due to the recording of net income, depreciation and amortization, and a decrease in notes and accounts receivable-trade.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥6.3 billion, ¥1.9 billion lower compared to the same period in the previous fiscal year. This result was mainly due to cash outlays for capital expenditures. Free cash flows

(difference between cash flows from operating activities and cash flows from investing activities) for the current fiscal period amounted to ¥10.9 billion.

Cash Flows from Financing Activities

Net cash used in financing activities was JPY8.8 billion, ¥4.8 billion lower compared to the same period in the previous fiscal year. This result was mainly due to dividends paid.

As a result, the balance of cash and cash equivalents at the end of the consolidated first quarter amounted to JPY110.3 billion, an increase of JPY1.0 billion compared to the end of the previous consolidated fiscal year.

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

In connection with the April 16, 2019 decision to transfer the AEC, OMRON has classified the AEC as a discontinued operation. Therefore, consolidated earnings forecasts presented for the fiscal year ending March 31, 2020 regarding net sales, operating income, and income before income taxes from continuing operations reflect continuing operations excluding amounts from discontinued operations. Accordingly, we have revised the fiscal consolidated earnings forecasts for these figures as originally announced on April 24, 2019.

Net income attributable to OMRON shareholders and net income per share attributable to OMRON shareholders remain unaffected. OMRON did not revise fiscal year consolidated earnings forecasts as of our financial results report for the first three months of the fiscal year ending March 31, 2020. Accordingly, the total combined figures for continuing operations and discontinued operations have not changed from the April 24, 2019 announcement of consolidated earnings forecasts for the fiscal year ending March 31, 2020.

(Billions of yen / % / JPY)

	Net sales	Operating income	Income before income taxes from continuing operations	Net income attributable to OMRON shareholders	Net income per share attributable to OMRON shareholders (JPY)
Previous forecast (A)	830.0	65.0	60.0	42.5	206.95
New forecast (B)	709.0	57.5	52.5	42.5	206.95
Change (B-A)	-121.0	-7.5	-7.5	—	—
Change (%)	-14.6%	-11.5%	-12.5%	—	—
(Reference) Actual results for the previous fiscal year (FYE March 31, 2019)	732.6	67.3	65.9	54.3	260.78

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

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

(Millions of yen)

	As of March 31, 2019		As of June 30, 2019	
		%		%
ASSETS				
Current assets:	459,973	61.3	443,639	59.0
Cash and cash equivalents	103,850		102,800	
Notes and accounts receivable — trade	149,171		122,496	
Allowance for doubtful receivables	(861)		(845)	
Inventories	120,379		124,582	
Assets held for sale	73,331		73,327	
Other current assets	14,103		21,279	
Property, plant and equipment:	115,083	15.3	112,384	14.9
Land	21,746		21,702	
Buildings	118,036		118,868	
Machinery and equipment	159,943		159,081	
Construction in progress	11,316		11,312	
Accumulated depreciation	(195,958)		(198,579)	
Investments and other assets:	174,822	23.4	196,373	26.1
Right-of-use assets under operating leases	—		33,054	
Goodwill	40,532		39,490	
Investments in and advances to affiliates	26,022		25,501	
Investment securities	28,997		29,270	
Leasehold deposits	7,533		7,528	
Deferred income taxes	42,537		33,449	
Other assets	29,201		28,081	
Total assets	749,878	100.0	752,396	100.0

(Millions of yen)

	As of March 31, 2019		As of June 30, 2019	
		%		%
LIABILITIES				
Current liabilities	175,555	23.4	164,901	21.9
Notes and accounts payable — trade	71,360		64,406	
Accrued expenses	38,290		30,242	
Income taxes payable	3,174		2,338	
Short-term operating lease liabilities	—		11,538	
Liabilities held for sale	27,730		25,437	
Other current liabilities	35,001		30,940	
Deferred income taxes	733	0.1	990	0.1
Termination and retirement benefits	55,036	7.3	29,341	3.9
Long-term operating lease liabilities	—	—	21,568	2.9
Other long-term liabilities	12,243	1.7	12,440	1.7
Total liabilities	243,567	32.5	229,240	30.5
NET ASSETS				
Shareholders' equity	504,212	67.2	521,176	69.3
Common stock	64,100	8.5	64,100	8.5
Capital surplus	100,233	13.4	100,403	13.3
Legal reserve	21,826	2.9	22,771	3.0
Retained earnings	433,639	57.8	441,235	58.6
Accumulated other comprehensive income (loss)	(70,200)	(9.3)	(61,943)	(8.1)
Foreign currency translation adjustments	(7,687)		(18,446)	
Pension liability adjustments	(62,648)		(43,509)	
Net gains (losses) on derivative instruments	135		12	
Treasury stock	(45,386)	(6.1)	(45,390)	(6.0)
Noncontrolling interests	2,099	0.3	1,980	0.2
Total net assets	506,311	67.5	523,156	69.5
Total liabilities and shareholders' equity	749,878	100.0	752,396	100.0

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

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

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

(Millions of yen)

	Three months ended June 30, 2018		Three months ended June 30, 2019	
		%		%
Net sales	177,559	100.0	160,037	100.0
Cost of sales	97,548	54.9	88,512	55.3
Gross profit	80,011	45.1	71,525	44.7
Selling, general and administrative expenses	51,052	28.8	49,915	31.2
Research and development expenses	11,893	6.7	11,578	7.2
Operating income	17,066	9.6	10,032	6.3
Other expenses, net	(893)	(0.5)	(927)	(0.5)
Income before income taxes from continuing operations	17,959	10.1	10,959	6.8
Income taxes	4,846	2.7	2,659	1.7
Equity in loss (earnings) of affiliates	256	0.2	473	0.2
Income from continuing operations	12,857	7.2	7,827	4.9
Income from discontinued operations	1,874	1.1	785	0.5
Net income	14,731	8.3	8,612	5.4
Net income attributable to noncontrolling interests	53	0.0	72	0.1
Net income attributable to OMRON shareholders	14,678	8.3	8,540	5.3

Notes: We have reclassified the quarterly consolidated statements of operations for the first quarter of the previous fiscal year for presentation purposes in connection with the classification of the AEC as a discontinued operation.

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

(Quarterly Consolidated Statements of Comprehensive Income)
(Three months ended June 30, 2019)

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Net income	14,731	8,612
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments	(1,449)	(10,788)
Pension liability adjustments	364	19,139
Net gains (losses) on derivative instruments	(19)	(123)
Other comprehensive income (loss)	(1,104)	8,228
Comprehensive income	13,627	16,840
(Breakdown)		
Comprehensive income attributable to noncontrolling interests	53	43
Comprehensive income attributable to OMRON shareholders	13,574	16,797

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
I. Operating Activities:		
1. Net income	14,731	8,612
2. Adjustments to reconcile net income to net cash provided by operating activities:		
(1) Depreciation and amortization	7,094	7,196
(2) Gain on sales and disposals of property, plant and equipment	(184)	(20)
(3) Net gain on valuation of investment securities	(687)	(68)
(4) Termination and retirement benefits	928	628
(5) Deferred income taxes	1,009	903
(6) Equity in loss (earnings) of affiliates	256	473
(7) Changes in assets and liabilities:		
(i) Decrease in notes and accounts receivable — trade	18,341	26,388
(ii) Increase in inventories	(8,144)	(7,324)
(iii) Decrease (increase) in other assets	4,543	(8,131)
(iv) Decrease in notes and accounts payable — trade	(10,521)	(6,788)
(v) Decrease in income taxes payable	(1,808)	(1,093)
(vi) Decrease in accrued expenses and other current liabilities	(7,671)	(3,153)
(8) Other, net	226	(464)
Subtotal	3,382	8,547
Net cash provided by operating activities	18,113	17,159
II. Investing Activities:		
1. Proceeds from sale of investment securities	416	933
2. Purchase of investment securities	(1)	(1,019)
3. Capital expenditures	(9,021)	(7,015)
4. Net decrease (increase) in leasehold deposits	(126)	15
5. Proceeds from sale of property, plant and equipment	1,398	478
6. Acquisition of business, net of cash acquired	(831)	—
7. Other, net	23	333
Net cash used in investing activities	(8,142)	(6,275)
III. Financing Activities:		
1. Net borrowings (repayments) of short-term debt	461	(7)
2. Dividends paid by the Company	(8,003)	(8,625)
3. Dividends paid to noncontrolling interests	(197)	(162)
4. Acquisition of treasury stock	(5,707)	(4)
5. Other, net	(134)	29
Net cash used in financing activities	(13,580)	(8,769)
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	(94)	(2,021)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,703)	94
Cash and Cash Equivalents at Beginning of the Period	113,023	110,250
Cash and Cash Equivalents at End of the Period	109,320	110,344
Cash and Cash Equivalents from Discontinued Operations at the End of the Period (Deduct)	6,777	7,544
Cash and Cash Equivalents from Continuing Operations at the End of the Period	102,543	102,800
Notes to cash flows from operating activities:		
1. Interest paid	45	76
2. Taxes paid	6,403	7,280
Notes to investing and financing activities not involving cash flow:		
1. Debt related to capital expenditures	968	4,679

(4) Notes Regarding Consolidated Financial Statements

(Notes Regarding Assumptions of Going Concern)

None applicable

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

None applicable

(Changes in Accounting Policy)

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

Under FASB Accounting Standards Update 2018-11 *Leases*, the cumulative impact of lease-related rules (ASU2016-02) are recognized as an adjustment to the opening balance for retained earnings in the period of adoption. OMRON and OMRON subsidiaries have adopted these rules and are exempt from retrospective restatements of presentation and disclosure of comparative periods.

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

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

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

(Segment Information)

Business Segment Information

Three months ended June 30, 2018 (April 1, 2018 – June 30, 2018)

(Millions of yen)

	IAB	EMC	SSB	HCB	Other	Total	Eliminations & Corporate	Consolidated
Net sales								
(1) Sales to external customers	102,785	26,988	9,583	27,899	9,179	176,434	1,125	177,559
(2) Intersegment sales	1,538	13,476	1,174	59	1,655	17,902	(17,902)	—
Total	104,323	40,464	10,757	27,958	10,834	194,336	(16,777)	177,559
Operating expenses	87,285	37,555	12,841	24,023	11,177	172,881	(12,388)	160,493
Segment profit (loss)	17,038	2,909	(2,084)	3,935	(343)	21,455	(4,389)	17,066

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

2. OMRON revised business classifications in October 2018, reclassifying certain operations under the Other Businesses segment to the SSB segment. Accordingly, we reclassified consolidated results for the first three months of the previous fiscal year under this new categorization for presentation herein.

Three months ended June 30, 2019 (April 1, 2019 – June 30, 2019)

(Millions of yen)

	IAB	EMC	SSB	HCB	Other	Total	Eliminations & Corporate	Consolidated
Net sales								
(1) Sales to external customers	89,121	22,988	10,364	27,708	9,197	159,378	659	160,037
(2) Intersegment sales	1,330	11,317	1,111	6	922	14,686	(14,686)	—
Total	90,451	34,305	11,475	27,714	10,119	174,064	(14,027)	160,037
Operating expenses	77,175	34,300	13,283	24,315	9,748	158,821	(8,816)	150,005
Segment profit (loss)	13,276	5	(1,808)	3,399	371	15,243	(5,211)	10,032

Sales by Geographical Region

Three months ended June 30, 2018 (April 1, 2018 – June 30, 2018)

(Millions of yen)

	IAB	EMC	SSB	HCB	Other	Total	Eliminations & Corporate	Consolidated
Major Regional Markets (External Customers)								
Japan	38,535	5,875	9,521	5,683	7,582	67,196	901	68,097
Americas	9,231	4,424	—	6,194	—	19,849	—	19,849
Europe	20,931	4,654	—	5,106	—	30,691	—	30,691
Greater China	23,034	8,617	37	8,179	1,524	41,391	—	41,391
Southeast Asia and Others	10,968	3,388	—	2,592	—	16,948	—	16,948
Direct Exports	86	30	25	145	73	359	224	583
Total	102,785	26,988	9,583	27,899	9,179	176,434	1,125	177,559

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

2. OMRON revised business classifications in October 2018, reclassifying certain operations under the Other Businesses segment to the SSB segment. Accordingly, we reclassified consolidated results for the first three months of the previous fiscal year under this new categorization for presentation herein.

Three months ended June 30, 2019 (April 1, 2019 – June 30, 2019)

(Millions of yen)

	IAB	EMC	SSB	HCB	Other	Total	Eliminations & Corporate	Consolidated
Major Regional Markets (External Customers)								
Japan	33,026	5,472	10,293	5,183	8,845	62,819	648	63,467
Americas	7,799	3,750	—	5,884	—	17,433	—	17,433
Europe	18,344	3,998	—	4,548	—	26,890	—	26,890
Greater China	20,165	6,480	60	9,338	352	36,395	—	36,395
Southeast Asia and Others	9,709	3,255	—	2,624	—	15,588	—	15,588
Direct Exports	78	33	11	131	—	253	11	264
Total	89,121	22,988	10,364	27,708	9,197	159,378	659	160,037

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

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

(Discontinued Operations)

(1) Overview of Discontinued Operations

At a meeting held April 16, 2019, the OMRON board of directors resolved to transfer the business of AEC OMRON operating segment, namely all shares of consolidated subsidiary OMRON Automotive Electronics Co., Ltd. (Note 1), all shares, etc., of two consolidated subsidiaries, including OMRON AUTOMOTIVE ELECTRONICS de Mexico, S. de R.L. de C.V., and the automotive electronic components businesses of three consolidated subsidiaries for compensation in the amount of JPY100 billion (Note 2) to Nidec Corp. The share transfer agreement was executed on the same day as the meeting of the board of directors. In connection with this decision, OMRON has classified the above-referenced businesses as discontinued operations as of the first quarter of the current consolidated fiscal year. We have classified results as continuing operations and discontinued operations for presentation herein.

This transaction is scheduled to be completed by the end of October 2019; however, the transaction must receive approval by the antitrust regulatory authorities in each country. Accordingly, the effective date of this transaction has yet to be determined.

OMRON is currently assessing the impact of this transaction on our financial statements. If deemed necessary, we will make the appropriate disclosures promptly upon determination.

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

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

(Millions of yen)

	Three months ended June 30, 2018		Three months ended June 30, 2019	
		%		%
Net sales	32,575	100.0	28,183	100.0
Cost of sales	24,870	76.3	22,148	78.6
Gross profit	7,705	23.7	6,035	21.4
Selling, general and administrative expenses	2,659	8.2	2,585	9.2
Research and development expenses	2,503	7.7	2,457	8.7
Operating income	2,543	7.8	993	3.5
Other expenses (income), net	(92)	(0.3)	24	0.1
Income before income taxes from discontinued operations	2,635	8.1	969	3.4
Income taxes	761	2.3	184	0.7
Net income from discontinued operations	1,874	5.8	785	2.8

3. Supplementary Information

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

(Millions of yen, %)

	Three months ended June 30, 2018	Three months ended June 30, 2019	Year-on- year change	Year ended March 31, 2019	Year ending March 31, 2020 (projected)	Year-on- year change
Net sales	177,559	160,037	-9.9%	732,581	709,000	-3.2%
Operating income	17,066	10,032	-41.2%	67,254	57,500	-14.5%
[% of net sales]	[9.6%]	[6.3%]	[-3.3%pt]	[9.2%]	[8.1%]	[-1.1%pt]
Income before income taxes from continuing operations	17,959	10,959	-39.0%	65,912	52,500	-20.3%
[% of net sales]	[10.1%]	[6.8%]	[-3.3%pt]	[9.0%]	[7.4%]	[-1.6%pt]
Net income attributable to OMRON shareholders	14,678	8,540	-41.8%	54,323	42,500	-21.8%
Net income per share attributable to OMRON shareholders (basic) (¥)	69.86	41.59	-28.27	260.78	206.95	-53.83
Total assets	725,889	752,396	+3.7%	749,878		
Shareholders' equity	513,787	521,176	+1.4%	504,212		
[Shareholders' equity ratio (%)]	[70.8%]	[69.3%]	[-1.5%pt]	[67.2%]		
Shareholders' equity per share (¥)	2,450.51	2,537.85	+87.34	2,455.24		
Net cash provided by operating activities	18,113	17,159	(954)	71,245		
Net cash used in investing activities	(8,142)	(6,275)	+1,867	(34,957)		
Net cash used in financing activities	(13,580)	(8,769)	+4,811	(40,783)		
Cash and equivalents from continuing operations at the end of the period	102,543	102,800	+257	103,850		

Notes: 1. 148 consolidated subsidiaries and 20 equity-method affiliates.

2. In connection with the classification of the AEC as a discontinued operation, net sales, operating income, and income before income taxes from continuing operations presented for the first three months of the fiscal year ended March 2019, the fiscal year ended March 2019, and forecasts for the fiscal year ending March 2020 reflect continuing operations excluding amounts from discontinued operations.

(2) Consolidated Net Sales by Business Segment

(Billions of yen)

		Three months ended June 30, 2018	Three months ended June 30, 2019	Year-on-year change (%)
IAB	Japan	38.5	33.0	-14.3%
	Americas	9.2	7.8	-15.5%
	Europe	20.9	18.3	-12.4%
	Greater China	23.0	20.2	-12.5%
	Southeast Asia and Others	11.0	9.7	-11.5%
	Direct Exports	0.1	0.1	-9.3%
	Total	102.8	89.1	-13.3%
EMC	Japan	5.9	5.5	-6.9%
	Americas	4.4	3.8	-15.2%
	Europe	4.7	4.0	-14.1%
	Greater China	8.6	6.5	-24.8%
	Southeast Asia and Others	3.4	3.3	-3.9%
	Direct Exports	0.0	0.0	+10.0%
	Total	27.0	23.0	-14.8%
SSB	Japan	9.5	10.3	+8.1%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	0.0	0.1	+62.2%
	Southeast Asia and Others	—	—	—
	Direct Exports	0.0	0.0	-56.0%
	Total	9.6	10.4	+8.1%
HCB	Japan	5.7	5.2	-8.8%
	Americas	6.2	5.9	-5.0%
	Europe	5.1	4.5	-10.9%
	Greater China	8.2	9.3	+14.2%
	Southeast Asia and Others	2.6	2.6	+1.2%
	Direct Exports	0.1	0.1	-9.7%
	Total	27.9	27.7	-0.7%
Other	Japan	7.6	8.8	+16.7%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	1.5	0.4	-76.9%
	Southeast Asia and Others	—	—	—
	Direct Exports	0.1	—	—
	Total	9.2	9.2	+0.2%
Eliminations & Corporate	Japan	0.9	0.6	-28.1%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	—	—	—
	Southeast Asia and Others	—	—	—
	Direct Exports	0.2	0.0	-95.1%
	Total	1.1	0.7	-41.4%
Total	Japan	68.1	63.5	-6.8%
	Americas	19.8	17.4	-12.2%
	Europe	30.7	26.9	-12.4%
	Greater China	41.4	36.4	-12.1%
	Southeast Asia and Others	16.9	15.6	-8.0%
	Direct Exports	0.6	0.3	-54.7%
	Total	177.6	160.0	-9.9%

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

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

(Billions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019	Year-on-year change (%)
IAB	17.0	13.3	-22.1%
EMC	2.9	0.0	-99.8%
SSB	(2.1)	(1.8)	—
HCB	3.9	3.4	-13.6%
Other	(0.3)	0.4	—
Eliminations & Corporate	(4.3)	(5.3)	—
Total	17.1	10.0	-41.2%

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

(4) Average Currency Exchange Rate

(One unit of currency, in yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019	Year-on-year change
USD	108.1	110.7	+2.6
EUR	129.9	123.6	-6.3
RMB	17.1	16.3	-0.8

(5) Projected Consolidated Net Sales by Business Segment

(Billions of yen)

		Year ended March 31, 2019	Year ending March 31, 2020	Year-on-year change (%)
IAB	Japan	154.7	150.5	-2.7%
	Americas	35.0	32.0	-8.5%
	Europe	79.9	75.0	-6.1%
	Greater China	78.2	75.0	-4.1%
	Southeast Asia and Others	43.8	45.0	+2.8%
	Direct Exports	0.3	0.5	+52.0%
	Total	391.8	378.0	-3.5%
EMC	Japan	23.2	23.0	-0.8%
	Americas	17.9	17.5	-2.1%
	Europe	17.7	17.5	-1.4%
	Greater China	30.8	30.0	-2.5%
	Southeast Asia and Others	13.5	13.0	-3.5%
	Direct Exports	0.1	—	—
Total	103.1	101.0	-2.1%	
SSB	Japan	73.8	81.5	+10.5%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	0.4	0.5	+14.9%
	Southeast Asia and Others	—	—	—
	Direct Exports	0.8	1.0	+21.5%
Total	75.0	83.0	+10.6%	
HCB	Japan	26.9	28.5	+5.9%
	Americas	23.6	24.5	+3.8%
	Europe	22.7	23.0	+1.5%
	Greater China	31.0	34.5	+11.4%
	Southeast Asia and Others	10.7	12.0	+12.2%
	Direct Exports	0.6	0.5	-21.9%
Total	115.5	123.0	+6.5%	
Other	Japan	35.5	30.5	-14.1%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	6.1	1.5	-75.6%
	Southeast Asia and Others	—	—	—
	Direct Exports	0.1	—	—
Total	41.7	32.0	-23.3%	
Eliminations & Corporate	Japan	4.6	2.0	-56.4%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	—	—	—
	Southeast Asia and Others	—	—	—
	Direct Exports	0.8	—	—
Total	5.4	2.0	-62.8%	
OMRON Group Earnings Fluctuation Risk		—	(10.0)	—
Total	Japan	318.7	316.0	-0.8%
	Americas	76.5	74.0	-3.2%
	Europe	120.3	115.5	-4.0%
	Greater China	146.5	141.5	-3.4%
	Southeast Asia and Others	67.9	70.0	+3.0%
	Direct Exports	2.7	2.0	-27.2%
	OMRON Group Earnings Fluctuation Risk	—	(10.0)	—
Total	732.6	709.0	-3.2%	

Notes: 1. In connection with the classification of the AEC as a discontinued operation, net sales by consolidated segment presented for the fiscal year ended March 2019 and forecasts of net sales by consolidated segment for the fiscal year ending March 2020 reflect a reclassification of continuing operations excluding amounts from discontinued operations for presentation herein.

Further, we have reclassified the EMC and Eliminations & Corporate results for the fiscal year ended March 2019 and forecasts for the fiscal year ending March 2020 for presentation herein.

2. OMRON revised business classifications in October 2018, reclassifying certain operations under the Other Businesses segment to the SSB segment. The company reclassified results for the fiscal year ended March 2019 under this new categorization for presentation herein.

3. Total JPY10.0 billion negative impact on sales included to reflect uncertainty of FY2020 business environment.

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

(Billions of yen)

	Year ended March 31, 2019	Year ending March 31, 2020	Year-on-year change (%)
IAB	62.9	63.0	+0.2%
EMC	8.2	8.5	+4.1%
SSB	5.8	6.5	+12.8%
HCB	13.0	14.0	+7.4%
Other	(0.5)	(1.0)	—
Eliminations & Corporate	(22.1)	(28.5)	—
OMRON Group Earnings Fluctuation Risk	—	(5.0)	—
Total	67.3	57.5	-14.5%

Notes: 1. In connection with the classification of the AEC as a discontinued operation, net sales by consolidated segment presented for the fiscal year ended March 2019 and forecasts of net sales by consolidated segment for the fiscal year ending March 2020 reflect a reclassification of continuing operations excluding amounts from discontinued operations for presentation herein.

Further, we have reclassified the EMC and Eliminations & Corporate results for the fiscal year ended March 2019 and forecasts for the fiscal year ending March 2020 for presentation herein.

2. OMRON revised business classifications in October 2018, reclassifying certain operations under the Other Businesses segment to the SSB segment. The company reclassified results for the fiscal year ended March 2019 under this new categorization for presentation herein.

3. Total JPY5.0 billion negative impact on operating income to reflect uncertainty of FY2020 business environment.

(7) Projected Average Currency Exchange Rate

(One unit of currency, in yen)

	Year ended March 31, 2019	Year ending March 31, 2020	Year-on-year change
USD	110.7	108.7	-2.0
EUR	128.8	123.1	-5.7
RMB	16.5	16.2	-0.3