



## Summary of Consolidated Financial Results for the Year Ended March 31, 2019 (U.S. GAAP)

April 24, 2019

### OMRON Corporation (6645)

Exchanges Listed:	Tokyo (first section)
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Annual General Shareholders' Meeting (Scheduled):	June 18, 2019
Start of Distribution of Dividends (scheduled):	June 19, 2019
Filing of Securities Report ( <i>Yuka shoken hokokusho</i> ) (Scheduled):	June 19, 2019
Preparation of Supplementary Materials for the Financial Results:	Yes
Holding of Presentation of 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 Year Ended March 31, 2019 (April 1, 2018 – March 31, 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			
	Year ended March 31, 2019		Year ended March 31, 2018	
		Change (%)		Change (%)
Net sales	859,482	(0.1)	859,982	+8.3
Operating income	76,633	(11.2)	86,254	+25.9
Income before income taxes	75,432	(9.5)	83,367	+27.3
Net income attributable to shareholders	54,323	(14.0)	63,159	+37.3
Net income per share attributable to shareholders, basic (JPY)	260.78		296.85	
Net income per share attributable to shareholders, diluted (JPY)	—		—	
Return on equity	10.8%		13.0%	
Income before income taxes / total assets ratio	10.1%		11.6%	
Operating income / net sales ratio	8.9%		10.0%	

Notes: 1. Comprehensive income (loss): Year ended March 31, 2019: JPY 41,559 million (-41.9% change);  
Year ended March 31, 2018: JPY 71,512 million (+83.3% change)

2. The consolidated statement of operations for the fiscal year ended March 2018 has been reclassified for presentation purposes. See (5) *Notes Regarding Consolidated Financial Statements (Changes in Accounting Policy)* on P.21 for more.

## (2) Consolidated Financial Position

	Millions of yen - except per share data and percentages	
	As of	As of
	March 31, 2019	March 31, 2018
Total assets	749,878	744,952
Net assets	506,311	507,386
Shareholders' equity	504,212	505,530
Shareholders' equity ratio (%)	67.2	67.9
Shareholders' equity per share (JPY)	2,455.24	2,400.37

## (3) Consolidated Cash Flows

	Millions of yen	
	Year ended	Year ended
	March 31, 2019	March 31, 2018
Net cash provided by operating activities	71,245	73,673
Net cash used in investing activities	(34,957)	(55,842)
Net cash used in financing activities	(40,783)	(33,082)
Cash and cash equivalents at end of period	110,250	113,023

## 2. Dividends

		Year ended March 31, 2018	Year ended March 31, 2019	Year ending March 31, 2020 (projected)
Dividends per share	1st quarter dividend (JPY)	—	—	—
	Interim dividend (JPY)	38.00	42.00	—
	3rd quarter dividend (JPY)	—	—	—
	Year-end dividend (JPY)	38.00	42.00	—
	Total dividends for the year (JPY)	76.00	84.00	84.00
Total cash dividends paid (JPY million)		16,141	17,463	
Payout ratio (%)		25.6	32.2	40.6
Dividends / Shareholders' equity ratio (%)		3.3	3.5	

Note: Interim and year-end dividends for the year ending March 31, 2020 are undetermined.

## 3. Projected Results for the 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	830,000	(3.4)
Operating income	65,000	(15.2)
Income before income taxes	60,000	(20.5)
Net income attributable to shareholders	42,500	(21.8)
Net income per share attributable to shareholders (JPY)	206.95	

Note: These forecasts include fiscal year forecasts for the Automotive Electronic Components Business, the transfer of which was announced on April 16, 2019.

## 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) Changes in accounting policy  
(a) Changes in accounting policy accompanying revision of accounting standards, etc.: Yes  
(b) Changes in accounting policy other than (a) above: No  
Note: For more, see 5. *Consolidated Financial Statements and Notes (5) Notes Regarding Consolidated Financial Statements(Changes in Accounting Policy)* on P.21
- (3) Number of shares issued and outstanding (common stock)  
(a) Number of shares at end of period (including treasury stock):  
March 31, 2019: 213,958,172 shares  
March 31, 2018: 213,958,172 shares  
(b) Treasury stock at end of period:  
March 31, 2019: 8,596,608 shares  
March 31, 2018: 3,352,916 shares  
(c) Average number of shares during the period:  
Year ended March 31, 2019 208,306,026 shares  
Year ended March 31, 2018 212,766,401 shares  
Note: As of the end of the fiscal year ended March 2019, 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 shareholders.

(Reference) Summary of Non-consolidated Results

### 1. Non-consolidated Financial Results for the Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)

#### (1) Non-consolidated Sales and Income

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

	Millions of yen - except per share data and percentages			
	Year ended March 31, 2019		Year ended March 31, 2018	
		Change (%)		Change (%)
Net sales	324,908	+1.5	320,048	+18.9
Operating income	27,049	(3.2)	27,934	+25.7
Ordinary income	49,135	+28.4	38,275	(8.8)
Net income	45,017	+47.8	30,458	+2.7
Net income per share (JPY)	216.11		143.15	
Net income per share, diluted (JPY)	—		—	

#### (2) Non-consolidated Financial Position

	Millions of yen - except per share data and percentages	
	As of March 31, 2019	As of March 31, 2018
	Total assets	464,405
Net assets	259,824	257,956
Net worth ratio (%)	55.9	53.2
Net assets per share (JPY)	1,265.20	1,224.83

(Reference) Net worth: Year ended March 31, 2019: JPY 259,824 million; Year ended March 31, 2018: JPY 257,956 million

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

**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. Analysis of Results of Operations and Financial Condition (5) Outlook for the Year Ending March 31, 2020* on P.8.
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. Interim and year-end dividends for the fiscal year ending March 2020 will be disclosed after OMRON Group earnings forecasts have been determined with greater certainty. We plan to pay interim dividends by October 2019 at the latest and year-end dividends in April 2020.
4. The Company plans to hold a presentation for investors on Wednesday, April 24, 2019. The Company also plans to post an overview and the (audio) content of its explanations, together with financial materials used at the presentation, on our website.

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

IAB: Industrial Automation Business

EMC: Electronic and Mechanical Components Business

AEC: Automotive Electronic Components Business

SSB: Social Systems, Solutions and Service Business

HCB: Healthcare Business

Other: Environmental Solutions Business, Electronic Systems & Equipment Business, Backlights Business

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## **1. Analysis of Results of Operations and Financial Condition**

### **(1) Analysis of Results of Operations**

#### **1) General Overview**

The OMRON Group recorded fiscal 2018 net sales level with the prior fiscal year. Operating income and net profits underperformed prior year. During the second half of the fiscal year (October 2018 through March 2019), demand for smartphones and semiconductor-related products slowed, while the global market for manufacturing continued to decline. Our core Industrial Automation Business (IAB) and Electronic and Mechanical Components Business (EMC) both experienced sluggish sales. Our Social Systems, Solutions and Service Business (SSB) and Healthcare Business (HCB), however, contributed earnings growth, resulting in overall net sales level with the prior fiscal year. Operating income underperformed the prior fiscal year as a result of strategic increases in SG&A and development expenses toward future growth.

Consolidated results for fiscal 2018 were as follows.

Billions of yen, except exchange rate data and percentages			
	Year ended March 31, 2018	Year ended March 31, 2019	Change
Net sales	860.0	859.5	-0.1%
Gross profit	357.8	354.1	-1.0%
[% of net sales]	[41.6%]	[41.2%]	[-0.4%pt]
Operating income	86.3	76.6	-11.2%
[% of net sales]	[10.0%]	[8.9%]	[-1.1%pt]
Income before income taxes	83.4	75.4	-9.5%
Net income attributable to shareholders	63.2	54.3	-14.0%
Average USD exchange rate (JPY)	111.2	110.7	-0.5
Average EUR exchange rate (JPY)	129.4	128.8	-0.6
Average RMB exchange rate (JPY)	16.7	16.5	-0.2

Note: The consolidated statement of operations for the fiscal year ended March 2018 has been reclassified. For more, see (5) Notes Regarding Consolidated Financial Statements (Changes in Accounting Policy) on P.21.

## 2) Results by Business Segment

### IAB (Industrial Automation Business)

(Billions of yen, %)

	Year ended March 31, 2018	Year ended March 31, 2019	Change
Sales to external customers	396.1	391.8	-1.1%
Segment profit	74.0	62.9	-15.0%

#### Sales

Segment sales were level with the prior fiscal year, despite firm demand in the automobile industry for capital investment, which was driven by advancements in technology and trends toward local production for local consumption. At the same time, the food industry and other sectors continued to experience a rising need for labor-saving automation. Our sales activities leveraged an extensive product lineup and an ability to propose attractive solutions, resulting in higher sales to the automobile and food industries. In contrast, sales to the digital industry were lower due to slower demand for capital investment related to smartphones and semiconductors, as well as the globally expanding downturn in the manufacturing industry over the second half of the fiscal year.

#### Segment Profit

Segment profit was significantly lower compared to the prior fiscal year, mainly due to strategic investments in personnel and research and development for sustainable future growth. Foreign exchange fluctuations also had a major negative impact on segment profit.

### EMC (Electronic and Mechanical Components Business)

(Billions of yen, %)

	Year ended March 31, 2018	Year ended March 31, 2019	Change
Sales to external customers	104.4	99.7	-4.5%
Segment profit	12.5	8.2	-34.5%

Note: OMRON revised business classifications, reclassifying certain operations under Other Businesses to the EMC and other segments beginning with the fiscal year ended March 31, 2019. The group reclassified results for the fiscal year ended March 2018 under this new categorization for presentation herein.

#### Sales

Fiscal 2018 EMC segment sales were lower than the previous fiscal year. Although we correctly identified environmental changes and customer demand for consumer and commercial products in the Americas and Europe, weak purchasing sentiment in the automotive industry in China drove demand lower. At the same time, demand has fallen due to the impact of ongoing contraction in the amusement industry.

#### Segment Profit

Segment profit was significantly lower compared to the prior fiscal year due to lower sales to external customers and OMRON Group businesses, combined with investments in new products and productivity improvements looking ahead to future growth.

### AEC (Automotive Electronic Components Business)

(Billions of yen, %)

	Year ended March 31, 2018	Year ended March 31, 2019	Change
Sales to external customers	131.2	130.5	-0.5%
Segment profit	5.8	6.3	+8.7%

#### Sales

Changes in vehicle models carrying OMRON products and other factors resulted in weak demand in the Americas, Europe, and China. On the other hand, demand in Asia was strong, supported by increasing automobile production and rising needs for motorcycle-related products.

As a result, sales for the segment were level with the prior fiscal year.

### Segment Profit

The AEC reported higher profit compared to the prior fiscal year as a result of efforts to improve profitability within the segment.

### SSB (Social Systems, Solutions and Service Business)

(Billions of yen, %)

	Year ended March 31, 2018	Year ended March 31, 2019	Change
Sales to external customers	70.3	75.0	+6.7%
Segment profit	4.8	5.8	+19.5%

Note: OMRON revised business classifications in October 2018, reclassifying certain operations under the Other Businesses segment to the SSB segment. Accordingly, the company reclassified consolidated results for the fiscal year ended March 2018 and for the first six months of the fiscal year ended March 2019 under this new categorization for presentation herein.

### Sales

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

### Segment Profit

The SSB segment reported significantly higher profit compared to the prior fiscal year, due to higher sales and improved productivity.

### HCB (Healthcare Business)

(Billions of yen, %)

	Year ended March 31, 2018	Year ended March 31, 2019	Change
Sales to external customers	108.5	115.5	+6.5%
Segment profit	11.2	13.0	+16.3%

### Sales

The HCB segment experienced strong sales, due to stepped-up promotions through online channels mainly in China, Japan, and the Americas. These markets and others across the globe have shown firm demand for our blood pressure monitors.

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

### Segment Profit

Although the segment incurred higher research and development expenses for future growth, segment profit grew compared to the prior fiscal year, mainly due to higher sales and productivity improvements.

### Other Businesses

(Billions of yen, %)

	Year ended March 31, 2018	Year ended March 31, 2019	Change
Sales to external customers	44.4	41.7	-5.9%
Segment profit (loss)	(1.2)	(0.5)	—

- Notes: 1. The Other Businesses segment includes new exploratory or incubation businesses, as well as businesses being nurtured under the direct control of Headquarters.
2. OMRON revised business classifications, reclassifying certain operations under the Other Businesses segment to the EMC and other segments beginning with the fiscal year ended March 31, 2019. Accordingly, the company reclassified results for the fiscal year ended March 2018 under this new categorization for presentation herein. OMRON revised business classifications in October 2018, reclassifying certain operations under the Other Businesses segment to the SSB segment. Accordingly, the company reclassified consolidated results for the fiscal year ended March 2018 and for the first six months of the fiscal year ended March 2019 under this new categorization for presentation herein.



## **Sales**

The OMRON Environmental Solutions Business reported strong performance for the year, experiencing growing demand for storage battery systems. Our Backlights Business saw weak sales due to further business optimization initiatives.

As a result, Other Businesses segment sales fell compared to the prior fiscal year.

## **Segment Profit**

The Other Businesses segment reported narrower losses compared to the prior fiscal year, mainly due to higher Environmental Solutions Business sales and optimization of fixed expenses in our Backlights Business.

## **(2) Analysis of Financial Condition**

Under VG2.0, the OMRON Group is investing actively toward sustainable corporate value growth. At the same time, we continue to employ ROIC management, which emphasizes return on capital.

Total assets as of the end of the fiscal year amounted to JPY749.9 billion, an increase of JPY4.9 billion compared to the end of the prior fiscal year. This increase was mainly due to increases in property, plant and equipment. Total liabilities increased JPY6.0 billion compared to the end of prior fiscal year, amounting to JPY243.6 billion. This result was mainly due to increases in reserve for termination and retirement benefits, which more than offset decreases in accounts payable-trade and accrued expenses. Net assets decreased JPY1.1 billion compared to the end of the prior fiscal year to JPY506.3 billion. This result was due to share buybacks and other factors outweighing the company's recording net income attributable to shareholders for the fiscal year. OMRON Group shareholders' equity ratio was 67.2 percent, down 0.7 points compared to 67.9 percent at the end of the prior fiscal year. Despite this result, the company has maintained a firm financial foundation capable of handling aggressive investments and changes in market conditions.

## **(3) Summary of Cash Flows for the Year Ended March 31, 2019**

Net cash provided by operating activities for the fiscal year amounted to JPY71.2 billion (a decrease in cash provided of JPY2.4 billion compared to the prior fiscal year). This result was mainly due to the recording of net income and amortization and depreciation, which more than offset decreases in notes and accounts payable-trade and accrued expenses.

Net cash used in investing activities was JPY35.0 billion, representing a decrease in net cash used of JPY20.9 billion compared to the prior fiscal year. This result was mainly due to capital expenditures for investments in production capacity increases and future growth.

Free cash flows (cash provided by operating activities less cash used in investing activities) amounted to JPY36.3 billion, an increase of JPY18.5 billion compared to the prior fiscal year.

Net cash used in financing activities was JPY40.8 billion, which was an increase in net cash used of JPY7.7 billion compared to the prior fiscal year. This result was mainly due to dividends paid and stock buybacks.

As a result, the balance of cash and cash equivalents at March 31, 2019 amounted to JPY110.3 billion, a decrease of JPY2.8 billion compared to the end of the prior consolidated fiscal year.

## Cash Flow Indicators and Trends

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

	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2019
Shareholders' equity ratio (%)	68.9	65.1	67.2	67.9	67.2
Shareholders' equity ratio on market value basis (%)	165.6	104.8	149.7	177.0	141.9
Debt coverage ratio	0.0	0.0	0.0	0.0	0.0
Interest coverage ratio	310.5	219.6	487.0	429.5	165.2

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

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

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

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

1. All indicators are calculated on a consolidated basis.
2. Total market value of shares is calculated by multiplying the total number of shares outstanding at the end of the period (excluding treasury stock) by the closing share price at the end of the period.
3. Net cash provided by operations is as reported in the consolidated statement of cash flows. Interest-bearing liabilities are liabilities stated on the consolidated balance sheets on which interest is paid. Interest paid is as stated in the notes to the consolidated statements of cash flows.

**(4) Basic Policy for Distribution of Profits, and Dividends for the Year Ended March 31, 2019 and the Year Ending March 31, 2020**

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

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

Based on the preceding policy, OMRON plans to pay a full-year dividend for fiscal 2018 of JPY84 per share. This full-year dividend consists of a JPY42 per share interim dividend (paid December 4, 2018) and a year-end dividend of JPY42 per share. For the year ending March 31, 2020 (fiscal 2019), OMRON plans to pay total dividends of JPY84 per share in line with the policy above. Note that the amounts of the interim and year-end dividends for fiscal 2019 have yet to be determined.

## (5) Outlook for the Year Ending March 31, 2020

### 1) General Outlook

We expect the business environment for fiscal 2019 to continue to be uncertain, leading us to project lower sales and profits for the period.

While we forecast higher sales in our Social Systems, Solutions and Service Business and Healthcare Business due to firm demand, our core Industrial Automation Business and Electronic and Mechanical Components Business, as well as our Automotive Electronic Components Business, are likely to see weak demand due to the uncertain direction of their respective markets. Accordingly, we forecast overall lower sales for the fiscal year.

We also forecast lower operating income, despite expected positives from the efficient use of fixed expenses and productivity improvement policies. Lower profits in our Automotive Electronic Components Business and Other Businesses segments are likely to be the main cause of overall profit declines.

Further, the impact of U.S.-China trade friction, Brexit, and other macroeconomic factors over the next fiscal year will be significant, presenting risks of variability in OMRON Group earnings. Accordingly, we have included a negative impact of JPY10.0 billion in sales and JPY5.0 billion in operating income into our forecasts.

The following provides an overview of our consolidated earnings forecast for fiscal 2019.

Billions of yen, except exchange rate data and percentages			
	Year ended March 31, 2019	Year ending March 31, 2020	Change
Net sales	859.5	830.0	-3.4%
Gross profit	354.1	349.0	-1.4%
[% of net sales]	[41.2%]	[42.0%]	[+0.8%pt]
Operating income	76.6	65.0	-15.2%
[% of net sales]	[8.9%]	[7.8%]	[-1.1%pt]
Income before income taxes	75.4	60.0	-20.5%
Net income attributable to shareholders	54.3	42.5	-21.8%
Average USD exchange rate (JPY)	110.7	108.0	-2.7
Average EUR exchange rate (JPY)	128.8	123.0	-5.8
Average RMB exchange rate (JPY)	16.5	16.2	-0.3

Note: These forecasts include fiscal year forecasts for the Automotive Electronic Components Business, the transfer of which was announced on April 16, 2019.

## 2) Outlook by Segment

### IAB (Industrial Automation Business)

(Billions of yen, %)

	Year ended March 31, 2019	Year ending March 31, 2020	Change
Sales to external customers	391.8	378.0	-3.5%
Segment profit	62.9	63.0	+0.2%

#### Outlook for Sales

We project continued firm demand for capital investment related to autonomous driving and eco-friendly cars in the automobile industry. We also expect ongoing investments related to labor savings and IoT in this sector. In response, we intend to continue proposing optimal solutions for our automobile-related customers. Meanwhile, we expect this environment will continue to be as uncertain as it is challenging. The digital industry in particular is likely to experience weakness in demand for capital investment.

This uncertainty in the markets and the impact of foreign exchange lead us to forecast lower segment sales for fiscal 2019.

#### Outlook for Segment Profit

Despite our projection for sluggish sales, improving gross profit margin, efficient use of fixed costs, and other efforts should result in operating slightly higher than fiscal 2018.

### EMC (Electronic and Mechanical Components Business)

(Billions of yen, %)

	Year ended March 31, 2019	Year ending March 31, 2020	Change
Sales to external customers	99.7	98.0	-1.7%
Segment profit	8.2	8.5	+4.1%

#### Outlook for Sales

Although we project ongoing sluggish demand for consumer and commercial products due to uncertainties in the market environment, we expect to introduce new products and field new business inquiries in growth sectors. Sales to the automotive-related industries should be level compared to the prior fiscal year as the global market experiences gradual growth and China continues to experience weakness in the automotive and related industries.

As a result of these factors and the negative impact of foreign exchange, we forecast segment sales for fiscal 2019 to be level with the previous fiscal year.

#### Outlook for Segment Profit

Despite ongoing investment in future growth, we expect productivity improvement measures during fiscal 2018 to drive segment profit growth for fiscal 2019.

### AEC (Automotive Electronic Components Business)

(Billions of yen, %)

	Year ended March 31, 2019	Year ending March 31, 2020	Change
Sales to external customers	130.5	124.0	-5.0%
Segment profit	6.3	4.0	-36.7%

**Outlook for Sales**

We project overall strong performance in automobile sales in Japan, the Americas, and Asia. However, U.S.-China trade friction is likely to cool demand in China. Further, we expect vehicle model changes away from vehicles using OMRON products in Asia will likely result in decreased demand.

As a result of these factors and the negative impact of foreign exchange, we forecast lower segment sales for fiscal 2019.

**Outlook for Segment Profit**

We forecast fiscal 2019 segment profit to underperform fiscal 2018 due to lower segment sales.

Note: OMRON plans to transfer the Automotive Electronics Business to the Nidec Corporation Group.

**SSB (Social Systems, Solutions and Service Business)**

(Billions of yen, %)

	Year ended March 31, 2019	Year ending March 31, 2020	Change
Sales to external customers	75.0	83.0	+10.6%
Segment profit	5.8	6.5	+12.8%

Note: OMRON revised business classifications in October 2018, reclassifying certain operations under the Other Businesses segment to the SSB segment. Accordingly, the company reclassified consolidated results for the first six months of the fiscal year ended March 2019 under this new categorization for presentation herein.

**Outlook for Sales**

We expect to see firm demand for upgrades and new safety features in our Public Transportation Business and Road Management Systems Business. At the same time, we project increased demand for payment settlement devices in response to rising needs for cashless payments.

As a result, we forecast segment sales to be significantly higher for fiscal 2019 than fiscal 2018.

**Outlook for Segment Profit**

We forecast higher sales to result in significantly higher segment profit.

**HCB (Healthcare Business)**

(Billions of yen, %)

	Year ended March 31, 2019	Year ending March 31, 2020	Change
Sales to external customers	115.5	123.0	+6.5%
Segment profit	13.0	14.0	+7.4%

**Outlook for Sales**

We expect to see strong ongoing demand for secondary prevention products related to lifestyle diseases stemming from increasingly aging societies and lifestyle changes.

As a result, we forecast segment sales to be higher for fiscal 2019 than fiscal 2018.

**Outlook for Segment Profit**

We expect significant segment profit growth driven by higher sales and productivity improvements.

## Other Businesses

(Billions of yen, %)

	Year ended March 31, 2019	Year ending March 31, 2020	Change
Sales to external customers	41.7	32.0	-23.3%
Segment profit (loss)	(0.5)	(1.0)	—

Notes: 1. The Other Businesses segment includes new exploratory or incubation businesses as well as businesses being nurtured under the direct control of Headquarters.

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

### Outlook for Sales

We forecast higher demand in our Environmental Solutions Business, driven by growth in the market for home-use storage battery systems. At the same time, we will continue to optimize our Backlights Business.

As a result, we forecast fiscal 2019 segment sales to be significantly lower than the previous year.

### Outlook for Segment Profit

As a result of lower sales in our Backlights Business, we project wider operating losses compared to the previous fiscal year.

## 3) Forecast of Financial Condition for the Year Ending March 31, 2020

In keeping with our fiscal 2019 operating policy (*Soundly establish a self-driven growth structure in times of adversity – Strengthen earning capacity, growing capability, and responsiveness to change -*), we intend to make selective capital investments and financing that lead to future growth. We will engage in flexible financing and investing, efficiently allocating capital across the OMRON Group in a manner reflecting our financial state.

Given the preceding, we believe that our current balance of cash and cash equivalents in the amount of JPY110.3 billion is an appropriate level for our business activities under our current financial condition.

We forecast an estimated JPY100.0 billion (Note) increase in cash and deposits, reflecting the total transfer price of our Automotive Electronic Components Business. We intend to use the proceeds of this transaction for investments in future growth.

Note: The total transfer price and other transfer agreement terms related to the AEC business will be finalized at a future date. Accordingly, the figures stated above may change in the future.

## 2. The OMRON Group

The OMRON Group made no significant changes in the details of our businesses or affiliated companies since submitting our most recent securities report (June 20, 2018). Accordingly, we have omitted fiscal 2018 disclosures here.

We expect the transfer of our Automotive Electronic Components Business to have an impact on the structure of the OMRON Group. Further, we expect to remove consolidated subsidiary OMRON Automotive Electronics Co., Ltd. and nine of that company's consolidated subsidiaries from OMRON Group consolidated subsidiaries. We also expect to remove special subsidiary company OMRON AUTOMOTIVE ELECTRONICS de Mexico, S. de R.L. de C.V. and one other consolidated subsidiary from OMRON Group consolidated subsidiaries.

### **3. Management Policies**

#### **(1) OMRON's Basic Management Policies**

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

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

Our VG2.0 plan accurately identified a further rise in social needs, spurred by labor shortages, declining birth rates, aging societies, global warming, and other issues. At the same time, advancements in technologies such as AI and IoT have created new and valuable markets. The OMRON Group continued to strive to *progress technologically to innovate and grow* as defined under VG2.0, making progress in our core Sensing & Control + THINK technologies and aiming for sustainable growth as we answer social needs through innovations in technology.

#### **Fiscal 2018 Results**

During this, the second year of VG2.0, we pursued a basic policy defined as Create Change: Accelerate growth and transform profit structure through innovation. Our Healthcare Business and Social Systems, Solutions and Service Business enjoyed strong earnings growth during fiscal 2018. The second half of the fiscal year brought with it rising U.S-China trade frictions, resulting in markets that were slower than expected. This environment drove fiscal 2018 profits lower in our Industrial Automation Business, Electronic and Mechanical Components Business, and Automotive Electronic Components Business. We are still only at the mid-way point in our journey toward establishing a self-driven growth structure, and fiscal 2018 was a year that left unresolved issues related to our ability to respond to change. Despite the challenges, we completed growth-related investments in line with our original plan, building a foundation of technologies, products, infrastructure, and other assets upon which we will accelerate forward into the future. The following describes specific initiatives we pursued during fiscal 2018.

##### **1. Accelerate Growth Through Innovation**

###### **a. Industrial Automation Business Initiatives**

During fiscal 2018, our Industrial Automation Business introduced further advancements to our innovative-Automation<sup>\*1</sup> value concept in pursuit of accelerated growth through innovation. As a result, we provided solutions for manufacturing issues that customers had believed unresolvable to date. In this way, we have demonstrated our steady progress in our ability to address and solve issues. This year in particular, we stepped-up participation in alliances and co-creation projects with our partners and customers. As a result, we developed numerous innovative applications that delivered dramatic improvements in productivity and quality. Since 2016, we have expanded the number of worldwide Automation Centers from eight to 35, allowing us to provide more opportunities for customers to experience the innovative applications we develop for use on their production floors. In that same time frame, we increased sales engineering staff by 20 percent to support production floor implementations among our customers. In Japan and China, we expanded and renovated factories to secure the type of production capacity necessary for future growth. Last, we began full-scale implementation of i-BELT, a co-creation business model working with customers on their production floors. i-BELT uses IoT technology to collect data from manufacturing equipment. This data is then used to provide visibility for production floor conditions and identify issues to improve productivity. Based on this data, AI controllers provide optimized manufacturing line control for factories, eliminating line stoppages and product defects.

Our work on these policies during the year helped us secure assets necessary for future growth.

###### **b. Healthcare Business Initiatives**

Our Healthcare Business began sales in the United States of a wearable blood pressure monitor allowing 24/7 monitoring in the form factor of a wristwatch. This product measures important lifestyle and environmental factors, including blood pressure, steps, sleep, and temperature. Consumers are encouraged to make changes in their behavior by visualizing the actual relationship between lifestyle habits, living environment, and fluctuations in blood pressure. The U.S. Food and Drug Administration has certified this produce as a medical device, information from which is



useful in treating high blood pressure. Patients can share this information with their personal medical professional to plan a course of treatment tailored individual to their situation. In fiscal 2018, we purchased 3A Health Care in Italy. This company develops and manufactures nebulizers, which are used as therapeutic equipment for treating respiratory diseases. Operating in Italy for nearly 30 years, 3A Health Care is particularly capable in the development of these nebulizers. We anticipate leveraging this strength to develop highly competitive high-quality nebulizers for markets around the world, as we contribute to the goal of Zero Events (completely eliminating asthma attacks).

## 2. Transform Profit Structure

To transform the OMRON Group profit structure, we are accelerating the development of automation in manufacturing processes, reducing costs on an ongoing basis, and delivering high-value products to our customers. These initiatives are designed to generate higher gross profit margins for the group. Our Electronic and Mechanical Components Business generated greater efficiency in leveraging fixed manufacturing costs, mainly through consolidating operating locations and production lines. Further, we achieved more efficient use of fixed costs by consolidated business entities and office locations handling group back office functions, centralizing and standardizing finance, human resources, general affairs, and other support functions.

### (3) Issues Facing the Company

#### Fiscal 2019 Plan

During fiscal 2019, we intend to secure a platform to *soundly establish a self-driven growth structure in times of adversity*. The subtitle for this policy is – *Strengthen earning capacity, growing capability, and responsiveness to change* -.

Our fiscal 2019 plan calls for JPY830.0 billion in net sales, 42 percent in gross profit margin, JPY65.0 billion in operating income, JPY42.5 billion in net income attributable to shareholders, ROIC of over 8 percent, and ROE of over 8 percent<sup>\*2</sup>.

We expect the Healthcare Business, Social Systems, Solutions and Service Business, and Environmental Solutions Business to deliver strong performance for the upcoming fiscal year. Meanwhile, we see continued challenges in the markets addressed by our Industrial Automation Business, Electronic and Mechanical Components Business, and Automotive Electronic Components Business.

Continuing geopolitical risks will likely have an ongoing impact on the global economy, resulting in an extended period of instability and uncertainties in the business environment. On the other hand, we see this headwind as an opportunity for the OMRON Group. Accordingly, we will use fiscal 2019 as a time to build strength for self-driven growth.

#### 1. Increase Earnings Power

To increase our earnings power, we intend to reach higher levels of profits through consistent improvements in gross profit margins and more efficient use of SG&A expenses. As we selectively allocate the resources generated by these initiatives, we will create sustainable growth for the group. The Electronic and Mechanical Components Business, for example, has restructured its production platform by consolidating multiple production lines formerly spread across the world. We expect to make the most of this restructuring in fiscal 2019.

#### 2. Enhance Growth Power

We intend to take full advantage of the technologies, products, infrastructure, and other assets we developed through two years of VG2.0 activities to date, generating concrete results in fiscal 2019. Our Industrial Automation Business will use the OMRON Group Automation Centers to offer innovative applications that solve production floor issues faced by customers around the world. As part of these efforts, we will reassign and train sales staff and sales engineers to make better use of these professionals who are so important in delivering applications to customers. This should let us be more effective in proposing OMRON Group products and services that solve customer issues. Our Healthcare Business has spent the past two years in developing a global sales network for the growing online shopping markets in America, the major countries of Europe, China, Japan, and other regions.

We plan to expand our sales network further and engage in promotional activities to provide our products to as many consumers as possible.

### 3. Strengthen Ability to Respond to Change

The OMRON Group has developed a system to monitor market trends and changes in customers through our business units. We keep a continuous eye on changes and take action in response. Collecting and analyzing information centrally allows us to identify signs of change. In fiscal 2019, we intend to expand the number of indicators we monitor, raising our sensitivity to change and increasing our speed of action.

As we execute these initiatives, we will become more flexible in responding to change in the face of headwinds. While we identify market shifts stemming from the types of social needs outlined in our VG2.0 medium-term management plan, we will also exercise careful judgment in selecting those investments necessary for future growth. These decisions and actions will take us further toward a structure supporting self-driven growth for the OMRON Group.

\*1 innovative-Automation is the OMRON concept to introduce innovations to manufacturing. innovative-Automation consists of three “i”s representing evolutions in automation that bring dramatic advancements to the production floor and high added value to manufacturing processes.

***integrated***: Evolution in control technologies allowing any operator of any experience the ability to perform work efficiently.

***intelligent***: Using a broad range of control devices and AI connected through ICT to introduce self-learning and self-maintenance in production machinery for ever-evolving equipment and production lines.

***interactive***: Machines in the workplace anticipate and assist human movement, introducing a new harmony between human and machine.

\*2 This plan includes fiscal year projections for the Automotive Electronics Components Business, the stock transfer of which was announced on April 16, 2019.

### **4. Basic Stance on the Selection of Accounting Standards**

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

## 5. Consolidated Financial Statements and Notes

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018		As of March 31, 2019		Increase (decrease)
		%		%	
<b>ASSETS</b>					
Current assets:	437,385	58.7	428,665	57.2	(8,720)
Cash and cash equivalents	113,023		110,250		(2,773)
Notes and accounts receivable — trade	174,065		171,196		(2,869)
Allowance for doubtful receivables	(1,117)		(945)		172
Inventories	129,581		130,083		502
Other current assets	21,833		18,081		(3,752)
Property, plant and equipment:	135,103	18.1	142,712	19.0	7,609
Land	24,886		24,675		(211)
Buildings	145,389		136,439		(8,950)
Machinery and equipment	205,233		207,991		2,758
Construction in progress	10,063		15,822		5,759
Accumulated depreciation	(250,468)		(242,215)		8,253
Investments and other assets:	172,464	23.2	178,501	23.8	6,037
Goodwill	38,705		40,532		1,827
Investments in and advances to affiliates	27,195		26,023		(1,172)
Investment securities	29,016		29,003		(13)
Leasehold deposits	7,531		7,730		199
Deferred income taxes	39,947		43,695		3,748
Other assets	30,070		31,518		1,448
<b>Total assets</b>	<b>744,952</b>	<b>100.0</b>	<b>749,878</b>	<b>100.0</b>	<b>4,926</b>

(Millions of yen)

	As of March 31, 2018		As of March 31, 2019		Increase (decrease)
<b>LIABILITIES</b>		%		%	
Current liabilities	182,778	24.5	171,472	22.9	(11,306)
Notes and accounts payable — trade	93,792		89,235		(4,557)
Accrued expenses	44,291		41,549		(2,742)
Income taxes payable	6,414		3,511		(2,903)
Other current liabilities	38,281		37,177		(1,104)
Deferred income taxes	706	0.1	1,338	0.2	632
Termination and retirement benefits	42,342	5.7	58,332	7.8	15,990
Other long-term liabilities	11,740	1.6	12,425	1.6	685
Total liabilities	237,566	31.9	243,567	32.5	6,001
<b>NET ASSETS</b>					
Shareholders' equity	505,530	67.9	504,212	67.2	(1,318)
Common stock	64,100	8.6	64,100	8.5	—
Capital surplus	99,588	13.4	100,233	13.4	645
Legal reserve	19,940	2.7	21,826	2.9	1,886
Retained earnings	390,950	52.4	433,639	57.8	42,689
Accumulated other comprehensive income (loss)	(49,359)	(6.6)	(70,200)	(9.3)	(20,841)
Foreign currency translation adjustments	(3,176)		(7,687)		(4,511)
Pension liability adjustments	(53,785)		(62,648)		(8,863)
Unrealized gains (losses) on available-for-sale securities	7,426		—		(7,426)
Net gains (losses) on derivative instruments	176		135		(41)
Treasury stock	(19,689)	(2.6)	(45,386)	(6.1)	(25,697)
Noncontrolling interests	1,856	0.2	2,099	0.3	243
Total net assets	507,386	68.1	506,311	67.5	(1,075)
Total liabilities and shareholders' equity	744,952	100.0	749,878	100.0	4,926

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

(Millions of yen)

	Year ended March 31, 2018		Year ended March 31, 2019		Increase (decrease)
		%		%	
Net sales	859,982	100.0	859,482	100.0	(500)
Cost of sales	502,170	58.4	505,389	58.8	3,219
Gross profit	357,812	41.6	354,093	41.2	(3,719)
Selling, general and administrative expenses	212,481	24.7	219,683	25.6	7,202
Research and development expenses	59,077	6.9	57,777	6.7	(1,300)
Operating income	86,254	10.0	76,633	8.9	(9,621)
Other expenses, net	2,887	0.3	1,201	0.1	(1,686)
Income (loss) before income taxes and equity in loss (earnings) of affiliates	83,367	9.7	75,432	8.8	(7,935)
Income taxes	21,615	2.5	18,863	2.2	(2,752)
Current	24,222		19,246		(4,976)
Deferred	(2,607)		(383)		2,224
Equity in loss (earnings) of affiliates	(1,754)	(0.2)	1,578	0.2	3,332
Net income	63,506	7.4	54,991	6.4	(8,515)
Net income attributable to noncontrolling interests	347	0.1	668	0.1	321
Net income (loss) attributable to OMRON shareholders	63,159	7.3	54,323	6.3	(8,836)

Note: The consolidated statement of operations for the fiscal year ended March 2018 has been reclassified for presentation purposes.  
See (5) Notes Regarding Consolidated Financial Statements (Changes in Accounting Policy) on P.21 for more.

**(Consolidated Statements of Comprehensive Income)**

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019	Increase (decrease)
Net income	63,506	54,991	(8,515)
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments	3,153	(4,528)	(7,681)
Pension liability adjustments	2,786	(8,863)	(11,649)
Unrealized gains (losses) on available-for-sale securities	1,661	—	(1,661)
Net gains (losses) on derivative instruments	406	(41)	(447)
Other comprehensive income (loss)	8,006	(13,432)	(21,438)
Comprehensive income	71,512	41,559	(29,953)
(Breakdown)			
Comprehensive income attributable to noncontrolling interests	349	651	302
Comprehensive income attributable to OMRON shareholders	71,163	40,908	(30,255)

### (3) Consolidated Statements of Changes in Shareholders' Equity

(Millions of yen)

	Common stock	Capital surplus	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total shareholders' equity	Non-controlling interests	Total net assets
Balance, March 31, 2017	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				(16,083)			(16,083)		(16,083)
Cash dividends paid to noncontrolling interests							-	(215)	(215)
Equity transactions with noncontrolling interests and other		6		1			7	(6)	1
Stock-based payment		444					444		444
Reversal of legal retained earnings			2,127	(2,127)			-		-
Foreign currency translation adjustments					3,151		3,151	2	3,153
Pension liability adjustments					2,786		2,786		2,786
Unrealized gains (losses) on available-for-sale securities					1,661		1,661		1,661
Net gains (losses) on derivative instruments					406		406		406
Acquisition of treasury stock						(19,030)	(19,030)		(19,030)
Balance, March 31, 2018	64,100	99,588	19,940	390,950	(49,359)	(19,689)	505,530	1,856	507,386
Cumulative impact of the application of FASB Accounting Standards Update 2016-01 and 2018-03				7,650	(7,426)		224		224
Balance, April 1, 2018 (reflecting application of FASB Accounting Standards Update 2016-01 and 2018-03)	64,100	99,588	19,940	398,600	(56,785)	(19,689)	505,754	1,856	507,610
Net income				54,323			54,323	668	54,991
Cash dividends paid to OMRON Corporation shareholders				(17,398)			(17,398)		(17,398)
Cash dividends paid to noncontrolling interests							-	(343)	(343)
Equity transactions with noncontrolling interests and other							-	(65)	(65)
Stock-based payment		645					645		645
Reversal of legal retained earnings			1,886	(1,886)			-		-
Foreign currency translation adjustments					(4,511)		(4,511)	(17)	(4,528)
Pension liability adjustments					(8,863)		(8,863)		(8,863)
Net gains (losses) on derivative instruments					(41)		(41)		(41)
Acquisition of treasury stock						(25,697)	(25,697)		(25,697)
Balance, March 31, 2019	64,100	100,233	21,826	433,639	(70,200)	(45,386)	504,212	2,099	506,311

#### (4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019	Increase (decrease)
<b>I. Operating Activities:</b>			
1. Net income	63,506	54,991	(8,515)
2. Adjustments to reconcile net income to net cash provided by operating activities:			
(1) Depreciation and amortization	29,465	30,459	
(2) Net loss (gain) on sale and disposals of property, plant and equipment	949	(1,098)	
(3) Loss on impairment of long-lived assets	911	196	
(4) Net loss on sale of investment securities	—	563	
(5) Termination and retirement benefits	2,706	3,818	
(6) Deferred income taxes	(2,607)	(383)	
(7) Equity in loss (earnings) of affiliates	(1,754)	1,578	
(8) Net loss (gain) on sale of business	14	(407)	
(9) Changes in assets and liabilities:			
(i) Increase in notes and accounts receivable-trade	(3,210)	(534)	
(ii) Increase in inventories	(17,409)	(3,491)	
(iii) Increase in other assets	(6,113)	(294)	
(iv) Increase (decrease) in notes and accounts payable-trade	4,116	(5,401)	
(v) Decrease in income taxes payable	(614)	(2,775)	
(vi) Increase (decrease) in accrued expenses and other current liabilities	6,276	(6,851)	
(10) Other, net	(2,563)	874	
Subtotal	10,167	16,254	6,087
Net cash provided by operating activities	73,673	71,245	(2,428)
<b>II. Investing Activities:</b>			
1. Proceeds from sale of investment securities	3,776	465	(3,311)
2. Purchase of investment securities	(649)	(602)	47
3. Capital expenditures	(38,542)	(39,045)	(503)
4. Net increase in leasehold deposits	(634)	(193)	441
5. Proceeds from sale of property, plant and equipment	990	3,475	2,485
6. Decrease in investments in and advances to affiliates	—	(498)	(498)
7. Proceeds from sale of business, net of cash paid	(427)	1,817	2,244
8. Payment for acquisition of business, net of cash acquired	(20,445)	(830)	19,615
9. Other, net	89	454	365
Net cash used in investing activities	(55,842)	(34,957)	20,885
<b>III. Financing Activities:</b>			
1. Net increase in short-term debt	951	2,109	1,158
2. Dividends paid by the Company	(15,378)	(16,776)	(1,398)
3. Dividends paid to noncontrolling interests	(215)	(343)	(128)
4. Acquisition of treasury stock	(18,530)	(25,716)	(7,186)
5. Other, net	90	(57)	(147)
Net cash used in financing activities	(33,082)	(40,783)	(7,701)
<b>IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	2,248	1,722	(526)
Net Increase (Decrease) in Cash and Cash Equivalents	(13,003)	(2,773)	10,230
Cash and Cash Equivalents at Beginning of the Period	126,026	113,023	(13,003)
Cash and Cash Equivalents at End of the Period	113,023	110,250	(2,773)
Notes to cash flows from operating activities:			
1. Interest paid	172	431	259
2. Taxes paid	23,678	22,529	(1,149)
Notes to investing and financing activities not involving cash flow:			
1. Debt related to capital expenditures	1,405	4,221	2,816



## **(5) Notes Regarding Consolidated Financial Statements**

### **(Notes Regarding Assumptions of Continuing Operations)**

None applicable

### **(Preparation of the Consolidated Financial Statements)**

Omitted because no material changes have been made since publication of the most recent Securities Report (*Yuka shoken hokokusho*), submitted on June 20, 2018.

### **(Changes in Accounting Policy)**

Beginning with the current consolidated fiscal year, OMRON has adopted FASB Accounting Standards Update 2014- 09, Revenue from Contracts with Customers. This accounting standards update requires OMRON to provide quantitative and qualitative disclosures for a better understanding of revenues, as well as the nature of amount, timing, and uncertainties of cash flows, arising from contracts with customers. The cumulative impact of the adoption of this accounting standards update on retained earnings at the beginning of the period is not significant.

Beginning with the current consolidated fiscal year, OMRON has adopted FASB Accounting Standards Update 2016- 01, Financial Instruments – Recognition and Measurement of Financial Assets and Financial Liabilities and FASB Accounting Standards Update 2018-03, Financial Instruments – Recognition and Measurement of Financial Assets and Financial Liabilities Technical Corrections and Improvements to Financial Instruments. This accounting standards update requires OMRON to present classifications and measurements of equity investments, as well as changes in the fair value of certain financial liabilities measured at fair value. Further, this accounting standards update requires OMRON to revise presentation related to the fair values of certain financial instruments. As a result of the impact of the application of this accounting standards update on available-for-sale securities held by OMRON and OMRON subsidiaries, we have adjusted the cumulative impact on retained earnings as of the beginning of the period in the amount of JPY7,426 million in unrealized profits after tax-effect accounting. This amount was reported under accumulated other comprehensive income before this adjustment. Further, OMRON has made an adjustment of JPY224 million in cumulative impact on retained earnings for non-marketable equity securities.

Beginning with the current consolidated fiscal year, OMRON has adopted FASB Accounting Standards Update 2017- 07, Compensation—Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost And Net Periodic Postretirement Benefit Cost. This accounting standards update requires OMRON to categorize periodic pension costs and periodic postretirement benefit costs as service cost and components other than service cost. Service cost must be reported in the same statement of operations line item as other employee compensation costs. Components other than service cost must be categorized and presented separately from service cost. Only service cost from periodic pension costs or periodic postretirement benefit costs may be capitalized and reported under inventory. Under this accounting standards update, presentation of service costs and other elements must be applied on a retrospective basis. Only costs allowed to be capitalized for the service cost component may be applied on a prospective basis.

OMRON began applying this standard in the current consolidated fiscal year. The application of this accounting standards update classifying and presenting service cost and other service cost components resulted in the reclassification of JPY127 million in cost of sales, JPY160 million in selling, general and administrative expenses, and JPY57 million in research and development expenses to Other expenses, net on the consolidated statement of operations for the prior consolidated fiscal year. Gross profit and operating income for the prior consolidated fiscal year increased JPY127 million and JPY344 million, respectively, when compared to amounts prior to this reclassification. The application of rules that allow only the service cost component to be eligible for capitalization does not have a significant impact on the operating results or financial condition of OMRON or OMRON subsidiaries.

### (Per Share Data)

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

(Number of shares)	Year ended March 31, 2018	Year ended March 31, 2019
Basic	212,766,401	208,306,026
Diluted	—	—

(Note) Presentation of diluted shares for the fiscal year ended March 2018 and the fiscal year ended March 2019 omitted as no potentially dilutive shares were outstanding for the period.

### (Major Components of Other Expenses, Net)

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

#### Year ended March 31, 2018

Foreign exchange loss, net	JPY3,328 million
Net loss on sale and disposals of property, plant, and equipment	JPY 949 million
Loss on impairment of long-lived assets	JPY 911 million
Loss on impairment of investment securities	JPY 155 million
Net gain on sale of investment securities	JPY (3,003) million

#### Year ended March 31, 2019

Foreign exchange loss, net	JPY2,933 million
Net gain on sales and disposals of property, plant, and equipment	JPY (1,098) million
Loss on disaster	JPY 2,478 million
Insurance income	JPY (2,535) million
Net loss on valuation of investment securities	JPY 563 million

### (Subsequent Events)

At a meeting held on April 16, 2019, the OMRON board of directors resolved to transfer the Automotive Electronic Components Business (AEC) operating segment (consolidated subsidiary OMRON Automotive Electronics Co., Ltd.) \*1, two consolidated subsidiaries including special subsidiary company OMRON AUTOMOTIVE ELECTRONICS de Mexico, S. de R.L. de C.V. and three consolidated Automotive Electronics Component Business subsidiaries to the Nidec Corporation Group for the amount of JPY100.0 billion\*2. A share transfer agreement was executed on the same day as the meeting of the board of directors. 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 researching the impact of this transaction on our financial statements. If deemed material, we will make the appropriate disclosures promptly upon determination. As a result of this transaction, we plan to classify and disclose the Automotive Electronic Components Business as a discontinued operation in the first quarter of the fiscal year ending March 2020.

Notes: 1. Nine OAE subsidiaries will be removed from the OMRON Group consolidation.

2. The total transfer price and other transfer agreement terms will be finalized at a future date. Accordingly, the figures stated above may change in the future.

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

## (Segment Information)

### Business Segment Information

Year ended March 31, 2018 (April 1, 2017 – March 31, 2018)

(Millions of yen)

	IAB	EMC	AEC	SSB	HCB	Other	Total	Eliminations & Corporate	Consolidated
Net sales									
(1) Sales to external customers	396,140	104,362	131,152	70,289	108,489	44,377	854,809	5,173	859,982
(2) Intersegment sales	6,724	57,765	2,034	5,273	306	7,849	79,951	(79,951)	—
Total	402,864	162,127	133,186	75,562	108,795	52,226	934,760	(74,778)	859,982
Operating expenses	328,884	149,653	127,370	70,739	97,584	53,384	827,614	(53,886)	773,728
Segment profit (loss)	73,980	12,474	5,816	4,823	11,211	(1,158)	107,146	(20,892)	86,254

Notes: 1. OMRON has revised business classifications, reclassifying certain operations under the Other Businesses segment to the EMC segment or to Eliminations & Corporate beginning with the fiscal year ended March 31, 2019. Further, the company reclassified certain operations under Other Businesses segment to the SSB segment in connection with revised business classifications in October 2018.

2. The company has reclassified the consolidated statements of operations for the prior consolidated fiscal year for presentation purposes. These reclassifications are included and presented in Eliminations & Corporate. See (5) Notes Regarding Consolidated Financial Statements (Changes in Accounting Policy) on P.21 for more.

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

(Millions of yen)

	IAB	EMC	AEC	SSB	HCB	Other	Total	Eliminations & Corporate	Consolidated
Net sales									
(1) Sales to external customers	391,826	99,703	130,471	75,023	115,493	41,739	854,255	5,227	859,482
(2) Intersegment sales	6,426	54,535	402	5,805	172	7,114	74,454	(74,454)	—
Total	398,252	154,238	130,873	80,828	115,665	48,853	928,709	(69,227)	859,482
Operating expenses	335,357	146,073	124,550	75,065	102,632	49,326	833,003	(50,154)	782,849
Segment profit (loss)	62,895	8,165	6,323	5,763	13,033	(473)	95,706	(19,073)	76,633

Note: OMRON revised business classifications in October 2018, reclassifying certain operations under the Other Businesses segment to the SSB segment.

The group reclassified results for the first six months of the fiscal year ended March 2019 under this new categorization for presentation herein.

### Sales by Geographical Region

Year ended March 31, 2018 (April 1, 2017 – March 31, 2018)

(Millions of yen)

	IAB	EMC	AEC	SSB	HCB	Other	Total	Eliminations & Corporate	Consolidated
Major Regional Markets (External Customers)									
Japan	151,975	24,283	17,274	69,424	26,034	35,460	324,450	4,065	328,515
Americas	35,282	17,532	41,891	—	23,785	—	118,490	—	118,490
Europe	77,725	16,945	2,794	—	20,962	—	118,426	—	118,426
Greater China	77,660	31,035	28,638	295	26,796	8,524	172,948	—	172,948
Southeast Asia and Others	53,073	14,452	33,252	—	10,327	—	111,104	—	111,104
Direct Exports	425	115	7,303	570	585	393	9,391	1,108	10,499
Total	396,140	104,362	131,152	70,289	108,489	44,377	854,809	5,173	859,982

Note: OMRON has revised business classifications, reclassifying certain operations under the Other Businesses segment to the EMC segment or to Eliminations & Corporate beginning with the fiscal year ended March 31, 2018. Further, the company reclassified certain operations under Other Businesses segment to the SSB segment in connection with revised business classifications in October 2018.

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

(Millions of yen)

	IAB	EMC	AEC	SSB	HCB	Other	Total	Eliminations & Corporate	Consolidated
Major Regional Markets (External Customers)									
Japan	154,726	21,612	18,207	73,765	26,909	35,510	330,729	4,437	335,166
Americas	34,980	17,883	38,535	—	23,612	—	115,010	—	115,010
Europe	79,851	17,742	2,110	—	22,668	—	122,371	—	122,371
Greater China	78,169	30,443	23,486	435	30,968	6,136	169,637	—	169,637
Southeast Asia and Others	43,771	11,949	41,969	—	10,696	—	108,385	—	108,385
Direct Exports	329	74	6,164	823	640	93	8,123	790	8,913
Total	391,826	99,703	130,471	75,023	115,493	41,739	854,255	5,227	859,482

Notes: 1. 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

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

## 6. Supplementary Information

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

(Millions of yen, %)

	Year ended March 31, 2018	Year ended March 31, 2019	Year-on- year change
Net sales	859,982	859,482	-0.1%
Operating income	86,254	76,633	-11.2%
[% of net sales]	[10.0%]	[8.9%]	[-1.1%pt]
Income (loss) before income taxes	83,367	75,432	-9.5%
[% of net sales]	[9.7%]	[8.8%]	[-0.9%pt]
Net income (loss) attributable to shareholders	63,159	54,323	-14.0%
Net income per share attributable to shareholders (basic) (¥)	296.85	260.78	-36.07
Net income per share attributable to shareholders (diluted) (¥)	—	—	—
Return on equity (%)	13.0%	10.8%	-2.2%pt
Total assets	744,952	749,878	+0.7%
Shareholders' equity	505,530	504,212	-0.3%
[Shareholders' equity ratio (%)]	[67.9%]	[67.2%]	[-0.6%pt]
Shareholders' equity per share (¥)	2,400.37	2,455.24	+54.87
Net cash provided by operating activities	73,673	71,245	-2,428
Net cash used in investing activities	(55,842)	(34,957)	+20,885
Net cash used in financing activities	(33,082)	(40,783)	-7,701
Cash and cash equivalents at end of period	113,023	110,250	-2,773
Cash dividends per share (¥)	76.00	84.00	+8.00

Notes: 1. 150 consolidated subsidiaries and 20 equity-method affiliates.

2. The consolidated statement of operations for the fiscal year ended March 2018 has been reclassified for presentation purposes. See (5) *Notes Regarding Consolidated Financial Statements (Changes in Accounting Policy)* on P.21 for more.

### (2) Non-consolidated Financial Results

(Millions of yen, %)

	Year ended March 31, 2018	Year ended March 31, 2019	Year-on- year change
Net sales	320,048	324,908	+1.5%
Operating income	27,934	27,049	-3.2%
[% of net sales]	[8.7%]	[8.3%]	[-0.4%pt]
Ordinary income	38,275	49,135	+28.4%
[% of net sales]	[12.0%]	[15.1%]	[+3.1%pt]
Income before income taxes	37,765	51,466	+36.3%
[% of net sales]	[11.8%]	[15.8%]	[+4.0%pt]
Net income	30,458	45,017	+47.8%
Net income per share (basic) (¥)	143.15	216.11	+72.96
Net income per share (diluted) (¥)	—	—	—
Common stock	64,100	64,100	±0.0%
Total assets	485,113	464,405	-4.3%
Net assets	257,956	259,824	+0.7%
Net worth ratio (%)	53.2%	55.9%	+2.7%pt
Net assets per share (¥)	1,224.83	1,265.20	+40.37

### (3) Consolidated Net Sales by Business Segment

(Billions of yen)

		Year ended March 31, 2018	Year ended March 31, 2019	Year-on-year change (%)
IAB	Japan	152.0	154.7	+1.8%
	Americas	35.3	35.0	-0.9%
	Europe	77.7	79.9	+2.7%
	Greater China	77.7	78.2	+0.7%
	Southeast Asia and Others	53.1	43.8	-17.5%
	Direct Exports	0.4	0.3	-22.6%
	Total	396.1	391.8	-1.1%
EMC	Japan	24.3	21.6	-11.0%
	Americas	17.5	17.9	+2.0%
	Europe	16.9	17.7	+4.7%
	Greater China	31.0	30.4	-1.9%
	Southeast Asia and Others	14.5	11.9	-17.3%
	Direct Exports	0.1	0.1	-35.7%
	Total	104.4	99.7	-4.5%
AEC	Japan	17.3	18.2	+5.4%
	Americas	41.9	38.5	-8.0%
	Europe	2.8	2.1	-24.5%
	Greater China	28.6	23.5	-18.0%
	Southeast Asia and Others	33.3	42.0	+26.2%
	Direct Exports	7.3	6.2	-15.6%
	Total	131.2	130.5	-0.5%
SSB	Japan	69.4	73.8	+6.3%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	0.3	0.4	+47.5%
	Southeast Asia and Others	—	—	—
	Direct Exports	0.6	0.8	+44.4%
	Total	70.3	75.0	+6.7%
HCB	Japan	26.0	26.9	+3.4%
	Americas	23.8	23.6	-0.7%
	Europe	21.0	22.7	+8.1%
	Greater China	26.8	31.0	+15.6%
	Southeast Asia and Others	10.3	10.7	+3.6%
	Direct Exports	0.6	0.6	+9.4%
	Total	108.5	115.5	+6.5%
Other	Japan	35.5	35.5	+0.1%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	8.5	6.1	-28.0%
	Southeast Asia and Others	—	—	—
	Direct Exports	0.4	0.1	-76.3%
	Total	44.4	41.7	-5.9%
Eliminations & Corporate	Japan	4.1	4.4	+9.2%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	—	—	—
	Southeast Asia and Others	—	—	—
	Direct Exports	1.1	0.8	-28.7%
	Total	5.2	5.2	+1.1%
Total	Japan	328.5	335.2	+2.0%
	Americas	118.5	115.0	-2.9%
	Europe	118.4	122.4	+3.3%
	Greater China	172.9	169.6	-1.9%
	Southeast Asia and Others	111.1	108.4	-2.4%
	Direct Exports	10.5	8.9	-15.1%
	Total	860.0	859.5	-0.1%

Note: OMRON has revised business classifications, reclassifying certain operations under Other Businesses to the EMC or to Eliminations & Corporate beginning with the fiscal year ended March 2019.

OMRON revised business classifications in October 2018, reclassifying certain operations under the Other Businesses segment to the SSB segment.

The group reclassified results for the fiscal year ended March 2018 and the first six months of the fiscal year ended March 2019 under this new categorization for presentation herein.

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

(Billions of yen)

	Year ended March 31, 2018	Year ended March 31, 2019	Year-on-year change (%)
IAB	74.0	62.9	-15.0%
EMC	12.5	8.2	-34.5%
AEC	5.8	6.3	+8.7%
SSB	4.8	5.8	+19.5%
HCB	11.2	13.0	+16.3%
Other	(1.2)	(0.5)	—
Eliminations & Corporate	(20.9)	(19.1)	—
Total	86.3	76.6	-11.2%

- Notes: 1. OMRON has revised business classifications, reclassifying certain operations under Other Businesses to the EMC or to Eliminations & Corporate beginning with the fiscal year ended March 2019. OMRON revised business classifications in October 2018, reclassifying certain operations under the Other Businesses segment to the SSB segment. The group reclassified results for the fiscal year ended March 2018 and the first six months of the fiscal year ended March 2019 under this new categorization for presentation herein.
2. The company has reclassified the consolidated statements of operations for the fiscal year ended March 2018 for presentation purposes. These reclassifications are included and presented in Eliminations & Corporate. See (5) Notes Regarding Consolidated Financial Statements (Changes in Accounting Policy) on P.21 for more.

#### (5) Average Currency Exchange Rate

(One unit of currency, in yen)

	Year ended March 31, 2018	Year ended March 31, 2019	Year-on-year change
USD	111.2	110.7	-0.5
EUR	129.4	128.8	-0.6
RMB	16.7	16.5	-0.2

## (6) Projected Consolidated Net Sales by Business Segment

(Billions of yen)

		Year ended March 31, 2019	Year ending March 31, 2020 (est.)	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%
	<b>Total</b>	<b>391.8</b>	<b>378.0</b>	<b>-3.5%</b>
EMC	Japan	21.6	21.5	-0.5%
	Americas	17.9	17.0	-4.9%
	Europe	17.7	17.5	-1.4%
	Greater China	30.4	30.0	-1.5%
	Southeast Asia and Others	11.9	12.0	+0.4%
	Direct Exports	0.1	—	—
	<b>Total</b>	<b>99.7</b>	<b>98.0</b>	<b>-1.7%</b>
AEC	Japan	18.2	18.5	+1.6%
	Americas	38.5	38.5	-0.1%
	Europe	2.1	1.5	-28.9%
	Greater China	23.5	20.5	-12.7%
	Southeast Asia and Others	42.0	39.5	-5.9%
	Direct Exports	6.2	5.5	-10.8%
	<b>Total</b>	<b>130.5</b>	<b>124.0</b>	<b>-5.0%</b>
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%
	<b>Total</b>	<b>75.0</b>	<b>83.0</b>	<b>+10.6%</b>
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%
	<b>Total</b>	<b>115.5</b>	<b>123.0</b>	<b>+6.5%</b>
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	—	—
	<b>Total</b>	<b>41.7</b>	<b>32.0</b>	<b>-23.3%</b>
Eliminations & Corporate	Japan	4.4	2.0	-54.9%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	—	—	—
	Southeast Asia and Others	—	—	—
	Direct Exports	0.8	—	—
	<b>Total</b>	<b>5.2</b>	<b>2.0</b>	<b>-61.7%</b>
OMRON Group Earnings Fluctuation Risk		—	(10.0)	—
Total	Japan	335.2	333.0	-0.6%
	Americas	115.0	112.0	-2.6%
	Europe	122.4	117.0	-4.4%
	Greater China	169.6	162.0	-4.5%
	Southeast Asia and Others	108.4	108.5	+0.1%
	Direct Exports	8.9	7.5	-15.9%
	OMRON Group Earnings Fluctuation Risk	—	(10.0)	—
	<b>Total</b>	<b>859.5</b>	<b>830.0</b>	<b>-3.4%</b>

Notes: 1. OMRON revised business classifications in October 2018, reclassifying certain operations under the Other Businesses segment to the SSB segment.

The group reclassified results for the first six months of the fiscal year ended March 2019 under this new categorization for presentation herein.

2. The Automotive Electronic Components Business (AEC) is scheduled to be transferred to the Nidec Corporation Group.
3. Total JPY10.0 billion negative impact on sales included to reflect uncertainty of FY2020 business environment.

**(7) Projected Consolidated Operating Income (Loss) by Business Segment**

(Billions of yen)

	Year ended March 31, 2019	Year ending March 31, 2020 (est.)	Year-on-year change (%)
IAB	62.9	63.0	+0.2%
EMC	8.2	8.5	+4.1%
AEC	6.3	4.0	-36.7%
SSB	5.8	6.5	+12.8%
HCB	13.0	14.0	+7.4%
Other	(0.5)	(1.0)	—
Eliminations & Corporate	(19.1)	(25.0)	—
OMRON Group Earnings Fluctuation Risk	—	(5.0)	—
Total	76.6	65.0	-15.2%

Notes: 1. OMRON revised business classifications in October 2018, reclassifying certain operations under the Other Businesses segment to the SSB segment.

The group reclassified results for the first six months of the fiscal year ended March 2019 under this new categorization for presentation herein.

2. The Automotive Electronic Components Business (AEC) is scheduled to be transferred to the Nidec Corporation Group.

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

**(8) Projected Average Currency Exchange Rate**

(One unit of currency, in yen)

	Year ended March 31, 2019	Year ending March 31, 2020 (est.)	Year-on-year change
USD	110.7	108.0	-2.7
EUR	128.8	123.0	-5.8
RMB	16.5	16.2	-0.3