



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

January 29, 2020

OMRON Corporation (6645)

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Filing of Quarterly Securities Report (<i>Shihanki hokokusho</i>) (scheduled):	February 14, 2020
Start of Distribution of Dividends (scheduled):	-
Preparation of Supplementary Materials for the Quarterly Financial Results:	Yes
Holding of Presentation of Quarterly Financial Results:	Yes (Financial results presentation held via teleconference for investors on January 29)

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 Third Quarter of the Fiscal Year Ending March 31, 2020 (April 1, 2019 – December 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			
	Nine months ended December 31, 2019		Nine months ended December 31, 2018	
		Change (%)		Change (%)
Net sales	498,301	(7.6)	539,163	+1.7
Operating income	40,098	(19.1)	49,569	(14.2)
Income before income taxes from continuing operations	42,300	(7.3)	45,651	(19.4)
Net income attributable to OMRON shareholders	71,001	+83.2	38,752	(17.0)
Net income per share attributable to OMRON shareholders, basic (JPY)	345.74		185.35	
Net income per share attributable to OMRON shareholders, diluted (JPY)	—		—	

Notes: 1. Comprehensive income: Nine months ended December 31, 2019: JPY 77,538 million (116.8% change);
Nine months ended December 31, 2018: JPY 35,757 million (-47.6% change)

- On April 16, 2019, OMRON made the determination to transfer the Automotive Electronic Components Business (AEC) and we have classified this business unit as discontinued operations. Figures presented for net sales, operating income, and income before income taxes from continuing operations for the third quarter of fiscal years 2018 and 2019 reflect continuing operations excluding discontinued operations.
- Net income attributable to OMRON shareholders includes gain on sale of business in connection with the transfer of the Automotive Electronic Components Business (AEC).

(2) Consolidated Financial Position

	Millions of yen - except per share data and percentages	
	As of December 31, 2019	As of March 31, 2019
Total assets	800,255	749,878
Net assets	573,093	506,311
Shareholders' equity	570,814	504,212
Shareholders' equity ratio (%)	71.3	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	42.00	
	3rd quarter dividend (JPY)	—	—	
	Year-end dividend (JPY)	42.00		42.00
	Total dividends for the year (JPY)	84.00		84.00

Note: 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	670,000	(8.5)
Operating income	45,000	(33.1)
Income before income taxes from continuing operations	40,000	(39.3)
Net income attributable to OMRON shareholders	66,000	+21.5
Net income per share attributable to OMRON shareholders (JPY)	321.39	

Note: Revisions since the most recently announced performance forecast: No

Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): Yes
New: - company (company name)
Excluded: 1 company (company name) OMRON AUTOMOTIVE ELECTRONICS de Mexico, S. de R.L. de C.V.
- (2) 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 (Changes 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):
December 31, 2019: 206,244,872 shares
March 31, 2019: 213,958,172 shares
(b) Treasury stock at end of period:
December 31, 2019: 885,543 shares
March 31, 2019: 8,596,608 shares
(c) Average number of shares during the period (cumulative quarterly period):
Nine months ended December 31, 2019: 205,360,463 shares
Nine months ended December 31, 2018: 209,077,834 shares
Note: As of the end of the first nine months of the fiscal year ending March 2020, 766,683 shares of OMRON stock held for Board Incentive Plan and Employee Stock Ownership Plan are included in period-end treasury stock. The average number of shares during the period includes treasury stock deducted in the calculation of net income per share attributable to OMRON shareholders.

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

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

1. Projections of results and future developments are based on information available to the Company at the time of writing, as well as certain assumptions judged by the Company to be reasonable. Various risks, uncertainties and other factors could cause actual results to differ materially from these projections. For the assumptions that form the basis of the projected results and appropriate use, see *1. Qualitative Information on Quarterly Financial Results (3) Description of Information on Outlook, Including Consolidated Performance Forecast* on P.5.
2. The Company applies the single step method for presentation of its Consolidated Financial Statements based on U.S. GAAP. However, to facilitate comparison with other companies, operating income on the Consolidated Statements of Operations is presented by subtracting selling, *general and administrative expenses* and *research and development expenses* from *gross profit*.
3. The Company plans to hold a presentation for investors via teleconference on Wednesday, January 29, 2020.

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

Continuing Operations

IAB: Industrial Automation Business

EMC: Electronic and Mechanical Components Business

SSB: Social Systems, Solutions and Service Business

HCB: Healthcare Business

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

Discontinued Operations

AEC: Automotive Electronic Components Business

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

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

Table of Contents

1. Qualitative Information on Quarterly Financial Results	P. 2
(1) Description of Results of Operations	P. 2
(2) Description of Financial Condition	P. 5
(3) Description of Information on Outlook, Including Consolidated Performance Forecast	P. 5
2. Quarterly Consolidated Financial Statements and Notes	P. 6
(1) Quarterly Consolidated Balance Sheets	P. 6
(2) Quarterly Consolidated Statements of Operations and Quarterly Consolidated Statements of Comprehensive Income	P. 8
(3) Consolidated Statements of Cash Flows	P. 10
(4) Notes Regarding Consolidated Financial Statements	P. 11
(Notes Regarding Assumptions of Going Concern)	P. 11
(Notes in the Event of Significant Changes in Shareholders' Equity)	P. 11
(Changes in Accounting Policy)	P. 11
(Segment Information)	P. 12
(Discontinued Operations)	P. 13
3. Supplementary Information	P. 14
(1) Summary of Consolidated Financial Results (U.S. GAAP)	P. 14
(2) Consolidated Net Sales by Business Segment	P. 15
(3) Consolidated Operating Income (Loss) by Business Segment	P. 16
(4) Average Currency Exchange Rate	P. 16
(5) Projected Consolidated Net Sales by Business Segment	P. 17
(6) Projected Consolidated Operating Income (Loss) by Business Segment	P. 17
(7) Projected Average Currency Exchange Rate	P. 17

1. Qualitative Information on Quarterly Financial Results

(1) Description of Results of Operations

General Overview

The business environment surrounding the OMRON Group during the cumulative consolidated third quarter (April through December 2019) consisted of a global stagnant business sentiment among manufacturers. Our Industrial Automation Business (IAB) and Electronic and Mechanical Components Business (EMC) recorded lower sales year on year due to weakening capital investment in the automobile, semiconductor, and other industries. Our Public Transportation (Automated Ticket Gates, Ticket Vending Machines) and Road Management Systems businesses experienced firm demand for upgrades helping drive Social Systems, Solutions and Service Business (SSB) sales higher year on year. As a whole, however, the OMRON Group recorded lower net sales and operating income compared to the same period in the prior fiscal year. Net income attributable to OMRON shareholders for the cumulative consolidated third quarter rose significantly year on year. This result is due to a gain on sale recorded in connection with the completion of the transfer of the OMRON Automotive Electronic Components Business (AEC) on October 31, 2019 (for more, see *Discontinued Operations* on P.13).

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

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

	Nine months ended December 31, 2018	Nine months ended December 31, 2019	Change
Net sales	539.2	498.3	-7.6%
Gross profit	242.4	225.2	-7.1%
[% of net sales]	[44.9%]	[45.2%]	[+0.2%opt]
Operating income	49.6	40.1	-19.1%
[% of net sales]	[9.2%]	[8.0%]	[-1.1%opt]
Income before income taxes from continuing operations	45.7	42.3	-7.3%
Net income attributable to OMRON shareholders	38.8	71.0	+83.2%
Average USD exchange rate (JPY)	110.8	109.1	-1.7
Average EUR exchange rate (JPY)	129.6	121.3	-8.3
Average RMB exchange rate (JPY)	16.6	15.7	-0.9

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

Results by Business Segment
IAB (Industrial Automation Business)

(Billions of yen, %)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019	Change
Sales to external customers	298.5	265.4	-11.1%
Segment profit	48.9	40.7	-16.9%

Sales

Despite signs of recovery in certain sectors of the digital industry, capital investment was weak across the industry as a whole. The automobile industry also experienced limited investment in connection with lower sales of new vehicles globally, resulting in weak demand.

In addition to the preceding, the impact of foreign exchange due to a stronger yen also contributed to sharply lower IAB sales 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, %)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019	Change
Sales to external customers	78.8	67.3	-14.6%
Segment profit	7.0	0.9	-87.1%

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

Sales

Constrained capital investment in China due to slowing exports and declining consumer purchase sentiment have combined to reduce demand for home appliances, machine tools, and automotive electronic components. Demand in the Americas and Europe fell due to weak business sentiment among customers in those regions.

Further, the impact of foreign exchange due to a stronger yen also contributed to drive sales significantly lower year on year.

Segment Profit

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

SSB (Social Systems, Solutions and Service Business)

(Billions of yen, %)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019	Change
Sales to external customers	39.9	49.3	+23.7%
Segment profit (loss)	(1.4)	1.7	—

Sales

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

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

Segment Profit

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

HCB (Healthcare Business)

(Billions of yen, %)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019	Change
Sales to external customers	86.7	85.3	-1.6%
Segment profit	11.2	11.2	+0.0%

Sales

The impact of the consumption tax increase and typhoons in Japan resulted in weak demand among major appliance retailers, leading to sluggish segment performance. Demand in the U.S. fell due to a weakening business sentiment. On the other hand, demand in China and Southeast Asia was strong due to the support of firm consumer demand.

These factors combined to leave sales level with the same period in the prior fiscal year.

Segment Profit

Segment profit was level with the same period in the prior fiscal year, mainly due to productivity improvements and efficient use of fixed costs.

Other Businesses

(Billions of yen, %)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019	Change
Sales to external customers	31.0	28.8	-7.3%
Segment profit (loss)	(0.5)	1.5	—

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

Sales

The Environmental Solutions Business reported growing demand for storage battery systems in response to captive consumption and disaster preparations, etc. As a result, sales rose significantly year on year. On the other hand, the Backlights Business recorded sharply lower sales due to structural reform.

In addition, the impact of the sale of OMRON's Electronic Design and Manufacturing Service Business in the previous fiscal year resulted in comparatively lower Other Businesses segment sales year on year.

Segment Profit

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

(2) Description of Financial Condition

Financial Condition

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

Total assets as of the end of the consolidated third quarter increased JPY50.4 billion compared with the end of the previous fiscal year to JPY800.3 billion. Although assets held for sale decreased due to the conclusion of the transfer of the Automotive Electronic Components Business (AEC), an increase in cash and cash equivalents, the recording of right-of-use assets for operating leases, and other factors contributed to this increase. Total liabilities decreased JPY16.4 billion to JPY227.2 billion. Although the balance for operating lease liabilities increased, we recorded a decrease in liabilities held for sale and a decrease in reserve for termination and retirement benefits stemming from a revision to our corporate pension plan. Net assets increased JPY66.8 billion compared to the end of the previous fiscal year to JPY573.1 billion, mainly due to the recording of net income attributable to OMRON shareholders. As a result, OMRON Group shareholders' equity ratio was 71.3%, 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 cumulative consolidated second quarter.

Cash Flows from Operating Activities

Net cash provided by operating activities was JPY61.4 billion, JPY17.1 billion higher compared to the same period in the previous fiscal year. This result was mainly due to the recording of net income, depreciation and amortization, and a decrease in accounts receivable-trade.

Cash Flows from Investing Activities

Net cash provided by investing activities was JPY56.9 billion compared to cash used of JPY25.4 billion in the same period of the prior fiscal year. While the Company made investments in production capacity increases and future growth, we also recorded a gain on sale of business in connection with the transfer of a business.

Free cash flows (cash flows from operating activities and cash flows from investing activities) for the cumulative consolidated third quarter amounted to JPY118.3 billion.

Cash Flows from Financing Activities

Net cash used in financing activities was JPY10.7 billion, JPY23.7 billion lower compared to the same period in the previous fiscal year. This result was mainly due to dividends paid.

In addition to the preceding, changes in foreign currency translation and discontinued operations were factors having a negative impact on cash and cash equivalents. As a result, the balance of cash and cash equivalents at the end of the consolidated third quarter amounted to JPY208.1 billion, an increase of JPY104.3 billion compared to the end of the previous consolidated fiscal year.

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

The company has not made any revisions to performance forecasts as published on October 29, 2019. We have assumed the following exchange rates for our performance forecasts for the fourth quarter: USD1=JPY105.0; EUR1=JPY117.0; RMB1=JPY14.7.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of		As of	
	March 31, 2019		December 31, 2019	
		%		%
ASSETS				
Current assets:	459,973	61.3	485,185	60.6
Cash and cash equivalents	103,850		208,137	
Notes and accounts receivable - trade	149,171		125,991	
Allowance for doubtful receivables	(861)		(816)	
Inventories	120,379		125,523	
Assets held for sale	73,331		2,163	
Other current assets	14,103		24,187	
Property, plant and equipment:	115,083	15.3	115,146	14.4
Land	21,746		20,641	
Buildings	118,036		118,986	
Machinery and equipment	151,355		149,514	
Construction in progress	11,316		8,292	
Accumulated depreciation	(187,370)		(182,287)	
Investments and other assets:	174,822	23.4	199,924	25.0
Right-of-use assets under operating leases	—		33,117	
Goodwill	40,532		39,914	
Investments in and advances to affiliates	26,022		24,737	
Investment securities	28,997		32,298	
Leasehold deposits	7,533		7,503	
Deferred income taxes	42,537		34,567	
Other assets	29,201		27,788	
Total assets	749,878	100.0	800,255	100.0

(Millions of yen)

	As of March 31, 2019		As of December 31, 2019	
LIABILITIES		%		%
Current liabilities	175,555	23.4	165,022	20.6
Notes and accounts payable - trade	71,360		70,892	
Accrued expenses	38,290		31,221	
Income taxes payable	3,174		2,175	
Short-term operating lease liabilities	—		11,850	
Liabilities held for sale	27,730		—	
Other current liabilities	35,001		48,884	
Deferred income taxes	733	0.1	1,477	0.2
Termination and retirement benefits	55,036	7.3	26,004	3.3
Long-term operating lease liabilities	—	—	21,768	2.7
Other long-term liabilities	12,243	1.7	12,891	1.6
Total liabilities	243,567	32.5	227,162	28.4
NET ASSETS				
Shareholders' equity	504,212	67.2	570,814	71.3
Common stock	64,100	8.5	64,100	8.0
Capital surplus	100,233	13.4	100,664	12.6
Legal reserve	21,826	2.9	20,980	2.6
Retained earnings	433,639	57.8	453,896	56.7
Accumulated other comprehensive income (loss)	(70,200)	(9.3)	(64,005)	(8.0)
Foreign currency translation adjustments	(7,687)		(21,688)	
Pension liability adjustments	(62,648)		(42,050)	
Net gains (losses) on derivative instruments	135		(267)	
Treasury stock	(45,386)	(6.1)	(4,821)	(0.6)
Noncontrolling interests	2,099	0.3	2,279	0.3
Total net assets	506,311	67.5	573,093	71.6
Total liabilities and net assets	749,878	100.0	800,255	100.0

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

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

(2) Quarterly Consolidated Statements of Operations and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Operations)
(Nine months ended December 31, 2019)

(Millions of yen)

	Nine months ended December 31, 2018		Nine months ended December 31, 2019	
		%		%
Net sales	539,163	100.0	498,301	100.0
Cost of sales	296,811	55.1	273,148	54.8
Gross profit	242,352	44.9	225,153	45.2
Selling, general and administrative expenses	155,845	28.9	150,787	30.3
Research and development expenses	36,938	6.8	34,268	6.9
Operating income	49,569	9.2	40,098	8.0
Other expenses (income), net	3,918	0.7	(2,202)	(0.5)
Income before income taxes from continuing operations	45,651	8.5	42,300	8.5
Income taxes	11,402	2.2	8,141	1.7
Equity in loss of affiliates	75	0.0	1,196	0.2
Income from continuing operations	34,174	6.3	32,963	6.6
Income from discontinued operations	5,231	1.0	38,417	7.7
Net income	39,405	7.3	71,380	14.3
Net income attributable to noncontrolling interests	653	0.1	379	0.1
Net income attributable to OMRON shareholders	38,752	7.2	71,001	14.2

Note: We have reclassified the quarterly consolidated statements of operations for the cumulative consolidated third quarter of the previous fiscal year for presentation purposes in connection with the classification of the AEC as discontinued operations. For more about discontinued operations, see *Discontinued Operations* on P.13.

(Quarterly Consolidated Statements of Comprehensive Income)
(Nine months ended December 31, 2019)

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net income	39,405	71,380
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments	(5,696)	(14,038)
Pension liability adjustments	2,109	20,598
Net gains (losses) on derivative instruments	(61)	(402)
Other comprehensive income (loss)	(3,648)	6,158
Comprehensive income	35,757	77,538
(Breakdown)		
Comprehensive income attributable to noncontrolling interests	595	342
Comprehensive income attributable to OMRON shareholders	35,162	77,196

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
I. Operating Activities:		
1. Net income	39,405	71,380
2. Adjustments to reconcile net income to net cash provided by operating activities:		
(1) Depreciation and amortization	22,507	21,705
(2) Net loss on sale and disposals of property, plant and equipment	10	190
(3) Loss on impairment of long-lived assets	92	28
(4) Gain on sale of business	(37)	(52,447)
(5) Net loss (gain) on valuation of investment securities	1,900	(2,479)
(6) Termination and retirement benefits	3,861	874
(7) Deferred income taxes	(2,000)	(1,018)
(8) Equity in loss of affiliates	74	1,196
(9) Changes in assets and liabilities:		
(i) Decrease in notes and accounts receivable — trade	15,404	23,625
(ii) Increase in inventories	(20,665)	(8,564)
(iii) Increase in other assets	(647)	(8,028)
(iv) Decrease in notes and accounts payable — trade	(4,657)	(214)
(v) Increase (decrease) in income taxes payable	(5,218)	15,179
(vi) Decrease in accrued expenses and other current liabilities	(6,875)	(1,042)
(10) Other, net	1,121	1,027
Subtotal	4,870	(9,968)
Net cash provided by operating activities	44,275	61,412
II. Investing Activities:		
1. Proceeds from sale of investment securities	432	1,402
2. Purchases of investment securities	(389)	(2,200)
3. Capital expenditures	(27,152)	(25,108)
4. Net decrease (increase) in leasehold deposits	(78)	45
5. Proceeds from sale of property, plant and equipment	2,217	512
6. Proceeds from sale of business, net of cash paid		
(1) After transfer price adjustment	(21)	64,088
(2) Amount to be returned due to transfer price adjustment	—	17,856
7. Acquisition of business, net of cash acquired	(830)	—
8. Other, net	454	333
Net cash provided (used) in investing activities	(25,367)	56,928
III. Financing Activities:		
1. Increase in net borrowings of short-term debt	1,494	6,521
2. Dividends paid by the Company	(16,776)	(17,250)
3. Dividends paid to noncontrolling interests	(343)	(162)
4. Acquisition of treasury stock	(18,847)	(13)
5. Other, net	93	178
Net cash used in financing activities	(34,379)	(10,726)
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents		
Net Increase (Decrease) in Cash and Cash Equivalents	(17,207)	97,887
Cash and Cash Equivalents at Beginning of the Period	113,023	110,250
Cash and Cash Equivalents at End of the Period	95,816	208,137
Cash and Cash Equivalents from Discontinued Operations at End of the Period (Deduct)	7,310	—
Cash and Cash Equivalents from Continuing Operations at End of the Period	88,506	208,137
Notes to cash flows from operating activities:		
1. Interest paid	350	180
2. Taxes paid	20,226	13,701
Notes to investing and financing activities not involving cash flow:		
1. Debt related to capital expenditures	2,854	7,419

Note: Consolidated statements of cash flows consist of cash flows from continuing operations and cash flows from discontinued operations. We have not presented cash flows separately for discontinued operations. For more about discontinued operations, see *Discontinued Operations* on P.13.

(4) Notes Regarding Consolidated Financial Statements

(Notes Regarding Assumptions of Going Concern)

None applicable

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

None applicable

(Changes in Accounting Policy)

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

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

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

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

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

(Segment Information)

Business Segment Information

Nine months ended December 31, 2018 (April 1, 2018 – December 31, 2018)

(Millions of yen)

	IAB	EMC	SSB	HCB	Other	Total	Eliminations & Corporate	Consolidated
Net sales								
(1) Sales to external customers	298,544	78,813	39,865	86,706	31,047	534,975	4,188	539,163
(2) Intersegment sales	4,880	39,717	3,948	167	5,776	54,488	(54,488)	—
Total	303,424	118,530	43,813	86,873	36,823	589,463	(50,300)	539,163
Operating expenses	254,515	111,501	45,191	75,633	37,327	524,167	(34,573)	489,594
Segment profit (loss)	48,909	7,029	(1,378)	11,240	(504)	65,296	(15,727)	49,569

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

Nine months ended December 31, 2019 (April 1, 2019 – December 31, 2019)

(Millions of yen)

	IAB	EMC	SSB	HCB	Other	Total	Eliminations & Corporate	Consolidated
Net sales								
(1) Sales to external customers	265,415	67,292	49,307	85,319	28,774	496,107	2,194	498,301
(2) Intersegment sales	4,020	33,617	3,906	349	2,954	44,846	(44,846)	—
Total	269,435	100,909	53,213	85,668	31,728	540,953	(42,652)	498,301
Operating expenses	228,777	100,000	51,548	74,428	30,276	485,029	(26,826)	458,203
Segment profit (loss)	40,658	909	1,665	11,240	1,452	55,924	(15,826)	40,098

Sales by Geographical Region

Nine months ended December 31, 2018 (April 1, 2018 – December 31, 2018)

(Millions of yen)

	IAB	EMC	SSB	HCB	Other	Total	Eliminations & Corporate	Consolidated
Major Regional Markets (External Customers)								
Japan	117,634	17,990	39,379	19,556	25,708	220,267	3,481	223,748
Americas	26,796	13,694	—	17,743	—	58,233	—	58,233
Europe	59,630	13,135	—	16,962	—	89,727	—	89,727
Greater China	61,312	23,898	110	23,800	5,246	114,366	—	114,366
Southeast Asia and Others	32,905	10,038	—	8,160	—	51,103	—	51,103
Direct Exports	267	58	376	485	93	1,279	707	1,986
Total	298,544	78,813	39,865	86,706	31,047	534,975	4,188	539,163

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

Nine months ended December 31, 2019 (April 1, 2019 – December 31, 2019)

(Millions of yen)

	IAB	EMC	SSB	HCB	Other	Total	Eliminations & Corporate	Consolidated
Major Regional Markets (External Customers)								
Japan	103,616	16,831	48,758	18,918	27,644	215,767	2,183	217,950
Americas	24,347	10,290	—	16,306	—	50,943	—	50,943
Europe	53,097	11,068	—	15,902	—	80,067	—	80,067
Greater China	54,458	19,440	188	25,639	1,130	100,855	—	100,855
Southeast Asia and Others	29,727	9,523	—	8,198	—	47,448	—	47,448
Direct Exports	170	140	361	356	—	1,027	11	1,038
Total	265,415	67,292	49,307	85,319	28,774	496,107	2,194	498,301

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

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

(Discontinued Operations)

(1) Overview of Discontinued Operations

At a meeting held April 16, 2019, the OMRON board of directors resolved to transfer the business of AEC OMRON operating segment, namely all shares of consolidated subsidiary OMRON Automotive Electronics Co., Ltd. ("OAE") (Note 1), all shares, etc., of two consolidated subsidiaries including specified subsidiary OMRON AUTOMOTIVE ELECTRONICS de Mexico, S. de R.L. de C.V. and two consolidated Automotive Electronics Component Business operations to the Nidec Corporation Group (Note 2). A share transfer agreement was executed on the same day as the meeting of the board of directors. The transfer agreement in question was executed on October 31, 2019 with certain exceptions (Note 3).

The transfer price under the transfer agreement amounted to JPY81,944 million (net of cash outflow). A transfer price adjustment will be made based on the aforementioned agreement. The Company recorded JPY52,447 million in gain on sale of discontinued business before income taxes (Note 4) for the cumulative consolidated third quarter assuming the current estimate for the transfer price adjustment.

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

2. Beginning with the current consolidated fiscal year, we have classified operating results for these businesses as discontinued operations, presenting results as continuing operations and discontinued operations herein.

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

4. 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.

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

Business performance, gain on sale of business related to the transfer agreement, and costs related to the transfer of the AEC segment have been classified and presented separately as a discontinued operation in the consolidated quarterly statement of operations for the cumulative consolidated third quarter. We have also reclassified the consolidated quarterly statement of operations for the cumulative consolidated third quarter of the prior fiscal year. We have reclassified the consolidated balance sheet of the prior fiscal year, reclassifying and presenting assets and liabilities of the AEC segment as assets held for sale and liabilities held for sale.

Consolidated statements of cash flows consist of cash flows from continuing operations and cash flows from discontinued operations. We have not presented cash flows separately for discontinued operations. We have recorded the difference between cash and cash equivalents of the business transferred and cash and cash equivalents received as payment for the business transfer on our consolidated statements of cash flows under proceeds from sale of business, net of cash paid. These amounts consist of JPY64,088 million after transfer price adjustment and JPY17,856 million amount to be returned due to transfer price adjustment.

(2) Income (Loss) From Discontinued Operations

(Millions of yen)

	Nine months ended December 31, 2018		Nine months ended December 31, 2019	
		%		%
Net sales	97,409	100.0	65,793	100.0
Cost of sales	74,960	77.0	51,502	78.3
Gross profit	22,449	23.0	14,291	21.7
Selling, general and administrative expenses	7,886	8.1	7,132	10.8
Research and development expenses	7,293	7.4	5,363	8.2
Operating income	7,270	7.5	1,796	2.7
Other expenses (income), net	286	0.3	(209)	(0.3)
Income before income taxes from discontinued operations	6,984	7.2	2,005	3.0
Gain on sale of discontinued operations before income taxes	—	—	52,447	79.8
Income taxes	1,753	1.8	16,035	24.4
Net income (loss) from discontinued operations	5,231	5.4	38,417	58.4

Note: Operating results presented for discontinued operations during the cumulative consolidated third quarter represent seven months of operations through October 31, 2019, the date of business transfer.

3. Supplementary Information

(1) Summary of Consolidated Financial Results

(Millions of yen, %)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019	Year-on- year change	Year ended March 31, 2019	Year ending March 31, 2020 (projected)	Year-on- year change
Net sales	539,163	498,301	-7.6%	732,581	670,000	-8.5%
Operating income	49,569	40,098	-19.1%	67,254	45,000	-33.1%
[% of net sales]	[9.2%]	[8.0%]	[-1.1%pt]	[9.2%]	[6.7%]	[-2.5%pt]
Income before income taxes from continuing operations	45,651	42,300	-7.3%	65,912	40,000	-39.3%
[% of net sales]	[8.5%]	[8.5%]	[+0.0%pt]	[9.0%]	[6.0%]	[-3.0%pt]
Net income attributable to OMRON shareholders	38,752	71,001	+83.2%	54,323	66,000	+21.5%
Net income per share attributable to OMRON shareholders (basic) (¥)	185.35	345.74	+160.39	260.78	321.39	+60.61
Total assets	732,983	800,255	+9.2%	749,878		
Shareholders' equity	513,795	570,814	+11.1%	504,212		
[Shareholders' equity ratio (%)]	[70.1%]	[71.3%]	[+1.2%pt]	[67.2%]		
Shareholders' equity per share (¥)	2,483.63	2,779.59	+295.96	2,455.24		
Net cash provided by operating activities	44,275	61,412	+17,137	71,245		
Net cash provided (used) in investing activities	(25,367)	56,928	+82,295	(34,957)		
Net cash used in financing activities	(34,379)	(10,726)	+23,653	(40,783)		
Cash and equivalents from continuing operations at the end of the period	95,816	208,137	+112,321	103,850		

Notes: 1. 133 consolidated subsidiaries and 20 equity-method affiliates.

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

(2) Consolidated Net Sales by Business Segment

(Billions of yen)

		Nine months ended December 31, 2018	Nine months ended December 31, 2019	Year-on-year change (%)
IAB	Japan	117.6	103.6	-11.9%
	Americas	26.8	24.3	-9.1%
	Europe	59.6	53.1	-11.0%
	Greater China	61.3	54.5	-11.2%
	Southeast Asia and Others	32.9	29.7	-9.7%
	Direct Exports	0.3	0.2	-36.3%
	Total	298.5	265.4	-11.1%
EMC	Japan	18.0	16.8	-6.4%
	Americas	13.7	10.3	-24.9%
	Europe	13.1	11.1	-15.7%
	Greater China	23.9	19.4	-18.7%
	Southeast Asia and Others	10.0	9.5	-5.1%
	Direct Exports	0.1	0.1	+141.4%
	Total	78.8	67.3	-14.6%
SSB	Japan	39.4	48.8	+23.8%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	0.1	0.2	+70.9%
	Southeast Asia and Others	—	—	—
	Direct Exports	0.4	0.4	-4.0%
	Total	39.9	49.3	+23.7%
HCB	Japan	19.6	18.9	-3.3%
	Americas	17.7	16.3	-8.1%
	Europe	17.0	15.9	-6.2%
	Greater China	23.8	25.6	+7.7%
	Southeast Asia and Others	8.2	8.2	+0.5%
	Direct Exports	0.5	0.4	-26.6%
	Total	86.7	85.3	-1.6%
Other	Japan	25.7	27.6	+7.5%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	5.2	1.1	-78.5%
	Southeast Asia and Others	—	—	—
	Direct Exports	0.1	—	—
	Total	31.0	28.8	-7.3%
Eliminations & Corporate	Japan	3.5	2.2	-37.3%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	—	—	—
	Southeast Asia and Others	—	—	—
	Direct Exports	0.7	0.0	-98.4%
	Total	4.2	2.2	-47.6%
Total	Japan	223.7	218.0	-2.6%
	Americas	58.2	50.9	-12.5%
	Europe	89.7	80.1	-10.8%
	Greater China	114.4	100.9	-11.8%
	Southeast Asia and Others	51.1	47.4	-7.2%
	Direct Exports	2.0	1.0	-47.7%
	Total	539.2	498.3	-7.6%

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

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

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

(Billions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019	Year-on-year change (%)
IAB	48.9	40.7	-16.9%
EMC	7.0	0.9	-87.1%
SSB	(1.4)	1.7	—
HCB	11.2	11.2	+0.0%
Other	(0.5)	1.5	—
Eliminations & Corporate	(15.7)	(15.8)	—
Total	49.6	40.1	-19.1%

Note: In connection with the classification of the AEC as a discontinued operation, results for profit by segment for the cumulative consolidated third quarter of the fiscal year ended March 2019 reflect a reclassification of continuing operations excluding amounts from discontinued operations for presentation herein.

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

(4) Average Currency Exchange Rate

(One unit of currency, in yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019	Year-on-year change
USD	110.8	109.1	-1.7
EUR	129.6	121.3	-8.3
RMB	16.6	15.7	-0.9

(5) Projected Consolidated Net Sales by Business Segment

(Billions of yen)

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

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

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

(Billions of yen)

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

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

(7) Projected Average Currency Exchange Rate

(One unit of currency, in yen)

	Year ended March 31, 2019	Year ending March 31, 2020	Year-on-year change
USD	110.7	108.0	-2.7
EUR	128.8	120.3	-8.5
RMB	16.5	15.5	-1.1