



Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2021 (U.S. GAAP)

October 29, 2020

OMRON Corporation (6645)

Exchanges Listed:	Tokyo (first section)
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Filing of Quarterly Securities Report (<i>Shihanki hokokusho</i>) (scheduled):	November 13, 2020
Start of Distribution of Dividends (scheduled):	December 2, 2020
Preparation of Supplementary Materials for the Quarterly Financial Results:	Yes
Holding of Presentation of Quarterly Financial Results:	Yes (Financial results presentation held via online streaming and teleconference for investors on October 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 Second Quarter of the Fiscal Year Ending March 31, 2021 (April 1, 2020 – September 30, 2020)

(1) Sales and Income (cumulative)

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

	Millions of yen - except per share data and percentages			
	Six months ended September 30, 2020		Six months ended September 30, 2019	
		Change (%)		Change (%)
Net sales	301,276	(8.8)	330,229	(6.4)
Operating income	24,723	(3.9)	25,731	(19.2)
Income before income taxes from continuing operations	26,308	(4.2)	27,449	(12.9)
Net income attributable to OMRON shareholders	19,195	+0.6	19,082	(27.8)
Net income per share attributable to OMRON shareholders, basic (JPY)	95.16		92.92	
Net income per share attributable to OMRON shareholders, diluted (JPY)	—		—	

Notes: 1. Comprehensive income: Six months ended September 30, 2020: JPY 21,983 million (5.5% change);

Six months ended September 30, 2019: JPY 20,832 million (-30.7% change)

2. Quarterly net income attributable to OMRON shareholders for the second quarter for the fiscal year ended March 2020 includes quarterly net loss from discontinued operations (Automotive Electronic Components Business (AEC), which was transferred on October 31, 2019). Net income attributable to OMRON shareholders for the second quarter of the fiscal year ended March 2020 excluding loss from discontinued operations amounted to JPY22,446 million. Year-on-year growth would be -14.5% for the second quarter of the fiscal year ending March 2021 when calculated based on this same assumption.

3. Quarterly net income per share attributable to OMRON shareholders for the second quarter of the fiscal year ended March 2020 includes quarterly net loss from discontinued operations. Quarterly net income per share attributable to OMRON shareholders for the second quarter of the fiscal year ended March 2020 excluding loss from discontinued operations amounted to JPY109.30.

(2) Consolidated Financial Position

	Millions of yen - except per share data and percentages	
	As of September 30, 2020	As of March 31, 2020
Total assets	752,356	758,124
Net assets	544,766	532,589
Shareholders' equity	542,650	530,415
Shareholders' equity ratio (%)	72.1	70.0

2. Dividends

		Year ended March 31, 2020	Year ending March 31, 2021	Year ending March 31, 2021 (projected)
Dividends per share	1st quarter dividend (JPY)	—	—	
	Interim dividend (JPY)	42.00	42.00	
	3rd quarter dividend (JPY)	—		—
	Year-end dividend (JPY)	42.00		42.00
	Total dividends for the year (JPY)	84.00		84.00

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

The Company has determined a JPY42 per share for the end of the second quarter of the fiscal year ending March 2021, an amount which had previously been undecided. The company has left the forecast for total annual dividends unchanged in combination with the year-end dividend. For more information, see *1. Qualitative Information on Quarterly Financial Results (4) Determination of Dividends (Interim Dividend) and Revision of Year-End Dividend Forecast* on P.6.

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

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

	Millions of yen	
	Full year ending March 31, 2021	Change (%)
Net sales	620,000	(8.6)
Operating income	40,000	(27.0)
Income before income taxes from continuing operations	35,000	(32.5)
Net income attributable to OMRON shareholders	24,000	(68.0)
Net income per share attributable to OMRON shareholders (JPY)	118.99	

Notes: 1. Revisions since the most recently announced performance forecast: Yes

For more information, see *1. Qualitative Information on Quarterly Financial Results (3) Description of Information on Outlook, Including Consolidated Performance Forecast* on P.5.

2. Net income attributable to OMRON shareholders for the prior fiscal year ended March 2020 used in the calculation of year-on-year change for net income attributable to OMRON shareholders includes net income from discontinued operations. Net income attributable to OMRON shareholders excluding income from discontinued operations calculates to a decrease of 38.7% year on year.

Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): No
New: - company (company name) Excluded: - company (company name)
- (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.: No
(b) Changes in accounting policy other than (a) above: No
- (4) Number of shares issued and outstanding (common stock)
(a) Number of shares at end of period (including treasury stock):
September 30, 2020: 206,244,872 shares
March 31, 2020: 206,244,872 shares
(b) Treasury stock at end of period:
September 30, 2020: 4,572,347 shares
March 31, 2020: 4,306,748 shares
(c) Average number of shares during the period (cumulative quarterly period):
Six months ended September 30, 2020: 201,710,881 shares
Six months ended September 30, 2019: 205,360,840 shares

Note: As of the end of the consolidated first six months of the fiscal year ending March 2021, 760,568 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 classified the Automotive Electronic Components Business (AEC), transferred on October 31, 2019, as discontinued operations in consolidated performance and quarterly consolidated statements of operations for the second quarter of the fiscal year end March 2020, as well as in consolidated performance for the fiscal year ended March 2020.
The amount related to discontinued operations is included in quarterly net income, quarterly (fiscal year) net income attributable to OMRON shareholders, and quarterly (fiscal year) net income per share attributable to OMRON shareholders.
4. The Company plans to hold a presentation for investors and information session via online streaming and teleconference on Thursday, October 29, 2020.

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

IAB: Industrial Automation Business
EMC: Electronic and Mechanical Components Business
SSB: Social Systems, Solutions and Service Business
HCB: Healthcare Business

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. 4
(3) Description of Information on Outlook, Including Consolidated Performance Forecast	P. 5
(4) Determination of Dividends (Interim Dividend) and Revision of Year-End Dividend Forecast	P. 6
2. Quarterly Consolidated Financial Statements and Notes	P. 7
(1) Quarterly Consolidated Balance Sheets	P. 7
(2) Quarterly Consolidated Statements of Operations and Quarterly Consolidated Statements of Comprehensive Income	P. 9
(3) Consolidated Statements of Cash Flows	P. 11
(4) Notes Regarding Consolidated Financial Statements	P. 12
(Notes Regarding Assumptions of Going Concern)	P. 12
(Notes in the Event of Significant Changes in Shareholders' Equity)	P. 12
(Changes in Accounting Estimates)	P. 12
(Segment Information)	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

1) General Overview

The business environment surrounding the OMRON Group during the cumulative consolidated second quarter (April through September 2020) continued to be challenging. Global demand weakened due to the spread of COVID-19, ongoing trade friction between the United States and China, and other factors. Despite the challenging conditions, the manufacturing industry, which represents our major customer base, experienced improving conditions in certain areas and sectors in response to government economic stimulus measures, etc. The OMRON Group accurately seized on opportunities for capital investment in this environment. Our Healthcare Business responded quickly to increase production capacity in response to growing demand for blood pressure monitors and thermometers. This demand was driven by rising awareness of health management and disease prevention due to the spread of COVID-19.

While net sales declined year on year, we continued to strengthen our product market effectiveness, engage in restructuring, and continue with other measures, improving gross profit margin. In addition, we are making progress as planned in the program we launched as a contingency measure at the beginning of the fiscal year to reduce fixed costs on the order of JPY20 billion. Despite the contribution of these measures, operating income fell year on year due to the impact of a strong yen.

Consolidated results for the second quarter of fiscal 2020 were as follows.

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

	Six months ended September 30, 2019	Six months ended September 30, 2020	Change
Net sales	330.2	301.3	-8.8%
Gross profit	148.8	136.4	-8.3%
[% of net sales]	[45.0%]	[45.3%]	[+0.2%pt]
Operating income	25.7	24.7	-3.9%
[% of net sales]	[7.8%]	[8.2%]	[+0.4%pt]
Income before income taxes from continuing operations	27.4	26.3	-4.2%
Net income attributable to OMRON shareholders	19.1	19.2	+0.6%
Average USD exchange rate (JPY)	109.2	106.9	-2.3
Average EUR exchange rate (JPY)	122.0	120.9	-1.1
Average RMB exchange rate (JPY)	15.9	15.2	-0.7

Note: Net income attributable to OMRON shareholders for the cumulative consolidated second quarter includes loss from discontinued operations. Net income attributable to OMRON shareholders excluding loss from discontinued operations amounted to JPY22.4 billion, which calculates to a decrease of 14.5% year on year.

2) Results by Business Segment

IAB (Industrial Automation Business)

(Billions of yen, %)

	Six months ended September 30, 2019	Six months ended September 30, 2020	Change
Sales to external customers	177.9	164.9	-7.3%
Operating income	27.6	26.4	-4.4%

Sales

We accurately judged the increase in demand stemming from greater capital investment in the digital industry related to semiconductors, secondary batteries, and smartphones, which recovered more quickly in China and Korea, as well as capital investment related to masks and other COVID-19-related products globally. Meanwhile, the spread of COVID-19 continued to slow global economic activity, particularly in the

automobile industry, where capital investment continued to be restrained. In addition to the preceding, the impact of foreign exchange due to a strong yen also contributed to lower IAB sales compared to the same period in the prior fiscal year.

Operating Income

Operating income was lower year on year due to the impact of lower sales and a strong yen.

EMC (Electronic and Mechanical Components Business)

(Billions of yen, %)

	Six months ended September 30, 2019	Six months ended September 30, 2020	Change
Sales to external customers	45.9	38.8	-15.4%
Operating income	0.7	0.3	-51.7%

Sales

While declining significantly in the first quarter resulting from the lockdowns, demand began to rebound from a bottom in the second quarter as global customer production and sales activities resumed. China, in particular, recovered to the same demand levels as in the same period in the prior fiscal year. Although we focused on growing sales of new products, net sales were significantly lower year on year, mainly due to the impact of lower performance in the first quarter.

Operating Income

Operating income was lower year on year, despite the positive impact of restructuring, due to lower sales and the impact of a strong yen.

SSB (Social Systems, Solutions and Service Business)

(Billions of yen, %)

	Six months ended September 30, 2019	Six months ended September 30, 2020	Change
Sales to external customers	46.4	37.4	-19.4%
Operating income (loss)	1.9	(1.2)	—

Note: Due to the transfer of the Environmental Solutions Business under the SSB and the closure of the Backlights Business, the Company revised business classifications at the beginning of the fiscal year ending March 2021, reclassifying operations under Other Businesses to the SSB or to Eliminations & Corporate, and disclosing results for four segments (IAB, EMC, SSB, and HCB). Accordingly, the Company reclassified consolidated results for the cumulative consolidated second quarter of the fiscal year ended March 2020 under this new categorization for presentation herein.

Sales

The Public Transportation System business experienced weak demand due to the emergence of restrained investment by customers stemming from the impact of COVID-19 during the second quarter. Our Energy System Components business also experienced weak sales of storage battery systems due to the impact of voluntary restraints on social activities. As a result, sales fell sharply compared to the same period in the prior fiscal year.

Operating Income

Although we controlled fixed costs, operating income declined significantly year on year due to a sizable decrease in sales.

HCB (Healthcare Business)

(Billions of yen, %)

	Six months ended September 30, 2019	Six months ended September 30, 2020	Change
Sales to external customers	54.6	57.5	+5.3%
Operating income	6.9	10.6	+54.1%

Sales

Global demand for blood pressure monitors and thermometers rose in response to rising awareness of health management and disease prevention caused by the spread of COVID-19. We also noted a sizable shift to online sales due to voluntary restraints on travel outside the home and store closures. In response to these developments, we moved flexibly and quickly to add production capacity and strengthen our online marketing efforts. As a result, sales increased compared to the prior fiscal year.

Operating Income

Operating income rose significantly year on year due to increased sales and control over fixed costs.

(2) Description of Financial Condition

1) Financial Condition

The OMRON Group will continue to conduct ROIC management focused on capital efficiency, as we invest in sustainable corporate value improvements.

Total assets as of the end of the consolidated second quarter decreased JPY5.8 billion compared with the end of the prior consolidated fiscal year to JPY752.4 billion. With the impact of COVID-19, we have strengthened our global management of notes and accounts receivable-trade, collecting these balances in an orderly manner. We are maintaining inventories at an appropriate level in response to changes in demand. In addition, we exercised care in selecting investments in property, plant and equipment necessary for future growth.

Total liabilities decreased JPY17.9 billion compared with the end of the prior fiscal year, amounting to JPY207.6 billion. This result was mainly due to decreases in notes and accounts payable-trade and accrued expenses. Net assets increased JPY12.2 billion compared to the end of the prior fiscal year to JPY544.8 billion, owing to increases in net income attributable to OMRON shareholders and other factors.

As a result, the OMRON Group shareholders' equity ratio was 72.1%, compared to 70.0% at the end of the prior fiscal year, indicating a strong financial footing. Cash on hand amounted to JPY209.1 billion. Further, OMRON has signed commitment line agreements with financial institutions in the amount of JPY30.0 billion. In addition, OMRON maintains a long-term credit rating of *stable* from ratings firms, reflecting our strong ability to secure capital. Despite operating in an uncertain business environment due to the spread of COVID-19, we intend to maintain positive relationships with global financial institutions, ensuring liquidity and our ability to procure capital.

2) 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 JPY45.7 billion, JPY9.3 billion higher compared to the same period in the prior fiscal year. This result was mainly due to the recording of net income and efficient management of working capital.

Cash Flows from Investing Activities

Net cash used in investing activities was JPY10.0 billion, JPY4.9 billion lower compared to the same period in the prior fiscal year. This result was mainly due to carefully selected investments for future growth.

Free cash flows (difference between cash flows from operating activities and cash flows from investing activities) for the current fiscal period amounted to JPY35.7 billion, JPY14.2 billion higher compared to the same period in the prior fiscal year.

Cash Flows from Financing Activities

Net cash used in financing activities was JPY12.0 billion, JPY3.0 billion higher compared to the same period in the prior fiscal year. This result was mainly due to dividends paid and stock buybacks designed to improve capital efficiency and provide shareholder returns.

As a result, the balance of cash and cash equivalents at the end of the consolidated second quarter amounted to JPY209.1 billion, an increase of JPY23.6 billion compared to the end of the prior consolidated fiscal year.

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

Earnings for the cumulative consolidated second quarter were higher than our outlook at the end of the first quarter. However, we expect ongoing global uncertainty due to potential future COVID-19 outbreaks during the third quarter and beyond, as well as continued U.S.-China trade frictions. Therefore, we have not changed our harsh outlook from the first quarter. We expect our Industrial Automation Business (IAB) to continue to face a challenging business environment, particularly in the automobile industry. At the same time, we project the digital industries, mainly in China and Korea, to be steady, despite a lull in investment. Our Electronic and Mechanical Components Business (EMC) should see a moderate recovery in consumer-related markets, while we expect demand automotive electronic components to remain weak. We forecast our Social Systems, Solutions and Service Business (SSB) to see continued investment restraint in the railway industry. The Healthcare Business (HCB) should see steady demand for thermometers and blood pressure monitors, as well as a moderate recovery retail sales.

Even in the midst of a challenging environment, the OMRON Group will strengthen our sales activities to respond accurately to these changes in demand. In addition, we will continue initiatives to improve our gross profit margin, including ongoing product market effectiveness and restructuring. Completing our plans from the beginning of the year, we intend to reduce fixed costs by an annual JPY20 billion. At the same time, we will continue to make investments necessary for future growth in a post-COVID-19 era.

As a result of these factors, we have made revisions to our fiscal 2020 earnings forecasts as outlined below. The OMRON Group has set exchange rate assumptions for the third quarter and beyond to USD1 = JPY105, EUR1 = JPY124, and RMB1 = JPY15.2.

(Billions of yen, except for per-share data)

	Net sales	Operating income	Income before income taxes from continuing operations	Net income attributable to OMRON shareholders	Net income per share attributable to OMRON shareholders (JPY)
Previous forecast (A)	590.0	30.0	25.0	16.5	81.81
New forecast (B)	620.0	40.0	35.0	24.0	118.99
Change (B-A)	+30.0	+10.0	+10.0	+7.5	—
Change (%)	+5.1%	+33.3%	+40.0%	+45.5%	—
(Reference) Actual results for the prior fiscal year ended March 31, 2020	678.0	54.8	51.8	74.9	365.26

Note: Net income attributable to OMRON shareholders and net income per share attributable to OMRON shareholders for the prior fiscal year ended March 31, 2020 include income from discontinued operations (including gain on sale of the Automotive Electronic Components Business (AEC)). Net income attributable to OMRON shareholders and net income per share attributable to OMRON shareholders for the prior fiscal year ended March 31, 2020 excluding income from discontinued operations amounted to JPY39.2 billion and JPY191.00, respectively.

(4) Determination of Dividends (Interim Dividend) and Revision of Year-End Dividend Forecast

As of the *Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2021 (U.S. GAAP)* published on July 28, 2020, the Company had not yet established forecasts for dividends for the second quarter and year-end for the fiscal year ending March 31, 2021. We have made the following decision and revisions for dividends as described below.

1) Determination of Dividends (Interim Dividend)

	Amount	Most-recent forecast (published July 28, 2020)	Prior-year results (interim dividend for fiscal year ended March 31, 2020)
Dividend record date	September 30, 2020	September 30, 2020	September 30, 2019
Dividends per share	42.00 yen	—	42.00 yen
Total dividends	JPY8,502 million	—	JPY8,657 million
Effective date	December 2, 2020	—	December 3, 2019
Source of dividends	Retained earnings	—	Retained earnings

2) Revision to Full-Year and Year-End Dividend Forecast

Dividend record date	Dividends per share		
	Interim dividend	Year-end dividend	Total dividend
Previous forecast (published July 28, 2020)	—	—	84.00 yen
Revised forecast	—	42.00 yen	84.00 yen
Actual results for the current fiscal year ending March 31, 2021	42.00 yen	—	—
Actual results for the prior fiscal year ending March 31, 2020	42.00 yen	42.00 yen	84.00 yen

3) Reasons for Revision

We have established a shareholder return policy that aims for sustainable corporate value growth, prioritizing investments necessary for future business expansion. These investments include research and development, capital investments, mergers and acquisitions, and other investments for future growth. After ensuring internal reserves for those investments, the Company strives for stable and sustained shareholder returns while taking capital efficiency into account. Under our medium-term management plan, known as *VG2.0*, we strive to provide shareholder returns as represented by a dividend payout ratio of approximately 30% and DOE of approximately 3% over the term of the plan.

Based on the policy above, OMRON has not changed our full-year dividend forecast for the fiscal year ending March 31, 2021 of JPY84 per share (same as in the prior year) as announced earlier. We ensure stable, ongoing dividends in light of company earnings, DOE standards, and past dividend levels. Our forecasts of interim dividends and year-end dividends for the fiscal year ending March 31, 2021 are JPY42 per share and JPY42 per share, respectively, each representing half of our full-year dividend forecast. These amounts are the same as paid in the prior fiscal year.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020		As of September 30, 2020	
		%		%
ASSETS				
Current assets:	447,139	59.0	444,482	59.1
Cash and cash equivalents	185,533		209,142	
Notes and accounts receivable-trade	134,786		106,231	
Allowance for doubtful receivables	(759)		(714)	
Inventories	104,301		109,618	
Assets held for sale	441		—	
Other current assets	22,837		20,205	
Property, plant and equipment:	114,526	15.1	111,499	14.8
Land	20,446		20,425	
Buildings	129,110		123,813	
Machinery and equipment	147,038		148,107	
Construction in progress	5,467		6,035	
Accumulated depreciation	(187,535)		(186,881)	
Investments and other assets:	196,459	25.9	196,375	26.1
Right-of-use assets under operating leases	30,327		28,301	
Goodwill	38,568		37,452	
Investments in and advances to affiliates	29,251		29,055	
Investment securities	25,782		29,494	
Leasehold deposits	7,486		7,489	
Deferred income taxes	37,416		37,661	
Other assets	27,629		26,923	
Total assets	758,124	100.0	752,356	100.0

(Millions of yen)

	As of		As of	
	March 31, 2020		September 30, 2020	
LIABILITIES		%		%
Current liabilities	151,299	20.0	136,652	18.2
Notes and accounts payable-trade	64,496		55,144	
Accrued expenses	37,179		36,040	
Income taxes payable	2,516		3,024	
Short-term operating lease liabilities	11,070		10,526	
Other current liabilities	36,038		31,918	
Deferred income taxes	1,717	0.2	1,551	0.2
Termination and retirement benefits	40,236	5.3	38,070	5.1
Long-term operating lease liabilities	19,820	2.6	18,787	2.5
Other long-term liabilities	12,463	1.6	12,530	1.6
Total liabilities	225,535	29.7	207,590	27.6
NET ASSETS				
Shareholders' equity	530,415	70.0	542,650	72.1
Common stock	64,100	8.5	64,100	8.5
Capital surplus	100,521	13.3	100,988	13.4
Legal reserve	20,981	2.8	22,306	3.0
Retained earnings	451,768	59.6	461,167	61.3
Accumulated other comprehensive income (loss)	(83,606)	(11.0)	(81,112)	(10.8)
Foreign currency translation adjustments	(31,408)		(30,176)	
Pension liability adjustments	(52,250)		(50,797)	
Net gains (losses) on derivative instruments	52		(139)	
Treasury stock	(23,349)	(3.2)	(24,799)	(3.3)
Noncontrolling interests	2,174	0.3	2,116	0.3
Total net assets	532,589	70.3	544,766	72.4
Total liabilities and net assets	758,124	100.0	752,356	100.0

(2) Quarterly Consolidated Statements of Operations and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Operations)
(Six months ended September 30, 2020)

(Millions of yen)

	Six months ended September 30, 2019		Six months ended September 30, 2020	
		%		%
Net sales	330,229	100.0	301,276	100.0
Cost of sales	181,461	55.0	164,898	54.7
Gross profit	148,768	45.0	136,378	45.3
Selling, general and administrative expenses	99,751	30.2	90,932	30.2
Research and development expenses	23,286	7.0	20,723	6.9
Operating income	25,731	7.8	24,723	8.2
Other expenses (income), net	(1,718)	(0.5)	(1,585)	(0.5)
Income before income taxes from continuing operations	27,449	8.3	26,308	8.7
Income taxes	4,562	1.3	7,380	2.4
Equity in loss (earnings) of affiliates	230	0.1	(484)	(0.1)
Income from continuing operations	22,657	6.9	19,412	6.4
Loss from discontinued operations	3,364	1.1	—	—
Net income	19,293	5.8	19,412	6.4
Net income attributable to noncontrolling interests	211	0.0	217	0.0
Net income attributable to OMRON shareholders	19,082	5.8	19,195	6.4

Note: Quarterly net income and quarterly net income attributable to OMRON shareholders for the cumulative consolidated second quarter of the prior fiscal year include loss from discontinued operations.

(Quarterly Consolidated Statements of Comprehensive Income)
(Six months ended September 30, 2020)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net income	19,293	19,412
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments	(18,129)	1,309
Pension liability adjustments	19,786	1,453
Net gains (losses) on derivative instruments	(118)	(191)
Other comprehensive income (loss)	1,539	2,571
Comprehensive income	20,832	21,983
(Breakdown)		
Comprehensive income attributable to noncontrolling interests	161	294
Comprehensive income attributable to OMRON shareholders	20,671	21,689

Note: Quarterly net income for the cumulative consolidated second quarter of the prior fiscal year includes quarterly net loss from discontinued operations.

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
I. Operating Activities:		
1. Net income	19,293	19,412
2. Adjustments to reconcile net income to net cash provided by operating activities:		
(1) Depreciation and amortization	14,625	11,535
(2) Net loss (gain) on sale and disposals of property, plant and equipment	75	(366)
(3) Impairment losses on long-lived assets	12	—
(4) Net gain on valuation of investment securities	(1,098)	(3,099)
(5) Termination and retirement benefits	165	(44)
(6) Deferred income taxes	1,829	(934)
(7) Equity in loss (gain) of affiliates	230	(484)
(8) Changes in assets and liabilities:		
(i) Decrease in notes and accounts receivable — trade	23,612	29,012
(ii) Increase in inventories	(9,419)	(5,000)
(iii) Decrease (increase) in other assets	(2,833)	4,011
(iv) Decrease in notes and accounts payable — trade	(8,176)	(6,930)
(v) Increase (decrease) in income taxes payable	(1,274)	479
(vi) Decrease in accrued expenses and other current liabilities	(455)	(2,681)
(9) Other, net	(115)	822
Subtotal	17,178	26,321
Net cash provided by operating activities	36,471	45,733
II. Investing Activities:		
1. Proceeds from sale of investment securities	1,371	1
2. Purchases of investment securities	(1,370)	(541)
3. Capital expenditures	(15,836)	(10,823)
4. Net decrease (increase) in leasehold deposits	82	(3)
5. Proceeds from sale of property, plant and equipment	496	1,340
6. Other, net	333	0
Net cash used in investing activities	(14,924)	(10,026)
III. Financing Activities:		
1. Net decrease in net borrowings of short-term debt	(205)	(1,585)
2. Dividends paid by the Company	(8,625)	(8,481)
3. Dividends paid to noncontrolling interests	(162)	(352)
4. Acquisition of treasury stock	(8)	(1,453)
5. Other, net	23	(90)
Net cash used in financing activities	(8,977)	(11,961)
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	(6,828)	(137)
Net Increase in Cash and Cash Equivalents	5,742	23,609
Cash and Cash Equivalents at Beginning of the Period	110,250	185,533
Cash and Cash Equivalents at End of the Period	115,992	209,142
Cash and Cash Equivalents from Discontinued Operations at End of the Period (Deduct)	6,129	—
Cash and Cash Equivalents from Continuing Operations at End of the Period	109,863	209,142
Notes to cash flows from operating activities:		
1. Interest paid	133	79
2. Taxes paid	9,727	8,515
Notes to investing and financing activities not involving cash flow:		
1. Debt related to capital expenditures	8,489	848

Note: Consolidated statements of cash flows for the prior cumulative consolidated second quarter consist of cash flows from continuing operations and cash flows from discontinued operations. We have not presented cash flows separately for discontinued operations.

(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 Estimates)

Beginning with the current consolidated fiscal year, the Company and our domestic consolidated subsidiaries changed from the declining balance method to the straight-line method for property, plant and equipment.

Based on the growth strategies of our long-term vision Value Generation 2020 (launched in 2011) and VG2.0 medium-term management plan, we have invested in manufacturing and development facilities for our focus business domains: Industrial Automation Business (IAB), Healthcare Business (HCB), and Social Systems, Solutions and Service Business (SSB). In the prior consolidated fiscal year, we expanded our Yasu office and Katsuragawa office and reconstructed the OMRON Healthcare Co., Ltd. Matsusaka factory. In addition, we reorganized our production centers and consolidated production lines to build a global production system for our Electronic and Mechanical Components Business (EMC). We have also conducted a review of our business portfolio, including the divestment of the Automotive Electronic Components Business (AEC). As a result, the Company and our consolidated subsidiaries in Japan expect the stable operations of our facilities and more normalized levels of capital investment and repairs and maintenance expense.

Taking advantage of the circumstances discussed above, we decided that depreciation via the straight-line method more appropriately reflects the actual usage of our property, plant and equipment for which we expect stable operations. This change in depreciation method will be handled as a change in accounting estimate based on FASB Accounting Standards Codification 250, *Accounting Changes and Error Corrections*, the impact of which will be recognized in the future.

As a result of this change, depreciation for the cumulative consolidated second quarter decreased by JPY873 million compared to the former method, while net income attributable to OMRON shareholders and net income per share increased JPY651 million and JPY3.23, respectively.

(Segment Information)

Business Segment Information

Six months ended September 30, 2019 (April 1, 2019 – September 30, 2019)

(Millions of yen)

	IAB	EMC	SSB	HCB	Total	Eliminations & Corporate	Consolidated
Net sales							
(1) Sales to external customers	177,908	45,889	46,425	54,622	324,844	5,385	330,229
(2) Intersegment sales	2,703	22,568	4,662	284	30,217	(30,217)	—
Total	180,611	68,457	51,087	54,906	355,061	(24,832)	330,229
Operating expenses	153,032	67,790	49,231	48,019	318,072	(13,574)	304,498
Operating income (loss)	27,579	667	1,856	6,887	36,989	(11,258)	25,731

Note: Due to the transfer of the Environmental Solutions Business to the SSB and the closure of the Backlights Business, the Company revised business classifications at the beginning of the fiscal year ending March 2021, reclassifying operations under Other Businesses to the SSB or to Eliminations & Corporate, and disclosing results for four segments (IAB, EMC, SSB, and HCB). Accordingly, the Company reclassified consolidated results for the prior second quarter under this new categorization for presentation herein.

Six months ended September 30, 2020 (April 1, 2020 – September 30, 2020)

(Millions of yen)

	IAB	EMC	SSB	HCB	Total	Eliminations & Corporate	Consolidated
Net sales							
(1) Sales to external customers	164,914	38,830	37,411	57,497	298,652	2,624	301,276
(2) Intersegment sales	2,330	20,872	3,765	186	27,153	(27,153)	—
Total	167,244	59,702	41,176	57,683	325,805	(24,529)	301,276
Operating expenses	140,878	59,380	42,365	47,072	289,695	(13,142)	276,553
Operating income (loss)	26,366	322	(1,189)	10,611	36,110	(11,387)	24,723

Note: Beginning with the current consolidated fiscal year, the OMRON Group has changed our depreciation method related to property, plant and equipment from the declining balance method to the straight-line method for the Company and our domestic consolidated subsidiaries. This change resulted in a decrease in operating expense compared to the prior fiscal year (total of JPY873 million, consisting of JPY185 million under the IAB, JPY163 million under the EMC, JPY124 million under the SSB, JPY143 million under the HCB, and JPY258 million under Eliminations & Corporate). Rather than allocate these amounts to each segment, we have posted the entire amount to Eliminations & Corporate.

Sales by Geographical Region

Six months ended September 30, 2019 (April 1, 2019 – September 30, 2019)

(Millions of yen)

	IAB	EMC	SSB	HCB	Total	Eliminations & Corporate	Consolidated
Major Regional Markets (External Customers)							
Japan	68,368	11,357	46,278	11,740	137,743	4,657	142,400
Americas	16,189	7,269	—	10,917	34,375	—	34,375
Europe	35,279	7,733	—	9,694	52,706	—	52,706
Greater China	37,890	13,126	125	16,710	67,851	717	68,568
Southeast Asia and Others	20,057	6,351	—	5,310	31,718	—	31,718
Direct Exports	125	53	22	251	451	11	462
Total	177,908	45,889	46,425	54,622	324,844	5,385	330,229

Note: Due to the transfer of the Environmental Solutions Business to the SSB and the closure of the Backlights Business, the Company revised business classifications at the beginning of the fiscal year ending March 2021, reclassifying operations under Other Businesses to the SSB or to Eliminations & Corporate, and disclosing results for four segments (IAB, EMC, SSB, and HCB). Accordingly, the Company reclassified consolidated results for the prior second quarter under this new categorization for presentation herein.

Six months ended September 30, 2020 (April 1, 2020 – September 30, 2020)

(Millions of yen)

	IAB	EMC	SSB	HCB	Total	Eliminations & Corporate	Consolidated
Major Regional Markets (External Customers)							
Japan	59,990	9,437	37,262	13,440	120,129	2,271	122,400
Americas	13,508	5,689	—	11,495	30,692	—	30,692
Europe	28,901	5,706	—	10,482	45,089	—	45,089
Greater China	43,352	13,248	124	15,929	72,653	341	72,994
Southeast Asia and Others	19,109	4,693	—	5,945	29,747	—	29,747
Direct Exports	54	57	25	206	342	12	354
Total	164,914	38,830	37,411	57,497	298,652	2,624	301,276

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

3. Supplementary Information

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

(Millions of yen, %)

	Six months ended September 30, 2019	Six months ended September 30, 2020	Year-on- year change	Year ended March 31, 2020	Year ending March 31, 2021 (projected)	Year-on- year change
Net sales	330,229	301,276	-8.8%	677,980	620,000	-8.6%
Operating income [% of net sales]	25,731 [7.8%]	24,723 [8.2%]	-3.9% [+0.4%pt]	54,760 [8.1%]	40,000 [6.5%]	-27.0% [-1.6%pt]
Income before income taxes from continuing operations [% of net sales]	27,449 [8.3%]	26,308 [8.7%]	-4.2% [+0.4%pt]	51,836 [7.6%]	35,000 [5.6%]	-32.5% [-2.0%pt]
Net income attributable to OMRON shareholders	19,082	19,195	+0.6%	74,895	24,000	-68.0%
Net income per share attributable to OMRON shareholders (basic) (¥)	92.92	95.16	+2.24	365.26	118.99	-246.27
Total assets	762,907	752,356	-1.4%	758,124		
Shareholders' equity [Shareholders' equity ratio (%)]	516,589 [67.7%]	542,650 [72.1%]	+5.0% [+4.4%pt]	530,415 [70.0%]		
Shareholders' equity per share (¥)	2,515.53	2,690.75	+175.22	2,626.62		
Net cash provided by operating activities	36,471	45,733	+9,262	89,787		
Net cash provided (used) in investing activities	(14,924)	(10,026)	+4,898	28,639		
Net cash used in financing activities	(8,977)	(11,961)	(2,984)	(29,430)		
Cash and equivalents from continuing operations at the end of the period	109,863	209,142	+99,279	185,533		

Notes: 1. 129 consolidated subsidiaries and 18 equity-method affiliates.

2. Quarterly (fiscal year) net income attributable to OMRON shareholders for the second quarter of the fiscal year ended March 2020 and quarterly (fiscal year) net income per share attributable to OMRON shareholders for the fiscal year ended March 2020 include quarterly (fiscal year) net income (loss) from discontinued operations. Quarterly (fiscal year) net income attributable to OMRON shareholders for the second quarter of the fiscal year ended March 2020 and quarterly (fiscal year) net income per share attributable to OMRON shareholders for the fiscal year ended March 2020 excluding quarterly (fiscal year) net income (loss) from discontinued operations are as follows.

Quarterly (fiscal year) net income attributable to OMRON shareholders excluding quarterly (fiscal year) net income (loss) from discontinued operations

Second quarter, fiscal year ended March 2020 JPY22.4 billion (+85.5% vs. the second quarter of the fiscal year ending March 2021)

Fiscal year ended March 2020 JPY39.2 billion (+61.3% vs. forecast for the fiscal year ending March 2021)

Quarterly (fiscal year) net income per share attributable to OMRON shareholders excluding quarterly (fiscal year) net income (loss) from discontinued operations

Second quarter, fiscal year ended March 2020 JPY109.30 (-JPY14.14 vs. the second quarter of the fiscal year ending March 2021)

Fiscal year ended March 2020 JPY191.00 (-JPY72.01 vs. forecast for the fiscal year ending March 2021)

(2) Consolidated Net Sales by Business Segment

(Billions of yen)

		Six months ended September 30, 2019	Six months ended September 30, 2020	Year-on-year change (%)
IAB	Japan	68.4	60.0	-12.3%
	Americas	16.2	13.5	-16.6%
	Europe	35.3	28.9	-18.1%
	Greater China	37.9	43.4	+14.4%
	Southeast Asia and Others	20.1	19.1	-4.7%
	Direct Exports	0.1	0.1	-56.8%
	Total	177.9	164.9	-7.3%
EMC	Japan	11.4	9.4	-16.9%
	Americas	7.3	5.7	-21.7%
	Europe	7.7	5.7	-26.2%
	Greater China	13.1	13.2	+0.9%
	Southeast Asia and Others	6.4	4.7	-26.1%
	Direct Exports	0.1	0.1	+7.5%
	Total	45.9	38.8	-15.4%
SSB	Japan	46.3	37.3	-19.5%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	0.1	0.1	-0.8%
	Southeast Asia and Others	—	—	—
	Direct Exports	0.0	0.0	+13.6%
	Total	46.4	37.4	-19.4%
HCB	Japan	11.7	13.4	+14.5%
	Americas	10.9	11.5	+5.3%
	Europe	9.7	10.5	+8.1%
	Greater China	16.7	15.9	-4.7%
	Southeast Asia and Others	5.3	5.9	+12.0%
	Direct Exports	0.3	0.2	-17.9%
	Total	54.6	57.5	+5.3%
Eliminations & Corporate	Japan	4.7	2.3	-51.2%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	0.7	0.3	-52.4%
	Southeast Asia and Others	—	—	—
	Direct Exports	0.0	0.0	+9.1%
	Total	5.4	2.6	-51.3%
Total	Japan	142.4	122.4	-14.0%
	Americas	34.4	30.7	-10.7%
	Europe	52.7	45.1	-14.5%
	Greater China	68.6	73.0	+6.5%
	Southeast Asia and Others	31.7	29.7	-6.2%
	Direct Exports	0.5	0.4	-23.4%
	Total	330.2	301.3	-8.8%

Note: Due to the transfer of the Environmental Solutions Business to the SSB and the closure of the Backlights Business, the Company revised business classifications at the beginning of the fiscal year ending March 2021, reclassifying operations under Other Businesses to the SSB or to Eliminations & Corporate, and disclosing results for four segments (IAB, EMC, SSB, and HCB). Accordingly, the Company reclassified results for the second quarter of the fiscal year ended March 2020 under this new categorization for presentation herein.

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

(Billions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020	Year-on-year change (%)
IAB	27.6	26.4	-4.4%
EMC	0.7	0.3	-51.7%
SSB	1.9	(1.2)	—
HCB	6.9	10.6	+54.1%
Eliminations & Corporate	(11.3)	(11.4)	—
Total	25.7	24.7	-3.9%

Note: Due to the transfer of the Environmental Solutions Business to the SSB and the closure of the Backlights Business, the Company revised business classifications at the beginning of the fiscal year ending March 2021, reclassifying operations under Other Businesses to the SSB or to Eliminations & Corporate, and disclosing results for four segments (IAB, EMC, SSB, and HCB). Accordingly, the Company reclassified results for the second quarter of the fiscal year ended March 2020 under this new categorization for presentation herein.

(4) Average Currency Exchange Rate

(One unit of currency, in yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020	Year-on-year change
USD	109.2	106.9	-2.3
EUR	122.0	120.9	-1.1
RMB	15.9	15.2	-0.7

(5) Projected Consolidated Net Sales by Business Segment

(Billions of yen)

	Year ended March 31, 2020	Year ending March 31, 2021	Year-on-year change (%)
IAB	352.8	322.0	-8.7%
EMC	88.4	81.0	-8.3%
SSB	116.0	93.0	-19.8%
HCB	112.0	119.0	+6.3%
Eliminations & Corporate	8.9	5.0	-43.5%
Total	678.0	620.0	-8.6%

Note: Due to the transfer of the Environmental Solutions Business to the SSB and the closure of the Backlights Business, the Company revised business classifications at the beginning of the fiscal year ending March 2021, reclassifying operations under Other Businesses to the SSB or to Eliminations & Corporate, and disclosing results for four segments (IAB, EMC, SSB, and HCB). Accordingly, the Company reclassified results for the fiscal year ended March 2020 under this new categorization for presentation herein.

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

(Billions of yen)

	Year ended March 31, 2020	Year ending March 31, 2021	Year-on-year change (%)
IAB	53.6	44.0	-17.9%
EMC	0.9	1.0	+8.9%
SSB	10.9	5.0	-53.9%
HCB	13.5	17.0	+25.8%
Eliminations & Corporate	(24.1)	(27.0)	—
Total	54.8	40.0	-27.0%

Note: Due to the transfer of the Environmental Solutions Business to the SSB and the closure of the Backlights Business, the Company revised business classifications at the beginning of the fiscal year ending March 2021, reclassifying operations under Other Businesses to the SSB or to Eliminations & Corporate, and disclosing results for four segments (IAB, EMC, SSB, and HCB). Accordingly, the Company reclassified results for the fiscal year ended March 2020 under this new categorization for presentation herein.

(7) Projected Average Currency Exchange Rate

(One unit of currency, in yen)

	Year ended March 31, 2020	Year ending March 31, 2021	Year-on-year change
USD	109.1	105.9	-3.2
EUR	121.2	122.5	+1.3
RMB	15.7	15.2	-0.5