



Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019 (U.S. GAAP)

October 30, 2018

OMRON Corporation (6645)

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Start of Distribution of Dividends (scheduled):	December 4, 2018
Preparation of Supplementary Materials for the Quarterly Financial Results:	Yes
Holding of Presentation of Quarterly Financial Results:	Yes (for investors)

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

Note: Figures are rounded to the nearest million yen.

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019 (April 1, 2018 – September 30, 2018)

(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			
	Six months ended September 30, 2018		Six months ended September 30, 2017	
		Change (%)		Change (%)
Net sales	416,179	+1.4	410,527	+10.5
Operating income	36,564	(16.0)	43,526	+65.0
Income before income taxes	35,995	(12.3)	41,042	+73.6
Net income attributable to shareholders	26,415	(12.8)	30,304	+91.2
Net income per share attributable to shareholders, basic (JPY)	125.95		141.92	
Net income per share attributable to shareholders, diluted (JPY)	—		—	

Notes: 1. Comprehensive income: Six months ended September 30, 2018: JPY30,070 million (-31.3% change);
Six months ended September 30, 2017: JPY43,760 million (— % change)

2. Consolidated statements of operations for six months ended September 30, 2017 have been reclassified. For more, see
2. *Quarterly Consolidated Financial Statements and Notes (4) Notes Regarding Consolidated Financial Statements (Changes in Accounting Policy)* on P.12.

(2) Consolidated Financial Position

	Millions of yen - except per share data and percentages	
	As of September 30, 2018	As of March 31, 2018
Total assets	740,484	744,952
Net assets	519,385	507,386
Shareholders' equity	517,387	505,530
Shareholders' equity ratio (%)	69.9	67.9

2. Dividends

		Year ended March 31, 2018	Year ending March 31, 2019	Year ending March 31, 2019 (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

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

For more, see *Notice Regarding Fiscal 2018 Interim Dividend, Full-Year Total Dividend Forecast and Year-End Dividend Forecast*, published on October 30, 2018.

3. Projected Results for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

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

	Millions of yen	
	Full year ending March 31, 2019	Change (%)
Net sales	880,000	+2.3
Operating income	83,000	(3.8)
Income before income taxes	79,500	(4.6)
Net income attributable to shareholders	58,500	(7.4)
Net income per share attributable to shareholders (JPY)	279.46	

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

For more regarding revised consolidated earnings forecasts, see *Notice Regarding Revisions to Full-Year Consolidated Performance Forecast for Fiscal 2018*, published on October 30, 2018. However, operating income figures in our consolidated earnings forecast used for comparative purposes reflects the retrospective application of new accounting policies and associated revisions.

Notes

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

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

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

(3) Changes in accounting policy

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

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

Note: For more, see 2. *Quarterly Consolidated Financial Statements and Notes* (4) *Notes Regarding Consolidated Financial Statements (Change in Accounting Policy)* on P.12.

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

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

September 30, 2018: 213,958,172 shares

March 31, 2018: 213,958,172 shares

(b) Treasury stock at end of period:

September 30, 2018: 5,074,019 shares

March 31, 2018: 3,352,916 shares

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

Six months ended September 30, 2018: 209,719,547 shares

Six months ended September 30, 2017: 213,525,277 shares

Note: As of the end of the six months of the fiscal year ending 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.

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

Commentary Regarding Appropriate Use of Projections of Results and Other Matters

1. Projections of results and future developments are based on information available to the Company at the time of writing, as well as certain assumptions judged by the Company to be reasonable. Various risks, uncertainties and other factors could cause actual results to differ materially from these projections. For the assumptions that form the basis of the projected results and appropriate use, see *1. Qualitative Information on Quarterly Financial Results (3) Description of Information on Outlook, Including Consolidated Performance Forecast* on P.5.
2. The Company applies the single step method for presentation of its Consolidated Financial Statements based on U.S. GAAP. However, to facilitate comparison with other companies, operating income on the Consolidated Income Statement is presented by subtracting selling, general and administrative expenses and research and development expenses from gross profit.
3. The Company plans to hold a presentation for investors on Tuesday, October 30, 2018. The Company also plans to post an overview and the (voice) content of its explanations, together with financial materials used at the presentation, promptly on its website.

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 Division,
Backlight (Businesses under direct control of Headquarters)

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1. Qualitative Information on Quarterly Financial Results

(1) Description of Results of Operations

General Overview

The OMRON Group recorded higher consolidated sales and lower profits for the second quarter of fiscal 2018 (April through September 2018) compared to the same period in the previous fiscal year. Despite the negative impact of disasters and a worsening business environment during the second quarter, our mainstay Industrial Automation Business (IAB) and Healthcare Business (HCB) continued to grow, delivering record highs in net sales and gross profit margin for any consolidated first half in our history. At the same time, strategic increases in sales staff, development investments for future growth, and restructuring measures resulted in lower operating income year on year. As a result of structural reform leading to the integration of production, sales, and development groups, the group achieved an overall gross profit ratio of 41.8%, a 0.3-point increase year on year.

Consolidated results for the first six months of fiscal 2018 were as follows.

Billions of yen, except exchange rate data and percentages			
	Six months ended September 30, 2017	Six months ended September 30, 2018	Change
Net sales	410.5	416.2	+1.4%
Gross profit	170.3	173.8	+2.1%
[% of net sales]	[41.5%]	[41.8%]	[+0.3%pt]
Operating income	43.5	36.6	-16.0%
[% of net sales]	[10.6%]	[8.8%]	[-1.8%pt]
Income before income taxes	41.0	36.0	-12.3%
Net income attributable to shareholders	30.3	26.4	-12.8%
Average USD exchange rate (JPY)	111.2	109.5	-1.7
Average EUR exchange rate (JPY)	125.6	129.5	+3.9

Note: Consolidated statements of operations for six months ended September 30, 2017 have been reclassified. For more, see 2. *Quarterly Consolidated Financial Statements and Notes (4) Notes Regarding Consolidated Financial Statements (Changes in Accounting Policy)* on P.12.

Results by Business Segment

IAB (Industrial Automation Business)

(Billions of yen, %)

	Six months ended September 30, 2017	Six months ended September 30, 2018	Change
Sales to external customers	193.5	201.5	+4.1%
Segment profit	38.0	33.3	-12.3%

Sales

Investment demand in the digital industry weakened significantly due to a slowdown in smartphone and semiconductor investment. Meanwhile, the automobile industry experienced rising demand for leading-edge technology development and advanced production investment. Companies in the food industry continue to provide firm demand for labor-saving robotics.

We proposed optimal solutions to our customers in response to this growth in demand. At the same time, our acquisitions have contributed to group earnings. These factors have combined to result in year-on-year growth in segment net sales.

Segment Profit

Segment profit was significantly lower year on year due to expanded investments in sales staff, research and development, and other tactics for growth.

EMC (Electronic and Mechanical Components Business)

(Billions of yen, %)

	Six months ended September 30, 2017	Six months ended September 30, 2018	Change
Sales to external customers	52.8	51.3	-2.8%
Segment profit	7.3	4.6	-37.9%

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

Sales

Demand was strong for consumer and commercial products in the Americas and Europe, while Japan experienced firm demand in the automotive-related industries. However, the contraction in amusement industry demand in Japan caused a significant decline in sales.

As a result of these changes in demand, sales were lower year on year.

Segment Profit

Segment profit was significantly lower year on year due to lower sales combined with investments in production capacity looking ahead to future growth.

AEC (Automotive Electronic Components Business)

(Billions of yen, %)

	Six months ended September 30, 2017	Six months ended September 30, 2018	Change
Sales to external customers	64.1	65.0	+1.3%
Segment profit	2.6	3.2	+21.6%

Sales

Changes in vehicle models carrying OMRON products and other factors resulted in weak demand in Japan, 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 of these changes in demand, sales were higher year on year.

Segment Profit

The AEC reported significantly higher profit due to sales growth and improved productivity in manufacturing and development activities.

SSB (Social Systems, Solutions and Service Business)

(Billions of yen, %)

	Six months ended September 30, 2017	Six months ended September 30, 2018	Change
Sales to external customers	19.5	20.6	+5.6%
Segment profit (loss)	(2.8)	(2.5)	—

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 and activities, sales increased year on year.

Segment Profit

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

HCB (Healthcare Business)

(Billions of yen, %)

	Six months ended September 30, 2017	Six months ended September 30, 2018	Change
Sales to external customers	51.1	55.5	+8.5%
Segment profit	6.2	7.2	+16.1%

Sales

The HCB segment experienced strong sales, mainly due to our stepped-up promotions through online channels in China, Japan, and the Americas. These markets and others across the globe have shown firm demand for our blood pressure monitors. The United States, in particular, showed growth in demand for blood pressure monitors in response to last year's revisions to hypertension treatment guidelines.

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

Segment Profit

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

Other Businesses

(Billions of yen, %)

	Six months ended September 30, 2017	Six months ended September 30, 2018	Change
Sales to external customers	26.5	20.0	-24.7%
Segment profit (loss)	0.4	(1.2)	—

- Notes: 1. The Other 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 ending March 31, 2019. The group reclassified results for the fiscal year ended March 2018 under this new categorization for presentation herein.

Sales

Business partners in our Environmental Solutions Business experienced a temporary downturn in performance due to the heavy rains in July 2018. This was a major factor behind the weak revenue performance for the business during the period. Meanwhile, our uninterruptible power supply business and contract development and production services for electronic devices within the Electric Systems and Equipment Business reported sales level with same period in the prior fiscal year. The OMRON Backlights Business saw weak sales, due to further business optimization initiatives.

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

Segment Profit

Lower sales and restructuring costs drove segment profits lower year on year.

(2) Description of Financial Condition

Financial Condition

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

Total assets as of the end of the consolidated second quarter decreased JPY4.5 billion compared with the end of the previous fiscal year to JPY740.5 billion. This result was mainly due an increase in inventories (to secure components and materials), a decrease in notes and accounts receivable–trade stemming collections of accounts from the prior consolidated fiscal year, and a decrease in cash and cash equivalents. Total liabilities decreased JPY16.5 billion compared with the end of the previous fiscal year, down to JPY221.1 billion, mainly due to decreases in notes and accounts payable–trade and accrued expenses. Net assets increased JPY12.0 billion compared to the end of the previous fiscal year to JPY519.4 billion, owing to increases in net income attributable to shareholders, share buybacks, and other factors. As a result, OMRON Group shareholders' equity ratio was 69.9%, as compared to 67.9% at the end of the previous fiscal year. We continue to maintain a strong financial footing capable of active investment and response 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 JPY25.4 billion, a decrease of JPY7.1 billion in net cash provided over the same period in the previous fiscal year. This result was mainly due to the recording of net income and depreciation and amortization, as well as a decrease in notes and accounts receivable–trade. These decreases were offset in part by a decrease in and notes and accounts payable–trade.

Cash Flows from Investing Activities

Net cash used in investing activities was JPY17.2 billion, representing an increase in net cash used of JPY1.1 billion compared to the same period in the previous fiscal year. This increase was mainly due to investment outlays to expand our production capacity and to prepare for future growth.

Free cash flows (difference between cash flows from operating activities and cash flows from investing activities) for the cumulative consolidated second quarter amounted to JPY8.2 billion.

Cash Flows from Financing Activities

Net cash used in financing activities was JPY17.5 billion, which was an increase in net cash used of JPY4.3 billion compared to the same period in the previous fiscal year. This result was mainly due to dividends paid and stock buybacks.

As a result, the balance of cash and cash equivalents at the end of the consolidated second quarter amounted to JPY103.4 billion, a decrease of JPY9.6 billion compared to the end of the previous consolidated fiscal year.

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

We expect the business environment will continue to be uncertain throughout the third quarter and beyond due to U.S.-China trade frictions and other factors, having a negative impact on sales performance. Accordingly, we have made a downward revision in our fiscal 2018 earnings forecasts as outlined below. The OMRON Group set our exchange rate assumptions for the third quarter and beyond to USD1 = JPY110 and EUR1 = JPY127.

Performance forecasts and other forward-looking statements are based on information available at the time, as well as on certain assumptions deemed reasonable by OMRON Group management. Actual results may vary materially depending on a variety of factors.

(Billions of yen / % / JPY)

	Net sales	Operating income	Income before income taxes	Net income attributable to shareholders	Net income per share attributable to shareholders (JPY)
Previous forecast (A)	900.0	93.0	88.0	64.5	306.26
New forecast (B)	880.0	83.0	79.5	58.5	279.46
Change (B-A)	(20.0)	(10.0)	(8.5)	(6.0)	—
Change (%)	-2.2%	-10.8%	-9.7%	-9.3%	—
(Reference) Actual results for the previous fiscal year (ended March 31, 2018)	860.0	86.3	83.4	63.2	296.85

Note: Prior-year operating income reflects the retrospective application of new accounting policies and associated revisions.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018		As of September 30, 2018	
		%		%
ASSETS				
Current assets:	437,385	58.7	425,337	57.4
Cash and cash equivalents	113,023		103,423	
Notes and accounts receivable — trade	174,065		157,644	
Allowance for doubtful receivables	(1,117)		(1,024)	
Inventories	129,581		145,280	
Other current assets	21,833		20,014	
Property, plant and equipment:	135,103	18.1	139,930	18.9
Land	24,886		24,953	
Buildings	145,389		145,493	
Machinery and equipment	205,233		208,015	
Construction in progress	10,063		14,910	
Accumulated depreciation	(250,468)		(253,441)	
Investments and other assets:	172,464	23.2	175,217	23.7
Goodwill	38,705		41,677	
Investments in and advances to affiliates	27,195		26,940	
Investment securities	29,016		30,338	
Leasehold deposits	7,531		7,761	
Deferred income taxes	39,947		38,756	
Other assets	30,070		29,745	
Total assets	744,952	100.0	740,484	100.0

(Millions of yen)

	As of		As of	
	March 31, 2018		September 30, 2018	
		%		%
LIABILITIES				
Current liabilities	182,778	24.5	166,336	22.5
Notes and accounts payable — trade	93,792		88,216	
Accrued expenses	44,291		40,612	
Income taxes payable	6,414		372	
Other current liabilities	38,281		37,136	
Deferred income taxes	706	0.1	498	0.1
Termination and retirement benefits	42,342	5.7	42,685	5.8
Other long-term liabilities	11,740	1.6	11,580	1.5
Total liabilities	237,566	31.9	221,099	29.9
NET ASSETS				
Shareholders' equity	505,530	67.9	517,387	69.9
Common stock	64,100	8.6	64,100	8.7
Capital surplus	99,588	13.4	99,901	13.5
Legal reserve	19,940	2.7	20,917	2.7
Retained earnings	390,950	52.4	415,265	56.1
Accumulated other comprehensive income (loss)	(49,359)	(6.6)	(53,598)	(7.2)
Foreign currency translation adjustments	(3,176)		(869)	
Pension liability adjustments	(53,785)		(52,251)	
Unrealized gains (losses) on available-for-sale securities	7,426		—	
Net gains (losses) on derivative instruments	176		(478)	
Treasury stock	(19,689)	(2.6)	(29,198)	(3.9)
Noncontrolling interests	1,856	0.2	1,998	0.2
Total net assets	507,386	68.1	519,385	70.1
Total liabilities and shareholders' equity	744,952	100.0	740,484	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, 2018)**

(Millions of yen)

	Six months ended September 30, 2017		Six months ended September 30, 2018	
		%		%
Net sales	410,527	100.0	416,179	100.0
Cost of sales	240,263	58.5	242,394	58.2
Gross profit	170,264	41.5	173,785	41.8
Selling, general and administrative expenses	99,342	24.2	107,758	25.9
Research and development expenses	27,396	6.7	29,463	7.1
Operating income	43,526	10.6	36,564	8.8
Other expenses, net	2,484	0.6	569	0.2
Income before income taxes and equity in loss (earnings) of affiliates	41,042	10.0	35,995	8.6
Income taxes	11,081	2.7	9,259	2.2
Equity in loss (earnings) of affiliates	(547)	(0.1)	(126)	(0.1)
Net income	30,508	7.4	26,862	6.5
Net income attributable to noncontrolling interests	204	0.0	447	0.2
Net income attributable to OMRON shareholders	30,304	7.4	26,415	6.3

Notes: Consolidated statements of operations for the six months ended September 30, 2017 have been reclassified.

For more, see 2. *Quarterly Consolidated Financial Statements and Notes (4) Notes Regarding Consolidated Financial Statements (Changes in Accounting Policy)* on P.12.

(Quarterly Consolidated Statements of Comprehensive Income)
(Six months ended September 30, 2018)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net income	30,508	26,862
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments	10,434	2,328
Pension liability adjustments	1,175	1,534
Unrealized gains (losses) on available-for-sale securities	1,752	—
Net gains (losses) on derivative instruments	(109)	(654)
Other comprehensive income (loss)	13,252	3,208
Comprehensive income	43,760	30,070
(Breakdown)		
Comprehensive income attributable to noncontrolling interests	237	468
Comprehensive income attributable to OMRON shareholders	43,523	29,602

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
I. Operating Activities:		
1. Net income	30,508	26,862
2. Adjustments to reconcile net income to net cash provided by operating activities:		
(1) Depreciation and amortization	13,786	14,689
(2) Net loss (gain) on sales and disposals of property, plant and equipment	115	(93)
(3) Impairment of long-lived assets	28	59
(4) Loss (gain) on sale of business	14	(75)
(5) Net gain on valuation of investment securities	—	(1,081)
(6) Termination and retirement benefits	1,663	2,630
(7) Deferred income taxes	(1,670)	207
(8) Equity in loss (earnings) of affiliates	(547)	(126)
(9) Changes in assets and liabilities:		
(i) Decrease in notes and accounts receivable — trade	12,630	18,169
(ii) Increase in inventories	(15,182)	(15,032)
(iii) Decrease (increase) in other assets	(4,867)	(593)
(iv) Decrease in notes and accounts payable — trade	(920)	(7,029)
(v) Decrease in income taxes payable	(208)	(6,068)
(vi) Decrease in accrued expenses and other current liabilities	(2,059)	(7,666)
(10) Other, net	(770)	521
Subtotal	2,013	(1,488)
Net cash provided by operating activities	32,521	25,374
II. Investing Activities:		
1. Proceeds from sale of investment securities	649	426
2. Purchase of investment securities	(348)	(248)
3. Capital expenditures	(13,277)	(18,223)
4. Net increase in leasehold deposits	(291)	(217)
5. Proceeds from sale of property, plant and equipment	221	1,494
6. Proceeds from sale of business, net of cash paid	(427)	35
7. Acquisition of business, net of cash acquired	(2,641)	(863)
8. Other, net	46	408
Net cash used in investing activities	(16,068)	(17,188)
III. Financing Activities:		
1. Net borrowings (repayments) of short-term debt	639	353
2. Dividends paid by the Company	(7,269)	(8,003)
3. Dividends paid to noncontrolling interests	(138)	(326)
4. Acquisition of treasury stock	(6,530)	(9,528)
5. Other, net	50	(21)
Net cash used in financing activities	(13,248)	(17,525)
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	1,598	(261)
Net Increase (Decrease) in Cash and Cash Equivalents	4,803	(9,600)
Cash and Cash Equivalents at Beginning of the Period	126,026	113,023
Cash and Cash Equivalents at End of the Period	130,829	103,423
Notes to cash flows from operating activities:		
1. Interest paid	57	59
2. Taxes paid	12,855	15,094
Notes to investing and financing activities not involving cash flow:		
1. Debt related to capital expenditures	986	2,567

(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 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 first quarter of 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 ¥7,426 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 ¥224 million in cumulative impact on retained earnings for non-marketable equity securities.

Beginning with the first quarter of 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 first quarter of the current consolidated fiscal year beginning April 1, 2018. The application of this accounting standards update classifying and presenting service cost and other service cost components resulted in the reclassification of ¥64 million in cost of sales, ¥80 million in selling, general and administrative expenses, and ¥29 million in research and development expenses. These amounts have been reclassified to other expenses, net on the consolidated quarterly statements of income for the first six months of the fiscal year ended March 2018. Gross profit and operating income for the first six months of the consolidated fiscal year ended March 2018 increased ¥64 million and ¥173 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 to OMRON subsidiaries.

(Segment Information)

Business Segment Information

Six months ended September 30, 2017 (April 1, 2017 – September 30, 2017)

(Millions of yen)

	IAB	EMC	AEC	SSB	HCB	Other	Total	Eliminations & Corporate	Consolidated
Net sales									
(1) Sales to external customers	193,479	52,760	64,144	19,519	51,134	26,536	407,572	2,955	410,527
(2) Intersegment sales	3,154	28,605	863	2,013	130	3,514	38,279	(38,279)	—
Total	196,633	81,365	65,007	21,532	51,264	30,050	445,851	(35,324)	410,527
Operating expenses	158,602	74,022	62,386	24,350	45,073	29,626	394,059	(27,058)	367,001
Segment profit (loss)	38,031	7,343	2,621	(2,818)	6,191	424	51,792	(8,266)	43,526

Note: 1. OMRON has revised business classifications, reclassifying certain operations under Other Businesses to the EMC or to Eliminations & Corporate beginning with the fiscal year ending March 2019. The group reclassified results for the first six months of the fiscal year ended March 2018 under this new categorization for presentation herein.

2. Consolidated statements of operations for the six months ended September 30, 2017 have been reclassified. Reclassified amounts have been included in Eliminations & Corporate for presentation. For more, see 2. *Quarterly Consolidated Financial Statements and Notes (4) Notes Regarding Consolidated Financial Statements (Changes in Accounting Policy)* on P.12.

Six months ended September 30, 2018 (April 1, 2018 – September 30, 2018)

(Millions of yen)

	IAB	EMC	AEC	SSB	HCB	Other	Total	Eliminations & Corporate	Consolidated
Net sales									
(1) Sales to external customers	201,480	51,262	64,968	20,609	55,505	19,979	413,803	2,376	416,179
(2) Intersegment sales	3,191	28,340	227	2,195	164	3,546	37,663	(37,663)	—
Total	204,671	79,602	65,195	22,804	55,669	23,525	451,466	(35,287)	416,179
Operating expenses	171,323	75,045	62,007	25,316	48,480	24,729	406,900	(27,285)	379,615
Segment profit (loss)	33,348	4,557	3,188	(2,512)	7,189	(1,204)	44,566	(8,002)	36,564

Sales by Geographical Region

Six months ended September 30, 2017 (April 1, 2017 – September 30, 2017)

(Millions of yen)

	IAB	EMC	AEC	SSB	HCB	Other	Total	Eliminations & Corporate	Consolidated
Major Regional Markets (External Customers)									
Japan	73,872	13,390	8,484	19,218	12,121	22,310	149,395	2,514	151,909
Americas	15,282	8,308	21,027	—	11,806	—	56,423	—	56,423
Europe	37,018	8,010	1,435	—	9,594	—	56,057	—	56,057
Greater China	40,679	15,784	13,647	49	12,222	4,030	86,411	—	86,411
Southeast Asia and Others	26,392	7,184	16,039	—	5,214	—	54,829	—	54,829
Direct Exports	236	84	3,512	252	177	196	4,457	441	4,898
Total	193,479	52,760	64,144	19,519	51,134	26,536	407,572	2,955	410,527

Six months ended September 30, 2018 (April 1, 2018 – September 30, 2018)

(Millions of yen)

	IAB	EMC	AEC	SSB	HCB	Other	Total	Eliminations & Corporate	Consolidated
Major Regional Markets (External Customers)									
Japan	77,881	10,787	8,532	20,455	12,328	16,392	146,375	1,902	148,277
Americas	18,053	8,981	19,429	—	11,883	—	58,346	—	58,346
Europe	40,061	9,075	1,052	—	10,741	—	60,929	—	60,929
Greater China	43,358	16,371	12,315	74	15,113	3,494	90,725	—	90,725
Southeast Asia and Others	21,977	6,006	20,713	—	5,158	—	53,854	—	53,854
Direct Exports	150	42	2,927	80	282	93	3,574	474	4,048
Total	201,480	51,262	64,968	20,609	55,505	19,979	413,803	2,376	416,179

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

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

3. Supplementary Information

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

(Millions of yen, %)

	Six months ended September 30, 2017	Six months ended September 30, 2018	Year-on- year change	Year ended March 31, 2018	Year ending March 31, 2019 (projected)	Year-on- year change
Net sales	410,527	416,179	+1.4%	859,982	880,000	+2.3%
Operating income	43,526	36,564	-16.0%	86,254	83,000	-3.8%
[% of net sales]	[10.6%]	[8.8%]	[-1.8%pt]	[10.0%]	[9.4%]	[-0.6%pt]
Income before income taxes	41,042	35,995	-12.3%	83,367	79,500	-4.6%
[% of net sales]	[10.0%]	[8.6%]	[-1.3%pt]	[9.7%]	[9.0%]	[-0.7%pt]
Net income attributable to shareholders	30,304	26,415	-12.8%	63,159	58,500	-7.4%
Net income per share attributable to shareholders (basic) (¥)	141.92	125.95	-15.97	296.85	279.46	-17.39
Total assets	726,615	740,484	+1.9%	744,952		
Shareholders' equity	498,053	517,387	+3.9%	505,530		
[Shareholders' equity ratio (%)]	[68.5%]	[69.9%]	[+1.3%pt]	[67.9%]		
Shareholders' equity per share (¥)	2,342.46	2,476.91	+134.45	2,400.37		
Net cash provided by operating activities	32,521	25,374	(7,147)	73,673		
Net cash used in investing activities	(16,068)	(17,188)	(1,120)	(55,842)		
Net cash used in financing activities	(13,248)	(17,525)	(4,277)	(33,082)		
Cash and cash equivalents at end of period	130,829	103,423	(27,406)	113,023		

Notes: 1. OMRON has 157 consolidated subsidiaries, with 17 companies accounted for by the equity method.

2. The consolidated statements of operations for the first six months and for the fiscal year ended March 2018 have been reclassified. For more, see 2. *Quarterly Consolidated Financial Statements and Notes (4) Notes Regarding Consolidated Financial Statements (Changes in Accounting Policy)* on P.12.

(2) Consolidated Net Sales by Business Segment

(Billions of yen)

		Six months ended September 30, 2017	Six months ended September 30, 2018	Year-on-year change (%)
IAB	Japan	73.9	77.9	+5.4%
	Americas	15.3	18.1	+18.1%
	Europe	37.0	40.1	+8.2%
	Greater China	40.7	43.4	+6.6%
	Southeast Asia and Others	26.4	22.0	-16.7%
	Direct Exports	0.2	0.2	-36.4%
	Total	193.5	201.5	+4.1%
EMC	Japan	13.4	10.8	-19.4%
	Americas	8.3	9.0	+8.1%
	Europe	8.0	9.1	+13.3%
	Greater China	15.8	16.4	+3.7%
	Southeast Asia and Others	7.2	6.0	-16.4%
	Direct Exports	0.1	0.0	-50.0%
	Total	52.8	51.3	-2.8%
AEC	Japan	8.5	8.5	+0.6%
	Americas	21.0	19.4	-7.6%
	Europe	1.4	1.1	-26.7%
	Greater China	13.6	12.3	-9.8%
	Southeast Asia and Others	16.0	20.7	+29.1%
	Direct Exports	3.5	2.9	-16.7%
	Total	64.1	65.0	+1.3%
SSB	Japan	19.2	20.5	+6.4%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	0.0	0.1	+51.0%
	Southeast Asia and Others	—	—	—
	Direct Exports	0.3	0.1	-68.3%
	Total	19.5	20.6	+5.6%
HCB	Japan	12.1	12.3	+1.7%
	Americas	11.8	11.9	+0.7%
	Europe	9.6	10.7	+12.0%
	Greater China	12.2	15.1	+23.7%
	Southeast Asia and Others	5.2	5.2	-1.1%
	Direct Exports	0.2	0.3	+59.3%
	Total	51.1	55.5	+8.5%
Other	Japan	22.3	16.4	-26.5%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	4.0	3.5	-13.3%
	Southeast Asia and Others	—	—	—
	Direct Exports	0.2	0.1	-52.6%
	Total	26.5	20.0	-24.7%
Eliminations & Corporate	Japan	2.5	1.9	-24.3%
	Americas	—	—	—
	Europe	—	—	—
	Greater China	—	—	—
	Southeast Asia and Others	—	—	—
	Direct Exports	0.4	0.5	+7.5%
	Total	3.0	2.4	-19.6%
Total	Japan	151.9	148.3	-2.4%
	Americas	56.4	58.3	+3.4%
	Europe	56.1	60.9	+8.7%
	Greater China	86.4	90.7	+5.0%
	Southeast Asia and Others	54.8	53.9	-1.8%
	Direct Exports	4.9	4.0	-17.4%
	Total	410.5	416.2	+1.4%

Note: OMRON has revised business classifications, reclassifying certain operations under Other Businesses to the EMC or to Eliminations & Corporate beginning with the fiscal year ending March 2019. The group reclassified results for the fiscal year ended March 2018 under this new categorization for presentation herein.

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

(Billions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018	Year-on-year change (%)
IAB	38.0	33.3	-12.3%
EMC	7.3	4.6	-37.9%
AEC	2.6	3.2	+21.6%
SSB	(2.8)	(2.5)	—
HCB	6.2	7.2	+16.1%
Other	0.4	(1.2)	—
Eliminations & Corporate	(8.3)	(8.0)	—
Total	43.5	36.6	-16.0%

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 ending March 2019. The group reclassified results for the fiscal year ended March 2018 under this new categorization for presentation herein.

2. Consolidated statements of operations for the six months ended September 30, 2017 have been reclassified. Reclassified amounts have been included in Eliminations & Corporate for presentation. For more, see 2. *Quarterly Consolidated Financial Statements and Notes (4) Notes Regarding Consolidated Financial Statements (Changes in Accounting Policy)* on P.12.

(4) Average Currency Exchange Rate

(One unit of currency, in yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018	Year-on-year change
USD	111.2	109.5	-1.7
EUR	125.6	129.5	+3.9

(5) Projected Consolidated Net Sales by Business Segment

(Billions of yen)

	Year ended March 31, 2018	Year ending March 31, 2019 (Projected)	Year-on-year change (%)
IAB	396.1	411.5	+3.9%
EMC	104.4	103.0	-1.3%
AEC	131.2	130.0	-0.9%
SSB	70.3	76.0	+8.1%
HCB	108.5	117.5	+8.3%
Other	44.4	37.5	-15.5%
Eliminations & Corporate	5.2	4.5	-13.0%
Total	860.0	880.0	+2.3%

Note: OMRON has revised business classifications, reclassifying certain operations under Other Businesses to the EMC or to Eliminations & Corporate beginning with the fiscal year ending 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 under this new categorization for presentation herein.

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

(Billions of yen)

	Year ended March 31, 2018	Year ending March 31, 2019 (Projected)	Year-on-year change (%)
IAB	74.0	72.0	-2.7%
EMC	12.5	11.5	-7.8%
AEC	5.8	6.0	+3.2%
SSB	4.8	6.0	+24.4%
HCB	11.2	13.0	+16.0%
Other	(1.2)	(2.5)	—
Eliminations & Corporate	(20.9)	(23.0)	—
Total	86.3	83.0	-3.8%

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 ending 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 under this new categorization for presentation herein.

2. The consolidated statement of operations for the full year of the fiscal year ended March 2018 have been reclassified.

Reclassified amounts have been included in Eliminations & Corporate for presentation. For more, see 2. *Quarterly Consolidated Financial Statements and Notes (4) Notes Regarding Consolidated Financial Statements (Changes in Accounting Policy)* on P.12.

(7) Projected Average Currency Exchange Rate

(One unit of currency, in yen)

	Year ended March 31, 2018	Year ending March 31, 2019 (Projected)	Year-on-year change
USD	111.2	109.7	-1.5
EUR	129.4	128.3	-1.1