

Q&A Session Summary, Q1/FY2017 Earnings OMRON Corporation

July 27, 2017, Tokyo

*Supplemental. Original presentation given in Japanese

Consolidated Performance, Management, Strategies

Q: What drove the significant improvement in gross profit?

A: There are three major factors. The first is the strong growth in IAB and HCB, which have relatively high margins, and the resulting improvement in business company mix. Second is the impact of last year's restructuring. Third is the result of improved productivity by increasing capacity utilization.

Q: What was your initial expectation on SG&A and R&D costs in Q1? Was it roughly 1/4 of your full-year plan?

A: No, our initial budgets for Q1 were less than those for Q2-Q4.

Q: SG&A and R&D costs in Q1 were roughly at the same level as the previous year. Have you been successful in your hiring efforts?

A: Our progress has been in line with plan. Official start dates for most Q1 new hires will be in Q2. The expenses will increase gradually over time as we continue to hire as planned.

Q: Why did you announce the maximum allowance for share buyback at this time?

A: Even after the expected investment for future growth, which we are prioritizing, we projected our cash position should allow us to increase shareholder returns as a result of favorable operating conditions. We aim to improve capital efficiency and enhance shareholder returns through effective use of excess cash.

Q: Why did you stipulate a one-year period for the share buyback? Is there a possibility that you might not fully execute on the amount of ¥20bn you have set out?

A: We will do our best to execute fully, but in the case that our share price is driven up significantly compared to what we expected, there is a possibility that we might not do the full amount.

Industrial Automation Business (IAB)

Q: Could you comment on the sustainability of strong performance, excluding digital in China, which was particularly robust in Q1?

A: Even for non-focus industries, we were able to generate more than 10% YoY growth globally. We do expect this solid trend to continue.

Q: What drove the sales growth in China?

A: The digital industry was particularly strong, supported by smartphone and semiconductor related investments. Auto also continues to show solid demand for investing. Furthermore, our unique solutions through leveraging control application software have been highly rated by our customers.

Q: What is Sentic's impact on full-year forecasts?

A: Its contribution to full-year sales would be several billion yen.

Other Businesses

Q: What is the breakdown of sales of the Other segment?

A: Roughly speaking, the Environmental Solution Business accounts for 40%, Backlights is 35%, Electronic Systems and Equipment is 20% and Micro Devices is 5%.

Q: What is the progress of restructuring for Backlights and Micro Devices?

A: We are now seeing a recovery in profitability of Backlights as a result of optimizing initiatives last year. The restructuring in Micro Devices is still a work in progress. We will continue to optimize the business.
