

**Q&A Session Summary, Q2/FY2018 Earnings**  
**OMRON Corporation**  
**October 30, 2018; Tokyo**

**Company Earnings, Management Strategy**

Q: In response to the change in the operating environment, when did you start to tighten expense controls?

A: The operating environment started to change in July. In response, we started tightening expense controls from July into August. As a result of reviewing our investment priorities, we chose to push out a total of ¥3.1 billion in SG&A and R&D expenses into FY2019 and beyond.

Q: Please explain the negative impact of the H1 increase in inventory reserves in quantitative terms. How will it specifically impact the GP margin?

A: In the presentation, we have a waterfall chart on the key elements of Y/Y change in the H1 GP margin (slide 5). The provisioning for inventory reserves in H1 accounts for roughly half of the negative 0.6%-points under one-off factors.

Q: Why is inventory increasing? Is it not the case that you are seeing an unintentional increase in IAB inventory on the back of weaker demand?

A: Inventory is up on the impact of the transfer of production for EMC as well as seasonal factors for the SSB and HCB businesses. Inventory for some products within IAB has risen but not enough to warrant concern.

Q. Why are HQ expenses up Y/Y?

A: The Y/Y increase in HQ expenses is mainly the result of increases in investments to strengthen our core technologies and for IT infrastructure.

Q. Enhancing OMRON's ability to respond to change has been a major theme for you to date. If you are undertaking initiatives that differ from previous efforts, could you share some examples?

A: One example is the progress we have made in deepening our understanding of our customers in IAB. Direct interactions with our customers have given us access to significantly more information than before. This has enhanced our ability to respond to change.

## **Industrial Automation Business (IAB)**

Q. OMRON's H2 forecasts appear aggressive relative to its peers. Where do you expect to see growth?

A: We expect the Digital domain to remain lackluster but we expect solid growth in the Automotive, Food & Beverage and Social Infrastructure domains.

Q: With regard to EV-related investments in the auto industry, there is some talk of excess manufacturing capacity in the industry. What is your view?

A: The situation must be monitored closely. However, OMRON is seeing an increase in adoption of its applications and continues to make steady progress in expanding its customer base.

Q. How will the i-Belt business model contribute to improving the GP margin?

A: We are still in the investment phase but we expect to see an impact after FY2020. Current revenue scale is only several hundreds of millions of yen so our immediate target is ¥10 billion. Beyond that we hope to grow it into a ¥50 billion business.