

Q&A Session Summary, FY2018 Earnings
OMRON Corporation
April 24, 2019; Tokyo

Company Earnings, Management Strategy

Q. How has OMRON's ability to respond to change improved, compared to when you first became President and CEO?

A. There has been a substantial improvement in our ability to respond to change, particularly at IAB. One measure of our progress is the solid advances in GP margin. We are accelerating initiatives that contribute to value creation, such as expanding our network of Automation Centers (ATCs) to 35 locations globally. We believe the ATCs are indispensable as a forum for collaboration with our customers. By proposing our solutions packages directly to our customers, we have a good understanding of the status of our customers' projects, enhancing our ability to respond faster to change.

Q. Will there be a change in how OMRON thinks about cash management going forward?

A. We have not changed our policy. There has been no change to what we view as the appropriate level of cash on hand. With regard to the proceeds from the sale of the AEC business, we will allocate the cash toward growth investments, but the proceeds will be treated as separate from normal cash on hand.

Q. There have been periods of uncertainty in the business environment in the past. With regard to the earnings fluctuation risk you have factored in this time, what is it that you considered different from previous periods of uncertainty?

A. This is the first time that OMRON has chosen to create a separate line within guidance to account for the potential risk of earnings fluctuation. Compared to the past, there is more uncertainty in terms of the timing of customer investments. Our best guess of aggregate segment operating income is ¥70bn.

Q. Please discuss the positioning of EMC within the overall company. Is there growth potential going forward?

A. EMC is positioned to solidly support the 3 focus domains (Factory Automation, Healthcare and Social Solutions) by providing devices and modules. The operating environment is challenging but we expect the completion of structural reforms in FY2018, including the transfer of production facilities, to contribute positively to profits going forward.

Q. Was the sale of the AEC business driven by the immediate need for cash to fund planned M&A in the near future?

A. It was not driven by a need for cash. Our decision was based on a consideration of OMRON's business portfolio and the future potential of AEC. Of course, we do have a long and short list for M&A and we continue to explore the possibilities.

Industrial Automation Business (IAB)

Q. How did the 4 focus industries (Automotive, Digital, Food & Beverage, and Social Infrastructure) contribute to FY2018 earnings?

A. Overall, sales were virtually flat Y/Y. Only Digital sales were down Y/Y.

Q. How do you propose to compete with your peers given the tough operating environment?

A. IAB is a global business, but its share of the total factory automation market is less than 10%. As such, there is still significant room to take share from other players. OMRON aims to increase market share by providing solutions that leverage our strengths: achieving sophisticated control by capitalizing on our broad product lineup.

Q. Which metrics do you monitor in assessing the market environment?

A. We track external statistics such as new car sales in China or machine tool orders, as well as monitoring the forecasts of our industry-leading customers.