

Q&A Session Summary, Q1 FY2020

OMRON Corporation

July 28, 2020

Company Earnings, Management Strategy

Q. How have your full-year forecasts changed relative to your view as of the end of April?

A. The impact of COVID-19 in April was very serious so we chose to shelve the plan we had formulated in March in favor of concentrating our efforts on crisis management at that time. Relative to the plan we formulated in March, our current forecasts for sales and profits are significantly lower. This reflects our assumption that the operating environment will remain very challenging from Q2 onward because of COVID-19.

Q. Why did the GP margin improve in Q1?

A. In addition to the positive impact of ongoing cost reductions and efforts to expand high value added products and solutions, structural reforms and improved business mix also contributed to the GP margin. On a Y/Y basis, the GP margin improved by 0.6% points but the negative forex impact is excluded, the GP margin improved by 1.3% points Y/Y.

Industrial Automation Business (IAB)

Q. How should we think about the outlook from July onward?

A. We have chosen to take a conservative view because our customers' situations are changing on a daily basis. Consumption, most notably in the auto industry, is weakening; we believe we may see more capex pushouts going forward. Despite the challenging operating environment, we will leverage our resilience to actively pursue business opportunities as they arise.

Q. How has customer sentiment changed since the COVID-19 outbreak?

A. The situation continues to be very fluid; many customers have become more cautious in thinking about capex. In the medium- to longer-term, we expect there will be a shift toward manufacturing locally for local consumption, in order to mitigate risk. We believe that manufacturing will shift away from the conventional approach of consolidating manufacturing in a single large-scale facility in favor of putting down multiple smaller scale production bases close to where the products are consumed. The integrated controller will be key as we respond to new needs.

Healthcare (HCB)

Q. What are your expectations for the scale of the remote diagnostic service business?

A. For the remote diagnostic service in the US, we aim to have 100,000 users in 5 years' time. Going forward, regional expansion will be important. Healthcare coverage of remote diagnostic services is not limited to the US. An increasing number of countries, like the UK and the Netherlands, are also starting to include remote diagnostic services in healthcare coverage.