

Q&A Session Summary, Q2 FY2020
OMRON Corporation
October 29, 2020

Company Earnings, Management Strategy

Q. What underpinned the increase in added value from the higher added value ratio?

A. It was a consequence of improvements in all segments, starting with IAB. While overall sales declined, we were able to benefit from a higher GP margin, which is the result of numerous initiatives such as cost reductions, a shift to focusing on solutions and maintaining our selling prices.

Q. Would it be correct to view OMRON's H2 sales and profit forecasts as conservative?

A. We do not feel we are being conservative. The forecasts are our best estimation, having factored in a pick-up in the intensity of our activities and additional growth investments.

Q. As you look forward, how do you see OMRON's business portfolio evolving?

A. We believe it will be necessary to review the business portfolio on an ongoing basis. We do not plan to change the metrics we apply in assessing our businesses, ROIC and growth. At this time, we have no plans to review our businesses at the segment level, but we will consider reviewing individual business units within segments that are unprofitable, as necessary.

Industrial Automation Business (IAB)

Q. Why was Greater China strong?

A. OMRON was able to successfully tap into active investment demand in the Digital domain, such as investments related to rechargeable batteries and 5G. In addition, OMRON's sales from other industries, such as automotive investments in EVs and photovoltaic panels, also increased, allowing us to achieve better growth than our peers.

Q. Why are you taking a cautious view in projecting H2 sales, compared to H1?

A. We have factored in the pause in Digital industry investments relative to the strong H1, as well as normal seasonality, where H2 is typically weaker than H1. While the operating environment in some regions and industries is improving, the overall picture is still mixed. We will be raising our activity levels to appropriately capture demand and grow sales.

Healthcare (HCB)

Q. What are the strengths of the wearable BPM compared to Apple Watch?

A. OMRON'S key strength is that its devices are accredited medical grade devices. As such, the data captured by OMRON's devices can be used by physicians to make a definitive diagnosis. Furthermore, the OMRON wearable can measure both EKG and blood pressure.

Social Systems, Solutions and Service (SSB)

Q. How should we think about the outlook for the railway business?

A. We expect that the situation for railway companies will remain tough for some time. That said, from a longer term perspective, the railway companies are focused on addressing labor shortages, improving productivity, and further enhancing service levels. We aim to fully capture these opportunities as they arise.