

Q&A Session Summary FY2016 Earnings & New Medium-term Management Plan VG 2.0

OMRON Corporation

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*Supplemental. Original presentation given in Japanese

Consolidated Performance, Management, Strategies

Q: What are the main uses of SG&A and R&D expenses to be increased in FY2017?

A: We will prioritize the allocation of increased expenses to IAB and headquarters. For instance, we will increase SE manpower for IAB, to enhance our ability to propose solutions to the challenges faced by our customer, in terms of both quantity and quality.

Q: It appears that competition in hiring qualified AI engineers is fierce. What kind of measures are you going to implement to get around this?

A: We are considering giving some special treatment to the qualified AI engineers, for instance, hiring them to the new R&D centers out from the Omron Group.

Q: Since AI has become much more commoditized, I think it would be more efficient for Omron to invest more in alliances in AI rather than developing this in-house. Are you considering proactively partnering with external parties?

A: Yes, we understand that in-house development has its limits, and thus we are certainly considering alliance through open-innovation. It is one of our VG2.0 pivotal strategies that strengthening collaborative creations with partners.

Q: Is there any evolution of management under VG2.0?

A: We believe it is necessary to evolve technologies to achieve VG2.0 targets, and that is why in FY2017, we propose to add CTO Miyata as a member of the board, and Chairman Kamigama of TDK, a professional with deep insight into technology, as an external director.

Q: Why do you make your VG2.0 targets of ROIC and ROE greater than 10% even though you have already attained 10%?

A: Although we will be proactively investing, we are also committing to maintain ROIC and ROE at a level above 10%. That is the thought behind our targets.

Industrial Automation Business (IAB)

Q: What are your strengths in sensors and controllers versus your competitors?

A: Rather than competing over discrete products, our greatest strength is that we can provide customers with various solutions through a wide range of products. In particular, we can control seamlessly by connecting a wide range of products including robots with a single controller.

Q: What is your projection for IAB growth in FY2017 on a local currency basis?

A: Our forex assumptions for the FY2017 plan are virtually equal to the actual forex rates for FY2016. Therefore, as we shown on slide 41, we expect IAB to grow about 5.8% YoY on a local currency basis as well.

Other Businesses

Q: Why do you expect the Other segment to generate sales of only ¥40 billion in FY2020, which is lower than the FY2016 actual result of ¥68.5 billion?

A: We aim to grow topline for the Environmental Solutions business but our priority for the Micro Device and Backlight businesses is to address profitability by restructuring.
