Q&A Session Summary, Q3 FY2019
OMRON Corporation
January 29, 2020

Company Earnings, Management Strategy

Q. Why did the GP margin improve Y/Y?

A. IAB benefited from its success in selling solutions. In addition, the GP margin was supported by a combination of internal measures, such as the smoothing of revenue recognition over the course of the fiscal year and other internal initiatives at SSB, and a shift to standardized designs and a focus by sales on selling prices at the Environmental Solutions business.

Q. If you subtract the 9-month operating profit from the full-year forecast, the resulting Q4 operating profit implies a significant Q/Q decline. Are there special factors that you expect to impact Q4 operating profit?

A. At this point, there are no special factors beyond what was discussed in the presentation. We are expecting Q4 expenses to rise Q/Q, partly reflecting the rigorous expense controls implemented in Q3. That said, if foreign exchange rates remain at current levels, forex will be a push-up factor for earnings.

Q. Why has there been only limited progress on the share buyback program announced in October? Has there been a change in policy?

A. Our policy remains unchanged. The term of the program is 1 year. We intend to buy shares flexibly during this period.

Q. What impact will the spread of the novel coronavirus outbreak in China have on your business?

A. At this time, the impact on our business is unclear. We do not have a base in Wuhan, but at the request of the government we have extended the Chinese New Year break at our Shanghai and Shenzhen plants until February 9. There is a possibility that we may be asked to extend again. We continue to closely monitor developments and will respond as appropriate.

Industrial Automation Business (IAB)

Q. Greater China sales declined Q/Q in Q3: have you seen signs of recovery?

A. On a monthly basis, sales have been gradually improving. December sales on a standalone basis were up Y/Y. While we are seeing recovery trends in the Digital industry, which includes semiconductor, smart phone and the rechargeable battery related-businesses, conditions for the Automotive industry remain challenging.

Q. What is your view of current trends and the outlook for automotive capex?

A. Globally, capex related to gasoline-powered cars has deteriorated further. There are still no signs of recovery. However, while EV/ADAS-related capex is weaker than we had expected, it is still firm, compared to capex for gasoline-fueled cars.

Q. Can we expect to see a significant recovery in Greater China, similar to the previous recovery in the Digital industry several years ago?

A. We are seeing an increase in inquiries, primarily from Digital customers, but we are not assuming a substantial recovery similar to a few years ago.

Healthcare (HCB)

Q. The Q3 OPM improved significantly to 14%. Can this level be maintained going forward?

A. The HCB OPM has risen on ongoing improvements in the GP margin, driven by increased sales of high value-added products. Q3 margins were also supported by strong expense controls during the quarter. Given that we aim to grow sales while continuing to invest, we are assuming a slightly lower level going forward.

Q. Please quantify the impact of the wearable BPM on your earnings.

A. The impact on sales is not large. This business is in an early phase of development. The key will be establishing how best to build the ecosystem. We will create a market through collaborations with medical institutions and insurance companies.