Q&A Session Summary, FY2019 Earnings
OMRON Corporation
April 23, 2020

Company Earnings, Management Strategy

Q. Will the impact of the COVID-19 outbreak prompt further reorganization of the business portfolio or restructuring?

A. At this point, we are not considering further changes to the business portfolio or winding down or exiting specific businesses. That said, we recognize that we must improve our resilience in the face of change to become even leaner.

Q. Have you changed how you think about cash allocation?

A. Our priorities (1. growth investments, 2. dividends, 3. share buybacks) are unchanged. With regard to the cash position, our view to date had been that 1 – 2 months of revenue was appropriate. However, given that our top priority under current conditions is to maintain business operations, at this time we feel we need to have the equivalent of 3 months of revenue on hand.

Q. You indicated OMRON will operate its businesses in FY2020 on the assumption that you will reduce fixed costs by around ¥20 billion. What are you specifically planning to reduce?

A. We will be restricting SG&A spending on a company-wide basis. We will also be more rigorous in setting priorities for R&D spend. We will reduce back office expenses for the businesses, primarily in HQ functions. However, we will also remain disciplined about making the necessary investments for future growth.

Q. Why do you assume monthly sales for April 2020 will be down around 10%? Please discuss your view of the outlook.

A. IAB and EMC were firm in April, on the back of a recovery in digital industry demand from China and South Korea. However, COVID-19 is having an increasingly serious impact in other areas like the Americas and Europe. At this point, we do not have visibility; we will continue to monitor trends very closely.

Industrial Automation Business (IAB)

Q. Previously you had been proactively hiring sales and sales engineers. How are you using these resources during this challenging time?

A. The combined focus of sales and sales engineers on total solutions is behind the improvements in our GP margin and OPM. Currently, face-to-face meetings are not possible but sales and sales engineers are using virtual tools to engage with our customers. As discussed today in the section on post-COVID-19 prospects, we are already seeing new needs emerge related to 5G, traceability and further reductions to labor intensity. Given this, we expect sales and sales engineers will be working at full capacity to contribute to our growth.

Q. With regard to the post-COVID-19 business opportunities where you expect growth, what is your view of the timeline?

A. Progress is already being made on initiatives related to 5G and traceability. New needs to further reduce labor intensity should accelerate from here. We are also already seeing demand for co-bots driven by the need to address the 3 C's and to mitigate the impact of worker absences, rather than the desire to improve efficiency, which was the driver to date.

Q. Please discuss the monthly trends during Q4.

A. There was a recovery in the digital industry, primarily in semiconductors. In January, Japan, China and South Korea were recovering. However, China sales were down significantly in February. In March, China was flat Y/Y, but Europe and the US were weaker as the negative impact from COVID-19 spread.

Healthcare (HCB)

Q. Please discuss the factors behind the sales decline in Q4.

A. In-store sales were weak as orders to shelter in place expanded globally, on the back of the COVID-19 outbreak although there has been a slight improvement in April. Near-term conditions are challenging but we have been able to steadily improve the GP margin and OPM every year.