Q&A Session Summary, Q4/FY2017 Earnings
OMRON Corporation
April 26, 2018; Tokyo

◆Company Earnings, Management Strategy

Q: Your initial plan was to concentrate investments in the first 2 years of VG2.0. Is the plan unchanged?

A: Yes, this is still our plan. In particular, we are prioritizing the execution of capital expenditures to increase production capacity and build new facilities in the first 2 years of the medium-term management plan. With regard to R&D, investments made in the first 2 years are targeted at 2020, while investments in the final 2 years of the plan are primarily looking out to 2030 as the target year.

Q: If FY2018 trends are stronger than OMRON's assumptions, is there a possibility you will face capacity constraints?

A: Basically, no. We will be able to respond flexibly if trends are stronger than expected.

Q: What metrics should we look at in evaluating the efficiency of your growth investments?

A: As we do not disclose ROIC for individual segments, you should look at the consolidated ROIC or gross profit margin. The operating profit margins of the individual segments should also be useful as reference points. In addition, internally we take a portfolio management approach to managing the approximately 100 individual business units, in order to invest efficiently.

Q: HQ expenses are increasing. Do you apply investment metrics to HQ expenditures?

A: We are disciplined in applying ROIC management to our HQ operations. We actually apply a higher standard to investments made at the HQ level, compared to the business units. The increase in HQ expenses is primarily due to 2 reasons: 1) the technology-related investments we explained at today's results briefing, and 2) IT investments. IT investments are important in that they support efforts to change working styles. We believe that investments of this nature should be undertaken at the HQ level.

Q: Have you been able to hire human resources in line with plan?

A: In FY2017, we were able to largely hire in line with our plan of adding 400 people globally. We have similar hiring plans for FY2018, primarily focusing on sales and sales engineers for IAB.

◆Industrial Automation Business (IAB)

Q: NECA statistics show declining trends for PLCs while servo motors continue to grow. Is this reflected in OMRON's near term trends?

A: We do not disclose sales trends for individual products so it is difficult to provide a direct answer to this question. However, IAB sales for the month of March hit a new record high, reflecting the continued strength of the FA market. Additionally, we are focused on solutions-based sales in IAB, leveraging the breadth of our product lineup, so we are seeing broad take-up of combinations of products, rather than sales of products on an individual basis.

Q: Why is your forecast for sales growth in FY2018 more cautious than the sales growth recorded in FY2017?

A: We see slight signs of uncertainty in the market environment, which we factored into our forecasts.

◆Healthcare Business (HCB)

Q: Given you have multiple products, such as BPMs, with top market share, shouldn't you be able to generate higher profit margins?

A: Our OPM for FY2017 exceeded 10%. HCB is fundamentally capable of generating higher margins, but we are currently investing for future growth. At this point in time, we are prioritizing the growth of the business over profit margins. HCB is capable of generating high profits: the gross profit margin for HCB is in line with that generated by IAB.