

Q&A Session Summary, Q3/FY2016 Earnings

OMRON Corporation

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*Supplemental. Original presentation given in Japanese

Consolidated Performance, Management, Strategies

Q: What is the reason why added value of Q1-Q3 increased by ¥10.9bn year-on-year?

A: Committed to gross profit margin, each business segment has improved their ratio of added value. In addition, we have seen favorable outcome of replacing business units according to portfolio management.

Q: Are you restraining SG&A and R&D expenses excessively?

A: We did not restrain expenses excessively, while there were some expenses postponed to Q4 from Q3. We do make necessary investment. Moreover, by making additional investment in Q4, we seek to better ensure the future growth.

Q: Why there were personnel changes including replacement of many directors and executive officers at this time?

A: We announce personnel changes every January. This year, we made some replacement of directors and executive officers towards the new medium-term plan starting from April. The personnel changes are based on our internal rules, with no other intentions.

Industrial Automation Business (IAB)

Q: Why the achievement in China is further expanding than it was in 1H?

A: Our growth in the digital industry reached around 50% year-on-year, driving the overall performance of China. Additionally, food & beverage and auto industries were also strong. We are winning trust from customers by accumulating efforts to provide solutions to their issues and problems.

Q: It is assumed that production would expand following the new U.S. administration. Is it a positive factor for you?

A: Yes. IAB has acquired three companies on the west coast, and the business activities are rooted locally. We believe brisk production in the U.S. would be an opportunity for us as we are providing value of good quality to the customers there.

Q: Why does the forecast of operating income in Q4 decline from Q3 result?

A: It is greatly influenced by SG&A and R&D expenses to be paid upfront for future growth.

Social Systems, Solution & Service Business (SSB)

Q: What is the feasibility of Q4's operating income forecast of ¥7.4bn?

A: It is a forecast made when there were only a few months before the end of March, so the accuracy of the number is high and feasibility is also high. As our customers are railway and road traffic companies, there is seasonality every year that sales and operating income soar in March. It is not unique this year.

Other Businesses

Q: Why is the forecast of Q4 operating income in deficit?

A: It is greatly affected by the added value reduction accompanying the decline in sales. We have expected the drop of sales and operating income in 4Q as of October, and the estimation remains unchanged.
