Company Earnings, Management Strategy

Q. How does OMRON view the fact that the SG&A ratio is above 30%?
A. We consider it as an issue. To date, our approach had been to operate our businesses as individual internal companies, but through integration, we are reducing SG&A expenses. That said, our key focus is to improve profitability by boosting the GP margin.

Q. The exclusion of AEC from the consolidated accounts will further push up the ratio of HQ expenses. How do you view this?
A. Going forward, our aim is to return to an appropriate level by growing sales, primarily in the 3 domains of FA, Healthcare and Social Solutions. We have no intention of adopting an attritional approach.

Q. How high can the GP margin go?
A. It is difficult to give a specific number. However, we have been able to successfully improve our GP margin by 0.5% pt to 1% pt every year for a number of years. By enhancing our product and solutions capabilities, we believe there is still room to further raise the GP margin.

Q. Some suggest that it took too long to exit the backlight business. What is your assessment?
A. The process took time because we chose to seek the agreement of our customers to ensure they were not inconvenienced. This meant that we were scaling back the business gradually over time. As a result, we were able to wind down the business in a manner that was acceptable to our customers.

Industrial Automation Business (IAB)

Q. Where do you see room to further strengthen your business? Are there still missing pieces?
A. There is still room for improvement in the following areas: 1) further strengthening our SE (sales engineering) human resources; 2) expanding ILOR+S, and in particular, the Output product lineup; and 3) enhancing the sales channel. With regard to strengthening the Output product lineup, there is room for both organic and inorganic growth. In terms of strengthening the sales channel, we are open to considering the acquisition of customer assets through M&A in emerging countries and regions, such as South America, China or India.

Q. What have been the benefits of enhancing direct marketing capabilities?
A. It has given us good visibility into our customers' appetite for capex investments. Our understanding of the current situation is that investment activity is sluggish because customers are choosing to delay the timing of investments, rather than a lack of investment themes.
Q. What is your view of the H2 operating environment?
A. We expect it to remain challenging. We have seen no signs of recovery in either the 4 focus domains (Automotive, Digital, Food & Beverage, Social Infrastructure) or the various regions.