

Q&A Session Summary
Long-Term Vision & Medium-Term Management Plan
Webinar/Conference Call
OMRON Corporation
(March 9, 2022)

Company Management Strategy

Q. What do you think were the factors that allowed you to solidly improve OMRON's resilience in the face of change?

A. There are 3 factors. The first is that OMRON has gotten closer to its customers. In IAB, we are quicker in understanding our customers' circumstances. This is because leveraging our Automation Centers and SEs has allowed us to collaborate with our customers to jointly address shop floor issues.

The second is the progress OMRON made in localization. We have been able to respond swiftly to specific needs or changes by region because we raised the ratio of local employees in key overseas roles.

The third is our effort to strengthen risk management and the governance structure. We are able to make speedy decisions because 'Bad news first' has been widely adopted as standard practice within the company.

Q. Is your thinking about the level of necessary cash on hand unchanged?

A. We continue to believe that the appropriate level is equivalent to 1.5 to 2 months of sales. Given the Russia-Ukraine situation, in the short-term, we believe it is appropriate to maintain cash at around 2 months' worth of sales.

Q. What are your thoughts on the profit contribution from the customer asset-type service business?

A. As we will be accelerating investments for future growth during the Medium-Term Management Plan 1st Stage, we don't expect it will make a large contribution to improving profitability during this period.

We would like you to have expectations for returns from this business in FY2025 and beyond, in the 2nd and 3rd Stages.

Q. How are you viewing the non-focus domain businesses?

A. We position the non-focus domain businesses as platform businesses that generate profits. We are assuming growth in line with average GDP of around 2-3%. That said, even in the platform businesses, we will be disciplined in managing them from the perspective of ROIC and profitability.

IAB

Q. What are the assumptions behind the expected annual sales growth of 7% during the medium-term plan period?

A. An environment where our customers have a strong capex appetite and are actively investing to diversify production bases and rebuild supply chains is a tailwind for OMRON. By deploying the numerous applications adopted during the VG period to other customers going forward, we believe we can achieve higher growth.

Q. Of the 5 industries you will concentrate on, which do you think will be strong drivers of topline growth?

A. We expect particularly strong growth from Digital and Environmental Mobility. Going forward, we believe we can successfully capture robust demand from semiconductors and batteries with innovative applications. Also, while the scale of revenue is small, we expect strong growth in medicine and logistics.

Q. With regard to achieving your FY2024 target of having 5,000 companies adopt innovative-Automation, which industries are you particularly targeting for increases?

A. We want to increase adoption in all industries. During the VG period, we mainly concentrated on developing innovative applications. Going forward, we will focus on driving adoption of these applications.

Q. Please talk about your image for the scale of the service businesses and the outlook.

A. Combined hardware and software sales for the service businesses, including i-BELT, is approximately 12 billion yen. Over the next three years, we aim to expand this to around 50 billion yen. Currently, 50 – 60 companies have adopted i-BELT.

HCB

Q. What are the assumptions behind the expected annual sales growth of 10% during the medium-term plan period?

A. The main growth driver will be cardiovascular devices, which is primarily BPMs. This accounts for around 70% of sales. From a regional standpoint, we expect to see strong growth in India and the interior of China. Also, by adding in the EKG functionality, we are enhancing the added value of our devices. The remote medical service is still in the early adoption phase where we are pursuing scale, so the impact on sales is small.