

Omron (6645)

Raising target price on solid earnings outlook

- **Revising up our target price (again)** — Over the past three months, Omron's share price is up 24%, outperforming TOPIX and the machinery sector. With total revenues ahead 15%-20% YoY in April-August and the yen significantly weaker than guidance (¥90/\$ and ¥120/€), we nudge our estimates higher for FY3/14, even though the high-profile IAB division continues to do relatively poorly. Using a SoTP approach, which reflects the conglomerate nature of the company, the recent rise of global multiples and the net cash on the balance sheet, we lift our target price to ¥4,200 from ¥3,700 and maintain our Buy rating.
- **H1 preview** — Omron is scheduled to announce H1 results on October 29. Building on the strong start in Q1 (OP of ¥13.0bn) we think interim guidance of ¥22.5bn will be comfortably beaten and model ¥27.5bn. In divisional terms the main strength will be in "other" (mainly power conditioners); HCB and AEC. These should offset an in-line performance in the IAB and EMC divisions. Accompanying the strong H1 numbers, Omron may also raise its FY3/14 guidance.
- **What continues to do well** — In the first five months of FY3/14 sales in the "other" division were up 60%-65% with growth led by residential-use power conditioners and also LCD backlights. Profits are now firmly in the black, a big turnaround from the past few years. In the HCB division, where total sales are up 30%-35%, local-currency sales in Greater China rose 35%-40% with a 15%-20% rise in the Americas. In the same period local-currency sales in the AEC division were up 45%-50% in Greater China and +30%-35% in Southeast Asia, compared to total sales growth of +20%-25%. One concern is a possible slowdown in demand from car makers in Thailand (which may also impact the performance of Southeast Asian sales in the IAB division) but this should be offset by easy comps in Greater China over the next few months.
- **What can improve from here** — The IAB division continues to lag with sales in Japan down 5%-7% YoY so far this term. However, Omron remains confident domestic sales will rebound during H2 helped in part by the weak yen with the potential also for an uptick in demand from the automotive and machine tool industries. In Greater China, despite the recent improvement in the PMI, local-currency sales in IAB have slipped from the June high. With low inventories at local distributors, Omron is well placed to benefit from any uptick.

- Estimate Change
- Target Price Change

Buy	1
Price (26 Sep 13)	¥3,640
Target price	¥4,200
from ¥3,700	
Expected share price return	15.4%
Expected dividend yield	1.4%
Expected total return	16.8%
Market Cap	¥801,257M
	US\$8,140M

Price Performance
(RIC: 6645.T, BB: 6645 JP)



Consol.	Sales		OP			RP		NP		EPS	PE
	¥M	YOY (%)	¥M	YOY (%)	OPM (%)	¥M	YOY (%)	¥M	YOY (%)	¥	X
3/12A	619,461	0.3	40,136	-16.4	6.5	33,547	-19.5	16,389	-38.8	74	48.9
3/13A	650,461	5.0	45,343	13.0	7.0	41,237	22.9	30,203	84.3	137	26.5
3/14CE	710,000	9.2	58,000	27.9	8.2	56,500	37.0	40,000	32.4	182	20.0
3/14E	727,000	11.8	63,000	38.9	8.7	63,000	52.8	44,100	46.0	200	18.2
3/14RE	729,000	12.1	63,300	39.6	8.7	63,300	53.5	43,400	43.7	197	18.5
3/15E	763,500	5.0	71,000	12.7	9.3	71,500	13.5	49,650	12.6	226	16.1
3/15RE	763,700	4.8	71,300	12.6	9.3	71,800	13.4	49,950	15.1	227	16.0
3/16E	795,500	4.2	75,800	6.8	9.5	76,800	7.4	52,800	6.3	240	15.2
3/16RE	797,500	4.4	77,300	8.4	9.7	78,300	9.1	54,300	8.7	247	14.8

A: Actuals, E: Citi Research Ests, CE: Co. Ests, RE: Citi Research Revised Ests, CRE: Co. Revised Ests, NA: Not Available, NM: Not Meaningful

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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6645.T: Fiscal year end 31-Mar						Price: ¥3,640; TP: ¥4,200; Market Cap: ¥801,257m; Recomm: Buy					
Profit & Loss (¥m)	2012	2013	2014E	2015E	2016E	Valuation ratios	2012	2013	2014E	2015E	2016E
Sales revenue	619,461	650,461	729,000	763,700	797,500	PE (x)	48.9	26.5	18.5	16.0	14.8
Cost of sales	-391,574	-408,954	-457,700	-479,400	-502,500	PB (x)	2.5	2.2	2.0	1.8	1.7
Gross profit	227,887	241,507	271,300	284,300	295,000	EV/EBITDA (x)	10.6	9.6	7.2	6.4	5.7
Gross Margin (%)	36.8	37.1	37.2	37.2	37.0	FCF yield (%)	0.6	2.8	2.5	13.1	4.9
EBITDA (Adj)	62,753	67,795	88,300	97,300	104,300	Dividend yield (%)	0.8	1.0	1.4	1.5	1.6
EBITDA Margin (Adj) (%)	10.1	10.4	12.1	12.7	13.1	Payout ratio (%)	38	27	25	24	24
Depreciation	-22,617	-22,452	-25,000	-26,000	-27,000	ROE (%)	5.2	8.8	11.3	11.9	11.8
Amortisation	0	0	0	0	0	Cashflow (¥m)					
EBIT (Adj)	40,136	45,343	63,300	71,300	77,300	EBITDA	62,753	67,795	88,300	97,300	104,300
EBIT Margin (Adj) (%)	6.5	7.0	8.7	9.3	9.7	Working capital	-12,694	-3,113	-20,484	-16,500	-16,400
Net interest	0	0	0	0	0	Other	-18,113	-11,624	-14,900	59,450	-12,700
Non-op/Except	-6,589	-4,106	0	500	1,000	Operating cashflow					
Recurring profit	33,547	41,237	63,300	71,800	78,300	Capex	-27,502	-30,383	-33,000	-35,000	-36,000
Tax	-17,826	-14,096	-22,000	-24,000	-26,000	Net acq/disposals	0	0	0	0	0
Extraord./Min.Int./Pref.div.	668	3,062	2,100	2,150	2,000	Other	1,016	1,912	1,912	1,912	1,912
Reported net profit	16,389	30,203	43,400	49,950	54,300	Investing cashflow					
Net Margin (%)	2.6	4.6	6.0	6.5	6.8	Dividends paid	-6,604	-6,164	-11,006	-12,107	-13,208
Core NPAT	16,389	30,203	43,400	49,950	54,300	Financing cashflow					
Per share data						Net change in cash	-29,478	10,451	11,322	95,054	27,904
Reported EPS (¥)	74	137	197	227	247	Free cashflow to s/holders	4,444	22,675	19,916	105,250	39,200
Core EPS (¥)	74	137	197	227	247						
EPS* (¥)	74	137	197	227	247						
DPS (¥)	28	37	50	55	60						
CFPS (¥)	145	241	240	637	342						
FCFPS (¥)	20	103	90	478	178						
BVPS (¥)	1,458	1,667	1,823	1,994	2,181						
Wtd avg ord shares (m)	220	220	220	220	220						
Wtd avg diluted shares (m)	220	220	220	220	220						
Growth rates											
Sales revenue (%)	0.3	5.0	12.1	4.8	4.4						
EBIT (Adj) (%)	-16.4	13.0	39.6	12.6	8.4						
Core NPAT (%)	-38.8	84.3	43.7	15.1	8.7						
Core EPS (%)	-38.8	84.3	43.7	15.1	8.7						
Balance Sheet (¥m)											
Cash & cash equiv.	45,257	55,708	67,000	86,300	108,900						
Accounts receivables	143,304	158,911	159,800	167,400	174,800						
Inventory	92,253	91,013	100,300	105,100	110,100						
Net fixed & other tangibles	120,706	126,835	134,800	134,800	143,800						
Goodwill & intangibles	0	0	0	0	0						
Financial & other assets	135,803	141,170	141,200	141,200	141,200						
Total assets	537,323	573,637	603,100	634,800	678,800						
Accounts payable	79,331	75,592	85,900	90,000	94,000						
Short-term debt	18,774	5,570	5,570	5,570	5,570						
Long-term debt	0	0	500	500	500						
Provisions & other liab	117,538	123,712	108,229	98,129	97,179						
Total liabilities	215,643	204,874	200,199	194,199	197,249						
Shareholders' equity	320,840	366,962	401,200	439,000	480,100						
Minority interests	840	1,801	1,701	1,601	1,451						
Total equity	321,680	368,763	402,901	440,601	481,551						
Net debt	-26,483	-50,138	-60,930	-80,230	-102,830						
Net debt to equity (%)	-8.2	-13.6	-15.1	-18.2	-21.4						

Note: Consolidated data. * EPS: NP/Est Shares OS.

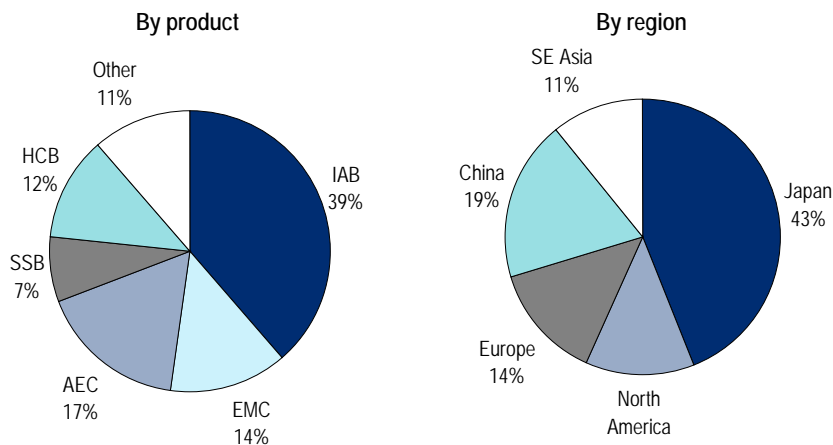
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Omron (6645) Investment Dashboard

Reasons to Buy

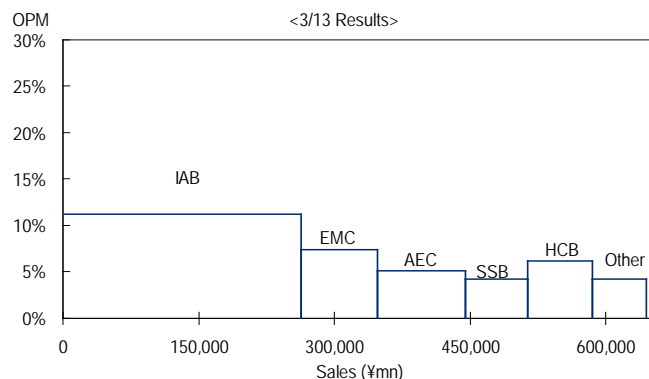
- Using a sum-of-the-parts approach based on our FY3/15 OP forecasts for each division, and taking into consideration the net cash on the balance sheet, investments and the under-funded pension plan, our target price is ¥4,200
- At this level the shares stand on an FY3/15 PER of ~19x, compared with the global average for the industrial sector of ~14x in CY14. However a premium is deserved for the strength of underlying earnings, scope to raise the dividend and its attractive RoE of +11% this term.
- Omron also remains committed to growing through M&A which could provide a new earnings driver. Without a deal the mid-term sales target of ¥1 trillion is out of reach.
- Yen sensitivity has been reduced but each ¥1 move in the ¥/\$ impacts OP by ¥0.5bn with ¥0.4bn for ¥/€. Guidance for the rest of FY3/14 is based on ¥90/\$ and ¥120/€.

Sales breakdown (1QFY3/14)



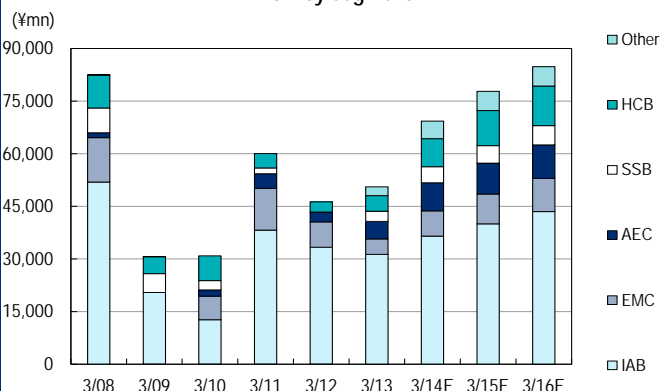
Source: Company data, Citi Research.

Business portfolio



Source: Company data, Citi Research.

OP by segment



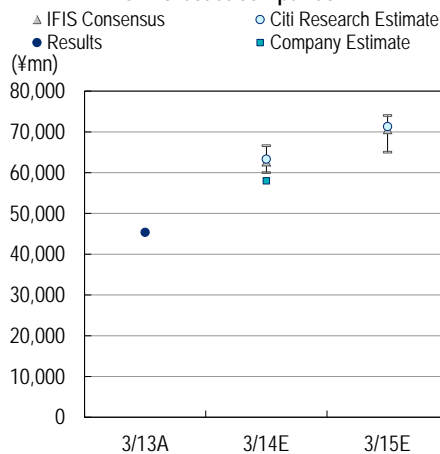
Note: Pre-elimination.

Source: Company data, Citi Research.

Alternate scenario: A more bullish case

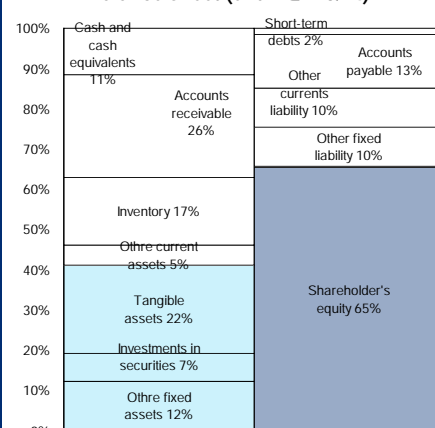
- If we had greater confidence in an improving outlook for both domestic private sector machinery orders and spending on SPE, together with concrete evidence of acceleration in Chinese and European manufacturing activity, coupled with further yen weakness, we could envisage a scenario where OP in FY3/15 could reach ¥75bn. In this case our SoTP model would generate a theoretical share price of ¥4,500

OP forecast comparison



Source: Company data, IFIS (9/25/13), Citi Research.

Balance sheet (end-1QFY3/14)



Source: Company data.

Share price drivers	Company description
<ul style="list-style-type: none"> NECA shipments Machinery sector orders Investor interest in factory automation China's PMI Japanese industrial production Silver/copper prices FX trends 	<p>Tateishi Electronics Manufacturing was founded in 1933 by Kazuma Tateishi. The company changed its name in 1990 from Omron Tateishi Electronics to Omron. This name is derived from a district in Kyoto called Omuro, originally another name for Ninna-ji temple in Kyoto, and also the name given to one of its first products, a curling iron for women. The Omron group consists of 152 consolidated subsidiaries and 14 equity-method affiliates.</p> <p>Omron is an industrial conglomerate with five main divisions: IAB, EMC, AEC, SSB and HCB. The most important is the industrial automation division (IAB) which in FY3/13 made up 41% of sales and 65% of OP. Competitors in this space include Siemens, Rockwell, Schneider, Mitsubishi Electric and Keyence. In Asia, there is growing competition from Delta Electronics.</p> <p>China (including Taiwan) makes up c1/4 of production by value, c16% of sales, 23% of OP and c50% of its work force.</p>

Valuation

		Rating		Price	Mkt	FY1E=	EPS		PER (x)		PBR (x)	OPM		EV/EBITDA (x)		RoE	
Code	Company				Cap		FY1E	FY2E	FY1E	FY2E	FY1E	FY1E	FY2E	FY1E	FY2E	FY1E	FY2E
Multi-industry and electrical engineering					(\$ bn)												
GE.N	General Electric	1	USD	24.28	247.3	12/13	1.6	1.8	14.8	13.5	1.9	25.9%	26.8%	4.2	3.8	13.2%	13.3%
ETN.N	Eaton Corp	1	USD	69.49	32.9	12/13	4.2	4.9	16.4	14.2	2.0	10.9%	11.8%	12.8	11.3	12.3%	13.2%
UTX.N	United Tech	1	USD	109.39	100.4	12/13	6.1	6.9	17.8	15.7	3.8	14.4%	15.2%	11.1	9.9	21.8%	24.3%
HON.N	Honeywell Intl	1	USD	84.13	66.0	12/13	4.9	5.5	17.0	15.4	3.9	14.5%	15.3%	9.5	8.4	23.8%	25.6%
Factory automation																	
6273.T	SMC	2	JPY	24,050.00	16.4	3/14	1,093.8	1,151.0	22.0	20.9	2.1	25.6%	25.9%	10.8	9.5	10.2%	9.3%
6481.T	THK	1	JPY	2,304.00	3.0	3/14	110.4	157.1	20.9	14.7	1.4	9.5%	12.0%	7.6	4.9	7.0%	8.4%
6503.T	Mitsubishi Elec	1	JPY	1,092.00	23.7	3/14	64.5	81.4	16.9	13.4	1.6	5.9%	6.9%	6.1	5.0	10.1%	11.5%
6506.T	Yaskawa	2	JPY	1,425.00	3.6	3/14	59.3	70.9	24.0	20.1	3.0	7.1%	7.8%	10.4	9.0	12.9%	14.5%
6954.T	Fanuc	1	JPY	16,890.00	33.4	3/14	552.2	655.9	30.6	25.8	2.8	34.0%	35.3%	13.9	11.5	9.6%	10.6%
6861.T	Keyence	2	JPY	37,300.00	22.9	3/14	1,387.5	1,447.9	26.9	25.8	2.8	46.8%	47.0%	13.2	11.6	10.6%	10.5%
6645.T	Omron	1	JPY	3,705.00	8.3	3/14	200.3	225.5	18.5	16.4	2.0	8.7%	9.3%	7.4	6.5	11.5%	11.8%
6902.T	Denso	1	JPY	4,785.00	38.5	3/14	287.9	323.7	16.6	14.8	1.5	8.6%	8.9%	5.2	4.5	9.6%	10.1%
4543.T	Terumo	2	JPY	5,020.00	9.6	3/14	231.0	241.7	21.7	20.8	2.1	15.6%	15.5%	9.2	9.2	9.8%	9.6%
ABBN.VX	ABB	2	USD	21.64	55.0	12/13	1.4	1.6	17.3	15.3	3.0	11.6%	12.4%	10.1	9.1	17.9%	18.5%
2049.TW	Hiwin Tech	1	TWD	199.00	1.7	12/13	6.1	11.4	32.8	17.5	4.7	17.1%	24.4%	nm	12.4	14.9%	24.3%
SIEGn.DE	Siemens	1	EUR	89.72	106.7	9/13	6.5	7.0	13.8	12.7	2.5	7.2%	9.7%	10.1	7.9	12.9%	16.2%
SCHN.PA	Schneider Electric	2	EUR	64.73	48.9	12/13	4.0	4.4	16.1	14.7	2.0	13.2%	13.7%	10.4	9.5	11.8%	12.4%
PH.N	Parker-Hannifin	1	USD	106.35	15.9	6/14	7.8	8.0	13.6	13.3	2.5	10.7%	12.4%	9.4	7.9	19.7%	18.1%
Bearings																	
6471.T	NSK	1	JPY	1,038.00	5.7	3/14	61.9	84.2	16.8	12.3	1.6	6.6%	7.7%	7.5	6.2	10.0%	12.4%
SKFb.ST	SKF	3	SEK	183.90	13.1	12/13	9.2	11.5	20.0	16.0	3.6	11.3%	12.7%	10.3	8.5	18.9%	21.3%
Construction & agricultural machinery																	
6301.T	Komatsu	2	JPY	2,572.00	24.8	3/14	189.7	201.8	13.6	12.7	1.9	13.8%	14.3%	6.9	6.5	14.4%	13.9%
6305.T	HCM	2	JPY	2,343.00	5.0	3/14	162.3	190.2	14.4	12.3	1.3	9.1%	9.7%	6.8	6.0	9.2%	10.1%
6326.T	Kubota	1	JPY	1,555.00	19.8	3/14	88.8	98.7	17.5	15.7	2.2	11.6%	11.7%	9.2	8.3	13.3%	13.3%
DE.N	Deere and Co	1	USD	84.01	32.2	10/13	8.8	8.2	9.5	10.3	3.7	13.7%	12.7%	6.7	7.4	44.4%	34.6%
CAT.N	Caterpillar Inc	2	USD	85.03	55.1	12/13	6.4	7.2	13.3	11.7	2.9	9.8%	10.5%	7.3	6.4	23.3%	23.5%
CMI.N	Cummins Inc	1	USD	133.61	25.0	12/13	8.1	9.5	16.5	14.1	3.5	13.2%	14.0%	8.8	7.8	22.2%	23.8%
MAHM.BO	Mahindra Mahndra	2	INR	860.65	8.5	3/14	55.1	62.3	15.6	13.8	2.9	9.6%	9.8%	8.9	7.6	21.0%	20.4%
042670.KS	Doosan Infracore	2	KRW	16,900.00	2.7	12/13	-239.3	1,115.4	nm	15.2	1.2	5.1%	6.2%	nm	13.2	-1.7%	7.5%
1157.HK	Zoomlion	3	CNY	6.84	6.8	12/13	0.7	0.7	8.0	7.4	0.9	14.2%	13.9%	5.7	5.2	12.3%	12.2%
General machinery																	
6113.T	Amada	1	JPY	898.00	3.5	3/14	26.6	35.3	33.8	25.4	0.9	6.2%	8.0%	10.0	7.7	2.6%	3.5%
6268.T	Nabtesco	1	JPY	2,333.00	3.0	3/14	135.8	158.8	17.2	14.7	2.3	11.1%	12.0%	8.6	7.2	14.3%	15.0%
Heavies																	
6302.T	SHI	2	JPY	487.00	3.0	3/14	27.2	35.5	17.9	13.7	1.0	5.1%	6.0%	5.7	4.3	5.7%	7.0%
7011.T	MHI	2	JPY	606.00	20.6	3/14	35.1	35.7	17.2	17.0	1.4	6.4%	6.3%	6.8	6.1	8.3%	8.0%
Environmental-related																	
6370.T	Kurita	2	JPY	2,155.00	2.6	3/14	108.7	119.0	19.8	18.1	1.0	11.2%	11.8%	4.0	3.6	5.7%	5.5%
DRC.N	Dresser Rand Grp	1	USD	61.76	4.7	12/13	3.1	4.1	19.6	15.1	3.6	12.3%	13.1%	10.9	8.6	20.1%	21.3%
Electric power tool																	
6586.T	Makita	2	JPY	5,840.00	8.0	3/14	306.9	349.4	19.0	16.7	1.8	15.3%	16.4%	10.0	8.6	10.4%	10.6%
ITW.N	Illinois Tool	2	USD	76.23	34.1	12/13	4.2	4.7	18.2	16.4	3.0	16.9%	17.8%	9.9	9.0	17.4%	17.8%
0669.HK	Techtronic	1	USD	20.50	4.8	12/13	0.1	0.2	19.3	15.3	2.8	6.9%	7.6%	11.7	9.7	15.3%	17.1%
HUSQb.ST	Husqvarna	2	SEK	42.34	3.8	12/13	2.0	2.9	20.9	14.8	2.0	6.4%	8.2%	10.7	8.7	9.9%	13.4%

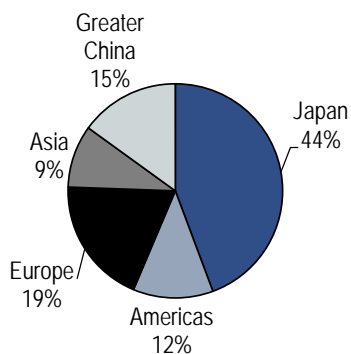
Note: Share prices as of the September 25 close.
Source: Citi Investment Research and Analysis.

Figure 1. Segment breakdown of sales, OP and operating margin (%)

(¥mn)	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14E	FY3/15E	FY3/16E
Sales	627,190	524,694	617,825	619,461	650,461	729,000	763,700	797,500
IAB	271,951	203,917	271,894	270,835	262,983	280,500	290,500	300,000
EMC	76,494	70,717	81,216	83,002	84,107	96,000	103,200	108,500
AEC	82,109	75,163	84,259	85,027	97,643	118,500	126,500	135,000
SSB	72,336	57,981	63,846	57,200	68,754	76,500	78,500	80,000
HCB	63,592	63,359	60,629	62,446	71,520	84,500	91,000	100,000
Other	50,242	43,592	49,672	53,535	59,240	68,000	68,500	68,000
Operating profit	5,339	13,074	48,037	40,136	45,343	63,300	71,300	77,300
IAB	18,175	12,694	38,228	33,328	31,300	36,500	40,000	43,500
EMC	4,233	6,739	11,914	7,240	4,400	7,200	8,500	9,500
AEC	-7,115	1,731	4,162	2,691	5,009	8,000	8,800	9,500
SSB	5,194	2,654	1,653	98	2,915	4,600	5,000	5,500
HCB	4,767	7,055	4,078	2,918	4,407	8,000	10,000	11,300
Other	-7,318	-5,822	-4,659	-3,553	2,526	5,000	5,500	5,500
Elimination	-12,587	-11,977	-7,339	-2,586	-5,214	-6,000	-6,500	-7,500
Operating margin	0.9%	2.5%	7.8%	6.5%	7.0%	8.7%	9.3%	9.7%
IAB	6.7%	6.2%	14.1%	12.3%	11.9%	13.0%	13.8%	14.5%
EMC	5.5%	9.5%	14.7%	8.7%	5.2%	7.5%	8.2%	8.8%
AEC	-8.7%	2.3%	4.9%	3.2%	5.1%	6.8%	7.0%	7.0%
SSB	7.2%	4.6%	2.6%	0.2%	4.2%	6.0%	6.4%	6.9%
HCB	7.5%	11.1%	6.7%	4.7%	6.2%	9.5%	11.0%	11.3%
Others	-14.6%	-13.4%	-9.4%	-6.6%	4.3%	5.6%	7.4%	8.0%

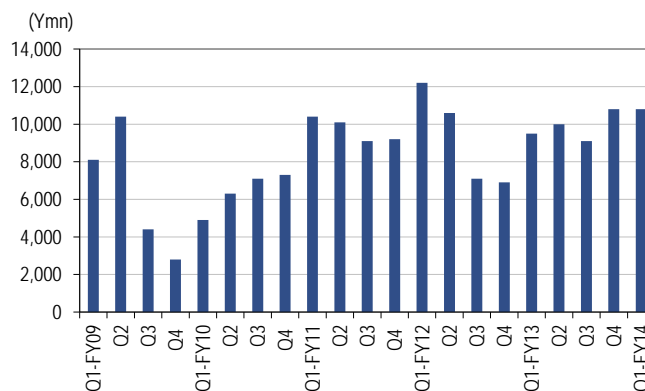
Note: OP figures for IAB and EMC on FY3/13 has been adjusted.
Source: Company data, Citi Research.

Figure 2. Geographical breakdown of IAB sales (FY13)



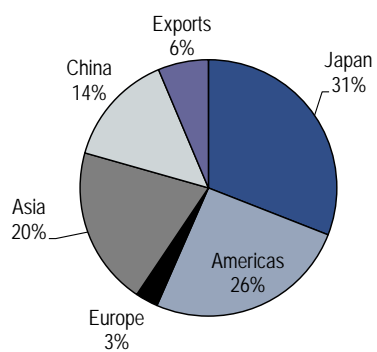
Source: Company data, Citi Research.

Figure 3. Quarterly trend of IAB sales (yen value)



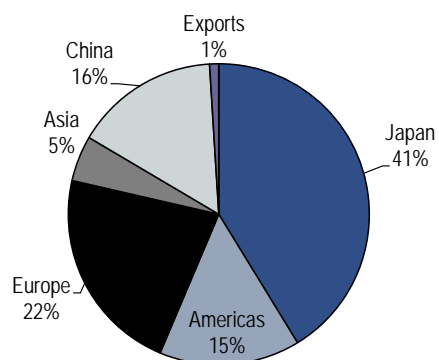
Source: Company data, Citi Research.

Figure 4. Geographical breakdown of AEC sales (FY3/13)



Source: Company data, Citi Research.

Figure 5. Geographical breakdown of HCB sales (FY3/13)



Source: Company data, Citi Research.

Omron

Investment strategy

We rate the shares of Omron Buy, with a ¥4,200 target price. The company is a diversified maker of discrete control equipment, components, and solutions, and the main driver of earnings is the industrial automation business (IAB). In FY3/14, we estimate that this business will account for 38% of sales and c60% of operating profits. Omron has a strong position in Japan in the supply of discrete products (PLCs, sensors, temperature controllers etc) with an estimated share of c40%, but the principal driver of sales growth is expansion overseas, especially in China, the rest of Asia, and Europe. In FY3/13, Greater China (including Hong Kong and Taiwan) made up 16% of total revenue, about 1/4 of OP (after eliminations), and c25% of total production. In Q1 FY3/14 the sales ratio increased to 19%. Omron has a strong track record in terms of shareholders' return with a minimum payout ratio of 25% and a target dividend on equity (DoE) ratio of 2%. Omron also has a US listed ADR with ticker OMRNY.

Valuation

We use a SoTP approach to value Omron. We take the five main divisions of the company (IAB, EMC, AEC, SSB and HCB) and evaluate Omron's divisional OP in FY3/15 against its global and domestic peers. In the IAB division, for example, we compare the company against Rockwell, Siemens, Schneider, Keyence, Mitsubishi Electric and Delta Electronics. We take three valuation measures (EV/sales, EV/EBIT and PER) and use either an average or median multiple depending on the number of comparables and whether there are any distorting variables. For example, we use the median EV/sales multiple, not the average, as Keyence's EV/sales ratio of 6.1x would heavily influence any target price we set. On our calculations the IAB division accounts for ~55% of the value of Omron. We add back the net cash and after-tax value of its investments as of June 2013, and deduct the most recently reported pension deficit as of March 2013. As a classic industrial conglomerate, with its "other" division which has historically been loss making and c¥6.0bn in unallocated costs mainly related to the HQ. This results in a target price at ¥4,200. On our FY3/15 estimates, at this level, the shares would stand on a PER of ~19x, an EV/EBITDA of ~8.7x and an EV/sales of 1.1x. Assuming a dividend of ¥55/share (with a payout ratio of 25%) the yield would be 1.3%.

Risks

Downside risks to our target price include weaker-than-expected demand for high-margin products in the IAB division due to a downturn in global industrial production and/or economic weakness in China; increased competition in the EMC division preventing them from passing on higher input costs to customers; weaker-than-projected auto production by key customers; a stronger yen (our estimates are based on ¥100/\$ and ¥130/€, and each ¥1 change impacts OP by ¥0.5bn and ¥0.4bn respectively); and deflationary trends in the HCB division. In regional terms, although sales in Greater China were only 16% of total revenue in FY3/13, signs of any economic weakness could depress the share price. A more general risk is that Omron advocates the concept of corporate public responsibility and defines the value of a company's existence as its benefit to society rather than simply the pursuit of profit. This may mean that tough economic decisions are deferred.

Appendix A-1

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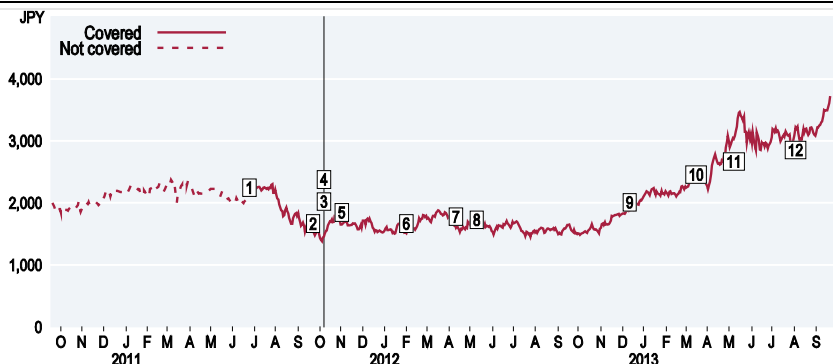
IMPORTANT DISCLOSURES

Omron (6645)

Ratings and Target Price History

Fundamental Research

Analyst: Graeme McDonald
Covered since June 24 2011



	Date	Rating	Target Price	Closing Price
1	24-Jun-11	*1M	*2,600	2,180
2	22-Sep-11	1M	*2,200	1,550
3	7-Oct-11	Stock rating system changed		
4	7-Oct-11	*1	2,200	1,462

* Indicates change

	Date	Rating	Target Price	Closing Price
5	2-Nov-11	1	*2,050	1,650
6	1-Feb-12	1	*1,800	1,508
7	11-Apr-12	*2	*1,700	1,598
8	10-May-12	2	*1,800	1,686

	Date	Rating	Target Price	Closing Price
9	12-Dec-12	2	*2,100	1,874
10	15-Mar-13	*1	*3,000	2,409
11	8-May-13	1	*3,500	3,035
12	2-Aug-13	1	*3,700	3,215

Rating/target price changes above reflect Eastern Standard Time

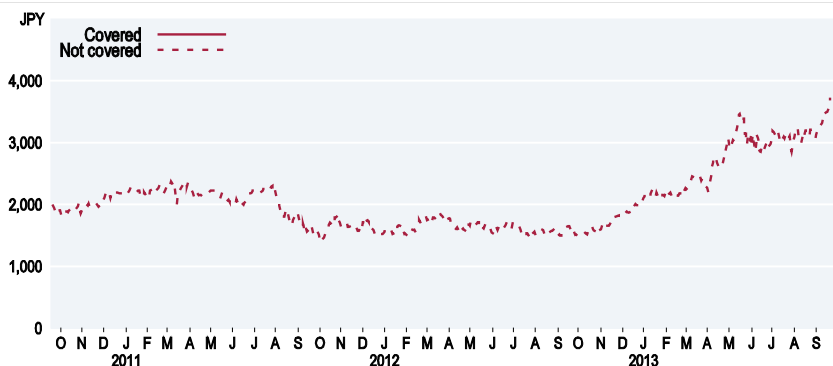
Omron (6645)

Ratings and Target Price History

Best Ideas Research

Relative Call (3 Month)

Analyst: Graeme McDonald
Covered since June 24 2011



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

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Data current as of 30 Jun 2013

	12 Month Rating			Relative Rating		
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