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On **August 19, 2019**, Ai Holdings Corp. announced earnings results for full-year FY06/19.

Cumulative (JPYmn)	FY06/18				FY06/19				FY06/19	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	13,632	28,677	42,743	54,560	14,935	28,202	39,599	51,031	100.1%	51,000
YoY	10.0%	15.1%	10.3%	8.9%	9.6%	-1.7%	-7.4%	-6.5%		-6.5%
Gross profit	5,257	10,887	16,530	21,659	5,381	10,937	16,332	21,511		
YoY	7.1%	7.8%	5.2%	5.8%	2.4%	0.5%	-1.2%	-0.7%		
GPM	38.6%	38.0%	38.7%	39.7%	36.0%	38.8%	41.2%	42.2%		
SG&A expenses	3,151	6,380	9,433	12,674	3,248	6,560	9,789	13,100		
YoY	8.4%	8.9%	5.3%	5.9%	3.1%	2.8%	3.8%	3.4%		
SG&A ratio	23.1%	22.2%	22.1%	23.2%	21.7%	23.3%	24.7%	25.7%		
Operating profit	2,106	4,506	7,096	8,984	2,132	4,377	6,543	8,410	100.1%	8,400
YoY	5.2%	6.4%	5.1%	5.7%	1.2%	-2.9%	-7.8%	-6.4%		-6.5%
OPM	15.4%	15.7%	16.6%	16.5%	14.3%	15.5%	16.5%	16.5%		16.5%
Recurring profit	2,231	4,732	7,276	9,291	2,246	4,542	6,604	8,639	100.5%	8,600
YoY	11.8%	6.1%	3.9%	4.4%	0.7%	-4.0%	-9.2%	-7.0%		-7.4%
RPM	16.4%	16.5%	17.0%	17.0%	15.0%	16.1%	16.7%	16.9%		16.9%
Net income	1,515	3,186	4,922	6,125	1,591	3,157	5,116	5,386	101.6%	5,300
YoY	17.0%	10.0%	4.7%	2.2%	5.0%	-0.9%	3.9%	-12.1%		-13.5%
Net margin	11.1%	11.1%	11.5%	11.2%	10.7%	11.2%	12.9%	10.6%		10.4%

  

Quarterly Performance (JPYmn)	FY06/18				FY06/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	13,632	15,045	14,066	11,817	14,935	13,267	11,397	11,432
YoY	10.0%	20.1%	1.8%	3.8%	9.6%	-11.8%	-19.0%	-3.3%
Gross profit	5,257	5,630	5,643	5,129	5,381	5,556	5,395	5,179
YoY	7.1%	8.5%	0.5%	7.9%	2.4%	-1.3%	-4.4%	1.0%
GPM	38.6%	37.4%	40.1%	43.4%	36.0%	41.9%	47.3%	45.3%
SG&A expenses	3,151	3,229	3,053	3,241	3,248	3,312	3,229	3,311
YoY	8.4%	9.3%	-1.4%	7.9%	3.1%	2.6%	5.8%	2.2%
SG&A ratio	23.1%	21.5%	21.7%	27.4%	21.7%	25.0%	28.3%	29.0%
Operating profit	2,106	2,400	2,590	1,888	2,132	2,245	2,166	1,867
YoY	5.2%	7.5%	2.8%	8.0%	1.2%	-6.5%	-16.4%	-1.1%
OPM	15.4%	16.0%	18.4%	16.0%	14.3%	16.9%	19.0%	16.3%
Recurring profit	2,231	2,501	2,544	2,015	2,246	2,296	2,062	2,035
YoY	11.8%	1.4%	0.2%	6.1%	0.7%	-8.2%	-18.9%	1.0%
RPM	16.4%	16.6%	18.1%	17.1%	15.0%	17.3%	18.1%	17.8%
Net income	1,515	1,671	1,736	1,203	1,591	1,566	1,959	270
YoY	17.0%	4.4%	-3.9%	-7.0%	5.0%	-6.3%	12.8%	-77.6%
Net margin	11.1%	11.1%	12.3%	10.2%	10.7%	11.8%	17.2%	2.4%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Company forecast figures are based on the most recently issued company forecast.

## Sales and operating profit by segment

Breakdown by segment (cumulative)		FY06/18				FY06/19			
(JPYmn)		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Sales</b>		13,632	28,677	42,743	54,560	14,935	28,202	39,599	51,031
YoY		10.0%	15.1%	10.3%	8.9%	9.6%	-1.7%	-7.4%	-6.5%
Security Equipment		3,118	6,251	9,441	12,101	3,270	6,301	9,670	12,520
YoY		3.6%	10.4%	5.0%	4.1%	4.9%	0.8%	2.4%	3.5%
Card Equipment and Other Office Equipment		1,491	3,264	4,856	6,364	1,730	3,265	4,760	6,399
YoY		25.4%	39.0%	29.4%	26.9%	16.0%	0.0%	-2.0%	0.5%
Peripheral Computer Equipment		3,999	8,836	12,417	15,987	3,861	8,569	12,051	15,706
YoY		7.8%	8.7%	3.8%	3.6%	-3.5%	-3.0%	-2.9%	-1.8%
<b>Operating profit</b>		2,106	4,506	7,096	8,984	2,132	4,377	6,543	8,410
YoY		5.2%	6.4%	5.1%	5.7%	1.2%	-2.9%	-7.8%	-6.4%
OPM		15.4%	15.7%	16.6%	16.5%	14.3%	15.5%	16.5%	16.5%
Security Equipment		1,183	2,336	3,675	4,644	1,328	2,575	4,047	5,195
YoY		8.7%	10.2%	9.4%	6.4%	12.3%	10.2%	10.1%	11.9%
OPM		37.9%	37.4%	38.9%	38.4%	40.6%	40.9%	41.9%	41.5%
Card Equipment and Other Office Equipment		204	433	673	926	284	432	627	1,000
YoY		33.3%	40.6%	30.9%	40.3%	39.2%	-0.2%	-6.8%	8.0%
OPM		13.7%	13.3%	13.9%	14.6%	16.4%	13.2%	13.2%	15.6%
Peripheral Computer Equipment		463	1,134	1,567	1,901	393	952	1,220	1,498
YoY		4.8%	5.0%	-2.4%	-1.3%	-15.1%	-16.0%	-22.1%	-21.2%
OPM		11.6%	12.8%	12.6%	11.9%	10.2%	11.1%	10.1%	9.5%
Breakdown by segment (quarterly)		FY06/18				FY06/19			
(JPYmn)		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Sales</b>		13,632	15,045	14,066	11,817	14,935	13,267	11,397	11,432
YoY		10.0%	20.1%	1.8%	3.8%	9.6%	-11.8%	-19.0%	-3.3%
Security Equipment		3,118	3,133	3,190	2,660	3,270	3,031	3,369	2,850
YoY		3.6%	18.2%	-4.1%	0.9%	4.9%	-3.3%	5.6%	7.1%
Card Equipment and Other Office Equipment		1,491	1,773	1,592	1,508	1,730	1,535	1,495	1,639
YoY		25.4%	52.8%	13.4%	19.7%	16.0%	-13.4%	-6.1%	8.7%
Peripheral Computer Equipment		3,999	4,837	3,581	3,570	3,861	4,708	3,482	3,655
YoY		7.8%	9.4%	-6.4%	2.7%	-3.5%	-2.7%	-2.8%	2.4%
<b>Operating profit</b>		2,106	2,400	2,590	1,888	2,132	2,245	2,166	1,867
YoY		5.2%	7.5%	2.8%	8.0%	1.2%	-6.5%	-16.4%	-1.1%
OPM		15.4%	16.0%	18.4%	16.0%	14.3%	16.9%	19.0%	16.3%
Security Equipment		1,183	1,153	1,339	969	1,328	1,247	1,472	1,148
YoY		8.7%	11.8%	8.0%	-3.5%	12.3%	8.2%	9.9%	18.5%
OPM		37.9%	36.8%	42.0%	36.4%	40.6%	41.1%	43.7%	40.3%
Card Equipment and Other Office Equipment		204	229	240	253	284	148	195	373
YoY		33.3%	47.7%	16.5%	73.3%	39.2%	-35.4%	-18.8%	47.4%
OPM		13.7%	12.9%	15.1%	16.8%	16.4%	9.6%	13.0%	22.8%
Peripheral Computer Equipment		463	671	433	334	393	559	268	278
YoY		4.8%	5.2%	-17.7%	4.0%	-15.1%	-16.7%	-38.1%	-16.8%
OPM		11.6%	13.9%	12.1%	9.4%	10.2%	11.9%	7.7%	7.6%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

## Full-year FY06/19 results

- ▷ Sales: JPY51.0bn (-6.5% YoY)
- ▷ Operating profit: JPY8.4bn (-6.4% YoY)
- ▷ Recurring profit: JPY8.6bn (-7.0% YoY)
- ▷ Net income\*: JPY5.4bn (-12.1% YoY)

\*Net income attributable to parent company shareholders

Sales fell as the company scaled back its Leasing and Installment business, reducing lease transactions for pachinko parlor equipment, which were low in margin. All profit items from operating profit down undershot FY06/18 results. Profit fell YoY in the mainstay Peripheral Computer Equipment segment as well as in the Design segment where profit margin was hurt by a lull in demand for earthquake-resistance diagnoses for buildings.

## Security Equipment

- ▷ Sales: JPY12.5bn (+3.5% YoY)
- ▷ Segment profit: JPY5.2bn (+11.9% YoY)

Sales and profit grew on an increase in renewals of security systems for condominiums and strong sales to corporate clients.

**Card Equipment and Other Office Equipment**

- ▷ Sales: JPY6.4bn (+0.5% YoY)
- ▷ Segment profit: JPY1.0bn (+8.0% YoY)

Sales and profit grew YoY on brisk sales of computer-aided design (CAD) software for steel structures.

**Peripheral Computer Equipment**

- ▷ Sales: JPY15.7bn (-1.8% YoY)
- ▷ Segment profit: JPY1.5bn (-21.2% YoY)

Sales and profit fell due to sluggish sales of compact cutting machines for consumers in the overseas market, an impact from additional tariffs issued by the US (a key sales region for the company), and investment in new product development.

**Measuring and Environmental Testing Devices**

- ▷ Sales: JPY2.1bn (-5.4% YoY)
- ▷ Segment profit: JPY171mn (+6.9% YoY)

Sales fell but profit increased thanks to improved profit margin as the company transitioned from selling environmental testing devices to selling detectors for metal impurities.

**Design**

- ▷ Sales: JPY4.6bn (-8.0% YoY)
- ▷ Segment profit: JPY392mn (-43.4% YoY)

Sales and profit fell on a lull in demand for earthquake-resistance diagnoses for buildings and an impact from natural disasters that resulted from torrential rainfall in July 2018.

**Leasing and Installment**

- ▷ Sales: JPY5.7bn (-39.9% YoY)
- ▷ Segment profit: JPY201mn (-6.9% YoY)

Sales and profit fell since the company downsized the low-margin leasing business targeting pachinko parlors from 1H FY06/19.

## Full-year company forecasts

(JPYmn)	FY06/19		FY06/20	
	1H Act.	2H Act.	FY Act.	FY Est.
<b>Sales</b>	<b>28,202</b>	<b>22,829</b>	<b>51,031</b>	<b>48,000</b>
YoY	-1.7%	-11.8%	-6.5%	-5.9%
Cost of sales	17,264	12,255	29,519	
<b>Gross profit</b>	<b>10,937</b>	<b>10,574</b>	<b>21,511</b>	
YoY	0.5%	-1.8%	-0.7%	
GPM	38.8%	46.3%	42.2%	
SG&A expenses	6,560	6,540	13,100	
SG&A ratio	23.3%	28.6%	25.7%	
<b>Operating profit</b>	<b>4,377</b>	<b>4,033</b>	<b>8,410</b>	<b>9,000</b>
YoY	-2.9%	-9.9%	-6.4%	7.0%
OPM	15.5%	17.7%	16.5%	18.8%
<b>Recurring profit</b>	<b>4,542</b>	<b>4,097</b>	<b>8,639</b>	<b>9,200</b>
YoY	-4.0%	-10.1%	-7.0%	6.5%
RPM	16.1%	17.9%	16.9%	19.2%
<b>Net income</b>	<b>3,157</b>	<b>2,229</b>	<b>5,386</b>	<b>5,900</b>
YoY	-0.9%	-24.2%	-12.1%	9.5%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Ai Holdings' full-year earnings forecasts for FY06/20:

- ▷ Sales: JPY48.0bn (-5.9% YoY)
- ▷ Operating profit: JPY9.0bn (+7.0% YoY)
- ▷ Recurring profit: JPY9.2bn (+6.5% YoY)
- ▷ Net income\*: JPY5.9bn (+9.5% YoY)

\*Net income attributable to parent company shareholders

The company plans to pay JPY45.0 per share in annual dividends (interim dividend of JPY22.0 and year-end dividend of JPY23.0). The payout ratio will be 36.1% (compared to 35.2% in FY06/19).

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