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On **November 12 2019**, Harmonic Drive Systems Inc. (HDSI) announced earnings results for 1H FY03/20.

Cumulative (JPYmm)	FY03/18				FY03/18				FY03/20		FY03/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of FY	FY Est.
Sales	12,512	25,014	39,622	54,340	16,439	34,474	52,275	67,809	11,652	21,577	58.8%	36,700
YoY	72.2%	71.9%	80.9%	80.7%	31.4%	37.8%	31.9%	24.8%	-29.1%	-37.4%		-45.9%
Gross profit	5,902	12,059	19,016	25,703	7,947	15,655	24,148	30,446	4,465	7,412		
YoY	67.8%	74.9%	85.8%	85.4%	34.6%	29.8%	27.0%	18.5%	-43.8%	-52.7%		
GPM	47.2%	48.2%	48.0%	47.3%	48.3%	45.4%	46.2%	44.9%	38.3%	34.4%		
SG&A expenses	2,868	5,717	8,629	13,104	3,279	6,741	9,962	13,542	2,961	6,029		
YoY	93.7%	95.9%	98.4%	116.5%	14.3%	17.9%	15.4%	3.3%	-9.7%	-10.6%		
SG&A ratio	22.9%	22.9%	21.8%	24.1%	19.9%	19.6%	19.1%	20.0%	25.4%	27.9%		
Operating profit	3,034	6,342	10,387	12,599	4,668	8,914	14,186	16,904	1,504	1,384	-	-1,500
YoY	48.9%	59.4%	76.6%	61.2%	53.8%	40.6%	36.6%	34.2%	-67.8%	-84.5%		-
OPM	24.3%	25.4%	26.2%	23.2%	28.4%	25.9%	27.1%	24.9%	12.9%	6.4%		-4.1%
Recurring profit	3,047	6,219	10,131	12,228	4,827	9,338	14,565	17,465	1,499	1,613	-	-1,300
YoY	46.3%	49.4%	70.8%	53.6%	58.4%	50.1%	43.8%	42.8%	-69.0%	-82.7%		-
RPM	24.4%	24.9%	25.6%	22.5%	29.4%	27.1%	27.9%	25.8%	12.9%	7.5%		-3.5%
Net income	1,785	3,704	6,018	8,060	3,063	5,908	9,168	11,602	383	280	-	-1,500
YoY	30.9%	34.6%	42.9%	-59.2%	71.6%	59.5%	52.3%	43.9%	-87.5%	-95.3%		-
Net margin	14.3%	14.8%	15.2%	14.8%	18.6%	17.1%	17.5%	17.1%	3.3%	1.3%		-4.1%

Quarterly (JPYmm)	FY03/18				FY03/18				FY03/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Sales	12,512	12,502	14,608	14,717	16,439	18,035	17,801	15,534	11,652	9,925
YoY	72.2%	71.6%	98.6%	80.3%	31.4%	44.3%	21.9%	5.6%	-29.1%	-45.0%
Gross profit	5,902	6,157	6,957	6,688	7,947	7,708	8,492	6,298	4,465	2,947
YoY	67.8%	82.2%	108.6%	84.0%	34.6%	25.2%	22.1%	-5.8%	-43.8%	-61.8%
GPM	47.2%	49.2%	47.6%	45.4%	48.3%	42.7%	47.7%	40.5%	38.3%	29.7%
SG&A expenses	2,868	2,849	2,912	4,476	3,279	3,462	3,221	3,580	2,961	3,067
YoY	93.7%	98.2%	103.4%	162.7%	14.3%	21.5%	10.6%	-20.0%	-9.7%	-11.4%
SG&A ratio	22.9%	22.8%	19.9%	30.4%	19.9%	19.2%	18.1%	23.0%	25.4%	30.9%
Operating profit	3,034	3,307	4,045	2,212	4,668	4,246	5,271	2,718	1,504	-121
YoY	48.9%	70.4%	112.4%	14.6%	53.8%	28.4%	30.3%	22.9%	-67.8%	-
OPM	24.3%	26.5%	27.7%	15.0%	28.4%	23.5%	29.6%	17.5%	12.9%	-
Recurring profit	3,047	3,172	3,912	2,098	4,827	4,511	5,228	2,899	1,499	114
YoY	46.3%	52.4%	121.3%	3.5%	58.4%	42.2%	33.6%	38.2%	-69.0%	-97.5%
RPM	24.4%	25.4%	26.8%	14.3%	29.4%	25.0%	29.4%	18.7%	12.9%	1.2%
Net income	1,785	1,919	2,314	2,042	3,063	2,845	3,260	2,434	383	-102
YoY	30.9%	38.2%	58.7%	-86.8%	71.6%	48.3%	40.9%	19.2%	-87.5%	-
Net margin	14.3%	15.3%	15.8%	13.9%	18.6%	15.8%	18.3%	15.7%	3.3%	-

Source: Shared Research based on company data

By regional segment

By segment	FY03/18				FY03/18				FY03/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Sales	12,512	12,502	14,608	14,717	16,439	18,035	17,801	15,534	11,652	9,925
YoY	72.2%	71.6%	98.6%	80.3%	31.4%	44.3%	21.9%	5.6%	-29.1%	-45.0%
Japan	7,916	8,236	9,546	9,652	10,917	12,483	12,016	9,912	5,888	4,779
YoY	29.5%	34.2%	51.7%	38.9%	37.9%	51.6%	25.9%	2.7%	-46.1%	-61.7%
North America	1,301	1,214	1,454	1,512	1,544	1,662	1,783	1,826	1,825	1,774
YoY	12.8%	5.8%	36.9%	24.9%	18.6%	36.8%	22.6%	20.8%	18.2%	6.7%
Europe	3,294	3,052	3,607	3,554	3,978	3,891	4,002	3,796	3,939	3,372
YoY	-	-	-	-	20.8%	27.5%	10.9%	6.8%	-1.0%	-13.3%
Recurring profit	3,047	3,172	3,912	2,098	4,827	4,511	5,228	2,899	1,499	114
YoY	46.3%	52.4%	121.3%	3.5%	58.4%	42.2%	33.6%	38.2%	-69.0%	-97.5%
RPM	24.4%	25.4%	26.8%	14.3%	29.4%	25.0%	29.4%	18.7%	12.9%	1.2%
Japan	2,772	3,919	3,760	3,459	4,489	4,589	5,022	3,198	1,418	414
YoY	19.7%	94.6%	65.9%	51.6%	61.9%	17.1%	33.6%	-7.5%	-68.4%	-91.0%
RPM	35.0%	47.6%	39.4%	35.8%	41.1%	36.8%	41.8%	32.3%	24.1%	8.7%
% of total RP	91.0%	123.5%	96.1%	164.9%	93.0%	101.7%	96.1%	110.3%	94.6%	361.6%
North America	221	145	170	142	258	343	442	333	364	467
YoY	15.5%	-15.4%	-2.1%	-15.7%	16.5%	136.7%	159.5%	134.8%	41.5%	36.0%
RPM	17.0%	11.9%	11.7%	9.4%	16.7%	20.7%	24.8%	18.2%	20.0%	26.3%
% of total RP	7.3%	4.6%	4.4%	6.8%	5.3%	7.6%	8.5%	11.5%	24.3%	408.3%
Europe	481	-108	491	-310	646	167	803	135	148	-95
YoY	490.7%	-	-	-	34.2%	-	63.7%	-	-77.0%	-
RPM	14.6%	-3.5%	13.6%	-8.7%	16.2%	4.3%	20.1%	3.5%	3.8%	-2.8%
% of total RP	15.8%	-3.4%	12.5%	-14.8%	13.4%	3.7%	15.4%	4.6%	9.9%	-82.8%
Adjustments	-427	-784	-509	-1,193	-565	-588	-1,040	-766	-432	-672

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods. Recurring profit from the European segment was equity in earnings of affiliates in FY03/17 and earlier, but recurring profit after amortization of goodwill and others from FY03/18.

Orders

Orders Quarterly (JPYmn)		FY03/18				FY03/18				FY03/20	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Orders		19,966	20,498	22,055	21,207	16,088	12,785	9,458	6,514	7,676	5,579
YoY		164.2%	195.1%	173.2%	54.2%	-19.4%	-37.6%	-57.1%	-69.3%	-52.3%	-56.4%
Japan	Total	14,523	13,938	15,715	15,645	9,526	6,450	3,901	2,377	3,181	2,630
	YoY	132.2%	139.8%	123.3%	25.3%	-34.4%	-53.7%	-75.2%	-84.8%	-66.6%	-59.2%
	Speed reducer	13,110	12,754	14,415	14,283	8,299	5,794	3,218	1,773	2,428	2,107
	YoY	150.7%	163.6%	151.9%	28.8%	-36.7%	-54.6%	-77.7%	-87.6%	-70.7%	-63.6%
	Mechatronics	1,412	1,184	1,301	1,362	1,227	656	683	604	753	523
YoY	37.8%	21.5%	-1.1%	-2.5%	-13.1%	-44.6%	-47.5%	-55.7%	-38.6%	-20.3%	
North America	Total	1,707	2,076	1,894	2,006	1,867	2,247	1,563	1,108	1,478	747
	YoY	31.2%	83.3%	83.1%	58.1%	9.4%	8.2%	-17.5%	-44.7%	-20.8%	-66.8%
	Speed reducer	919	1,408	1,051	1,300	1,125	1,527	934	698	957	391
	YoY	8.0%	115.2%	64.1%	54.2%	22.4%	8.5%	-11.1%	-46.3%	-14.9%	-74.4%
	Mechatronics	789	669	844	706	743	719	628	410	521	356
YoY	74.8%	39.7%	113.9%	65.7%	-5.8%	7.6%	-25.5%	-41.9%	-29.9%	-50.6%	
Europe	Total	3,737	4,484	4,445	3,556	4,695	4,088	3,995	3,029	3,016	2,202
	YoY	-	-	-	-	25.6%	-8.8%	-10.1%	-14.8%	-35.8%	-46.1%
	Speed reducer	2,905	3,405	2,949	2,936	3,182	2,963	2,931	2,412	2,049	1,550
	YoY	-	-	-	-	9.5%	-13.0%	-0.6%	-17.8%	-35.6%	-47.7%
	Mechatronics	832	1,079	1,496	620	1,513	1,125	1,063	617	967	652
YoY	-	-	-	-	81.9%	4.3%	-28.9%	-0.5%	-36.1%	-42.0%	
Order backlog		21,560	29,997	37,536	44,225	42,369	36,490	26,474	16,492	12,707	8,052
YoY		279.1%	480.8%	541.0%	277.2%	96.5%	21.6%	-29.5%	-62.7%	-70.0%	-77.9%
Japan	Total	16,351	22,178	28,458	34,519	31,779	24,991	15,582	7,497	4,289	1,965
	YoY	291.3%	483.5%	526.5%	240.4%	94.4%	12.7%	-45.2%	-78.3%	-86.5%	-92.1%
	Speed reducer	14,895	20,534	26,662	32,415	29,715	23,528	14,739	6,964	3,795	1,776
	YoY	318.5%	552.6%	622.0%	256.6%	99.5%	14.6%	-44.7%	-78.5%	-87.2%	-92.5%
	Mechatronics	1,456	1,644	1,795	2,103	2,064	1,463	843	533	494	190
YoY	135.3%	151.3%	111.2%	100.5%	41.7%	-11.0%	-53.0%	-74.7%	-76.1%	-87.0%	
North America	Total	1,920	2,772	3,233	3,727	3,795	4,490	4,350	3,510	3,149	2,003
	YoY	27.2%	103.3%	146.2%	135.3%	97.6%	61.9%	34.6%	-5.8%	-17.0%	-55.4%
	Speed reducer	1,183	1,796	1,987	2,408	2,500	3,091	2,913	2,361	2,184	1,402
	YoY	12.2%	94.0%	122.9%	121.1%	111.2%	72.1%	46.6%	-2.0%	-12.7%	-54.7%
	Mechatronics	737	976	1,245	1,318	1,295	1,399	1,437	1,149	966	602
YoY	62.2%	122.8%	195.5%	166.6%	75.8%	43.2%	15.4%	-12.9%	-25.4%	-57.0%	
Europe	Total	3,288	5,047	5,845	5,979	6,795	7,009	6,542	5,486	5,269	4,084
	YoY	-	-	-	-	106.7%	38.9%	11.9%	-8.3%	-22.5%	-41.7%
	Speed reducer	2,567	4,005	4,151	4,347	4,477	4,597	4,238	3,756	3,530	2,734
	YoY	-	-	-	-	74.4%	14.8%	2.1%	-13.6%	-21.2%	-40.5%
	Mechatronics	721	1,042	1,694	1,633	2,318	2,412	2,305	1,730	1,739	1,350
YoY	-	-	-	-	221.5%	131.5%	36.0%	6.0%	-25.0%	-44.0%	

Source: Shared Research based on company data

Production

Production Quarterly (JPYmn)		FY03/18				FY03/18				FY03/20	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Orders		12,557	12,397	14,227	15,286	16,675	18,754	17,691	15,811	10,701	10,478
YoY		74.9%	71.7%	91.4%	87.3%	32.8%	51.3%	24.3%	3.4%	-35.8%	-44.1%
Japan	Total	8,879	8,950	10,590	10,546	12,657	14,338	13,014	11,646	6,483	6,223
	YoY	39.0%	39.3%	57.5%	42.3%	42.6%	60.2%	22.9%	10.4%	-48.8%	-56.6%
	Speed reducer	7,544	7,635	8,988	9,266	11,121	12,513	11,388	9,890	4,980	4,920
	YoY	44.4%	42.8%	65.2%	53.9%	47.4%	63.9%	26.7%	6.7%	-55.2%	-60.7%
	Mechatronics	1,335	1,315	1,602	1,279	1,536	1,825	1,626	1,756	1,503	1,303
YoY	14.7%	21.9%	24.8%	-7.9%	15.1%	38.8%	1.5%	37.2%	-2.2%	-28.6%	
North America	Total	850	827	990	1,101	1,133	1,111	1,137	1,155	1,119	1,440
	YoY	7.3%	4.1%	39.4%	46.7%	33.3%	34.3%	14.8%	4.9%	-1.2%	29.7%
	Speed reducer	592	561	614	623	697	705	814	821	772	847
	YoY	15.5%	10.9%	38.0%	16.5%	17.7%	25.8%	32.6%	31.9%	10.7%	20.1%
	Mechatronics	258	266	376	478	436	406	323	334	347	593
YoY	-7.8%	-7.9%	41.7%	121.5%	69.1%	52.2%	-14.3%	-30.2%	-20.4%	46.3%	
Europe	Total	2,828	2,620	2,646	3,639	2,885	3,306	3,540	3,011	3,099	2,815
	YoY	-	-	-	-	2.0%	26.1%	33.8%	-17.3%	7.4%	-14.8%
	Speed reducer	2,046	1,936	2,110	2,867	2,267	2,553	2,730	2,195	2,286	2,151
	YoY	-	-	-	-	10.8%	31.9%	29.3%	-23.5%	0.9%	-15.8%
	Mechatronics	782	685	536	772	618	752	810	816	813	664
YoY	-	-	-	-	-20.9%	9.9%	51.2%	5.7%	31.5%	-11.7%	

Source: Shared Research based on company data

Sales

Sales Quarterly (JPYmm)		FY03/18				FY03/18				FY03/20	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Total sales		12,512	12,502	14,608	14,717	16,439	18,035	17,801	15,534	11,652	9,925
YoY		72.2%	71.6%	98.6%	80.3%	31.4%	44.3%	21.9%	5.6%	-29.1%	-45.0%
Japan	Total	7,980	8,132	9,495	9,600	10,894	12,301	11,966	9,839	5,814	4,742
	YoY	30.6%	32.5%	50.9%	38.1%	36.5%	51.3%	26.0%	2.5%	-46.6%	-61.4%
	Speed reducer	7,019	7,136	8,344	8,544	9,811	11,141	10,849	8,946	5,027	3,925
	YoY	37.8%	37.2%	61.2%	48.6%	39.8%	56.1%	30.0%	4.7%	-48.8%	-64.8%
	Mechatronics	961	996	1,151	1,056	1,083	1,160	1,116	893	787	818
YoY	-5.6%	6.4%	2.9%	-12.1%	12.7%	16.5%	-3.0%	-15.4%	-27.3%	-29.5%	
North America	Total	1,307	1,223	1,460	1,519	1,558	1,670	1,789	1,840	1,833	1,777
	YoY	13.3%	6.5%	37.5%	25.3%	19.2%	36.6%	22.5%	21.1%	17.7%	6.4%
	Speed reducer	782	793	875	885	878	1,027	1,173	1,177	1,131	1,088
	YoY	12.9%	14.2%	32.9%	11.3%	12.1%	29.5%	34.0%	33.0%	28.8%	6.0%
	Mechatronics	525	430	585	634	680	643	617	663	703	690
YoY	14.0%	-5.3%	44.9%	52.0%	29.6%	49.6%	5.4%	4.5%	3.3%	7.2%	
Europe	Total	3,224	3,148	3,653	3,598	3,987	4,064	4,046	3,856	4,005	3,405
	YoY	-	-	-	-	23.7%	29.1%	10.8%	7.2%	0.4%	-16.2%
	Speed reducer	2,406	2,296	2,792	2,771	3,112	3,022	3,026	2,724	2,815	2,350
	YoY	-	-	-	-	29.4%	31.6%	8.4%	-1.7%	-9.6%	-22.2%
	Mechatronics	818	852	860	827	874	1,042	1,019	1,132	1,190	1,056
YoY	-	-	-	-	6.8%	22.3%	18.5%	36.8%	36.1%	1.3%	

Source: Shared Research based on company data

Sales by region (by destination)

Sales by region Quarterly (JPYmm)		FY03/18				FY03/18				FY03/20	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Orders		12,512	12,502	14,608	14,717	16,439	18,035	17,801	15,534	11,652	9,925
YoY		72.2%	71.6%	98.6%	80.3%	31.4%	44.3%	21.9%	5.6%	-29.1%	-45.0%
Japan		6,409	6,588	7,266	7,865	8,814	10,347	10,459	7,826	4,167	3,550
	YoY	31.4%	40.5%	54.0%	50.5%	37.5%	57.1%	43.9%	-0.5%	-52.7%	-65.7%
	% of total sales	51.2%	52.7%	49.7%	53.4%	53.6%	57.4%	58.8%	50.4%	35.8%	35.8%
North America		1,301	1,214	1,454	1,512	1,544	1,662	1,783	1,869	1,825	1,774
	YoY	12.8%	5.8%	36.9%	24.9%	18.6%	36.8%	22.6%	23.6%	18.2%	6.7%
	% of total sales	10.4%	9.7%	10.0%	10.3%	9.4%	9.2%	10.0%	12.0%	15.7%	17.9%
Europe		3,294	3,065	3,594	3,554	3,978	3,891	4,002	4,081	3,939	3,372
	YoY	559.4%	628.1%	757.4%	673.9%	20.8%	27.0%	11.3%	14.8%	-1.0%	-13.3%
	% of total sales	26.3%	24.5%	24.6%	24.1%	24.2%	21.6%	22.5%	26.3%	33.8%	34.0%
Other regions		1,507	1,635	2,293	1,787	2,103	2,135	1,557	1,759	1,721	1,229
	YoY	105.0%	58.8%	98.1%	41.1%	39.5%	30.6%	-32.1%	-1.6%	-18.2%	-42.4%
	% of total sales	12.0%	13.1%	15.7%	12.1%	12.8%	11.8%	8.7%	11.3%	14.8%	12.4%

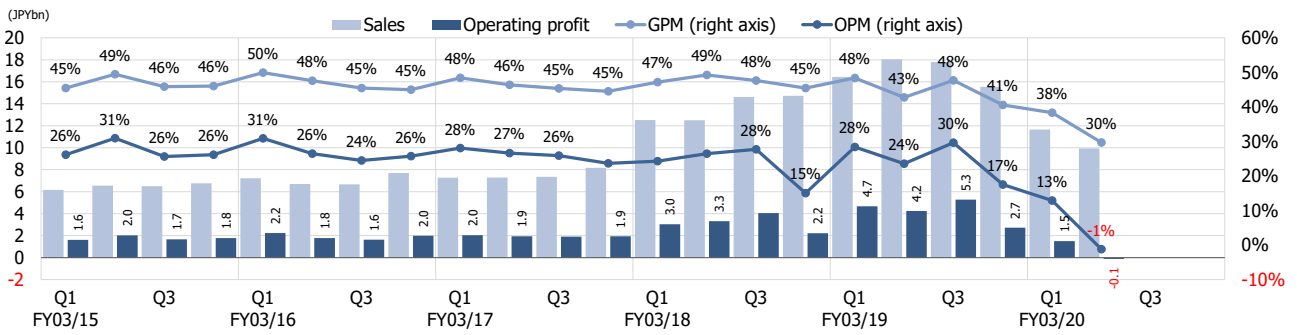
Source: Shared Research based on company data

1H FY03/20 results (out November 12, 2019)

Results summary

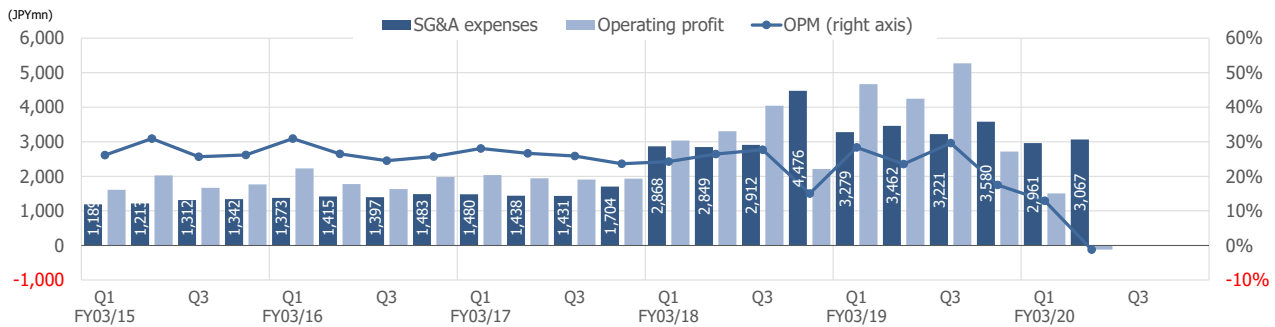
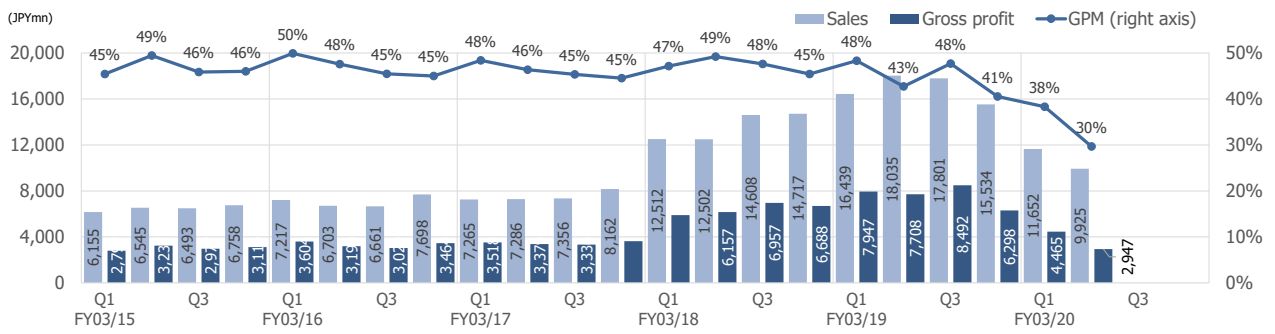
- ▷ 1H FY03/20: Sales were JPY21.6bn (-37.4% YoY), operating profit was JPY1.4bn (-84.5% YoY), and net income attributable to owners of the parent was JPY280mn (-95.3% YoY). Results exceeded initial 1H FY03/20 forecasts (sales of JPY21.0bn and operating profit of JPY450mn). Profit was above target due to higher-than-expected sales and efforts to reduce fixed costs. The company lowered its full-year forecasts to sales of JPY36.7bn, operating loss of JPY1.5bn, and net loss of JPY1.5bn (initial forecasts called for sales of JPY42.0bn, operating profit of 1.0bn, and net income of JPY50mn). In a sign that the order environment has stopped deteriorating, parent-only orders have risen QoQ for two consecutive quarters, but the pace of recovery is likely to be more moderate than initially expected. There is no change to the full-year DPS forecast of JPY20 (interim JPY10, final JPY10).
- ▷ Q2 results: Q2 standalone sales were JPY9.9bn (-45.0% YoY) and operating loss JPY121mn (operating profit of JPY4.2bn in Q2 FY03/19). Sales fell except in the North America segment, accompanying the decline in orders. The company worked to curtail fixed costs, but posted an operating loss as the fall in sales largely affected the results.
- ▷ Order trends: In Q2 FY03/20, consolidated orders were JPY5.6bn (-56.4% YoY). Orders fell across all regions, including a large fall in Japan to JPY2.6bn (-59.2% YoY), JPY747mn (-66.8%) in North America, and JPY2.2bn (-46.1%) in Europe. On a parent-only basis (excluding impact of cancellations), orders were JPY3.1bn (-50.0%). Total orders continued to decline YoY, but there were signs that the deterioration in the order environment eased as they increased QoQ for the second consecutive quarter. On a QoQ basis, orders declined for products for optical equipment, automotive equipment, and oil-drilling equipment, but increased for products for industrial robots, semiconductor production equipment, and medical equipment. It appears that some customers have completed their inventory adjustments of the company's products, leading to a recovery in orders.
- ▷ Operating loss : Gross profit was JPY2.9bn (-61.8% YoY). Although we think the company maintained its competitiveness and market share and sales prices were unchanged, GPM turned down due to a lower operating rate associated with decreased production (JPY10.5bn, down 44.1% YoY). The company curtailed SG&A expenses (down 11.4% YoY to JPY3.1bn) by cutting fixed costs, but posted an operating loss due to lower sales.
- ▷ By regional segment: Q2 sales were JPY4.8bn (-61.7% YoY) and recurring profit was JPY414mn (-91.0% YoY) in mainstay Japan. Sales were JPY1.8bn (+6.7% YoY) and recurring profit was JPY467mn (+36.0% YoY) in North America, while sales were JPY3.3bn (-13.3% YoY) and recurring loss was JPY95mn (recurring profit of JPY167mn in Q2 FY03/19) in Europe. Higher demand for medical equipment and machine tool applications led to sales and profit growth in North America. Adjustments were -JPY672mn (-JPY588mn in Q2 FY03/19). North America saw contributions from higher sales for products for medical equipment and service robots.
- ▷ Orders fell below sales in Q2 FY03/20 and the order backlog continues to decline. According to HDSI, there is an ongoing slump in investment aimed at automation and labor saving amid protracted US-China trade friction, so the company thinks that inventory adjustment of its products at its customers and distributors will take longer than initially expected. The company is working to reduce fixed costs among other measures, but revised down its full-year FY03/20 forecasts as a 2H sales recovery looks doubtful, and foresees a full-year loss.

Earnings



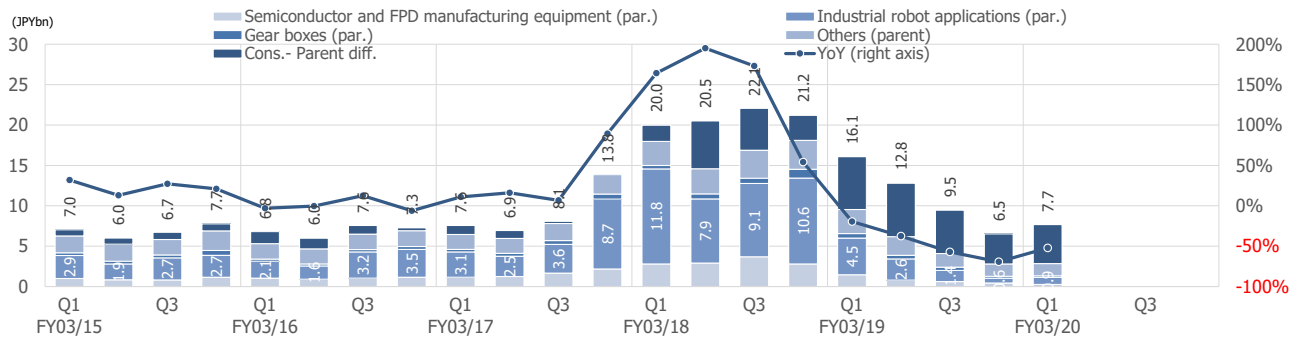
Source: Shared Research based on company data

Gross profit, SG&A and operating profit

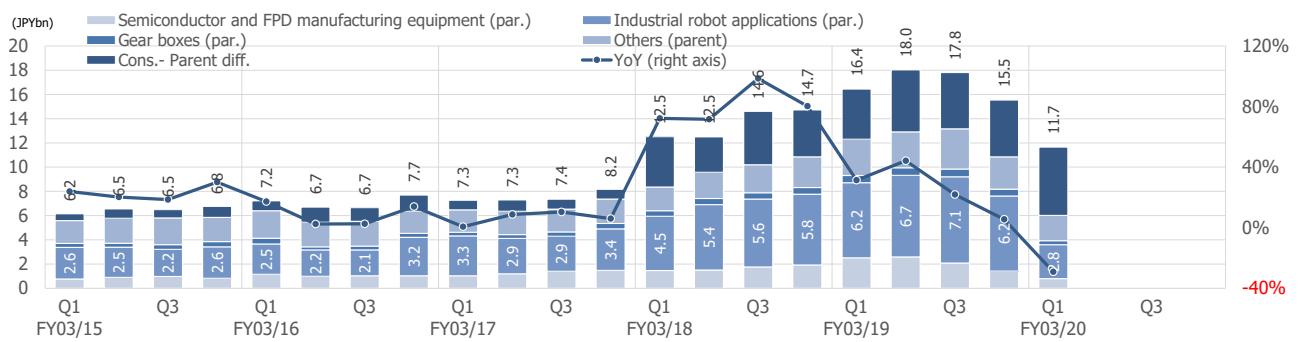


Source: Shared Research based on company data

Orders

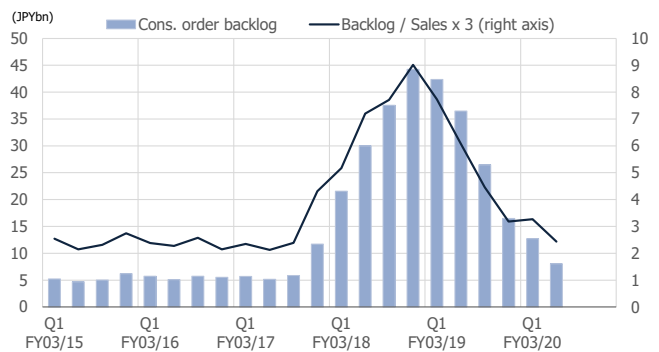
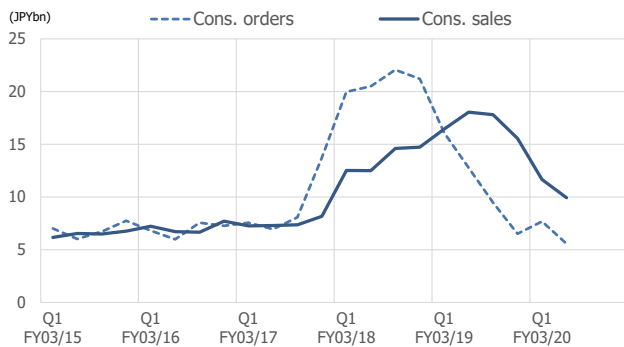


Sales

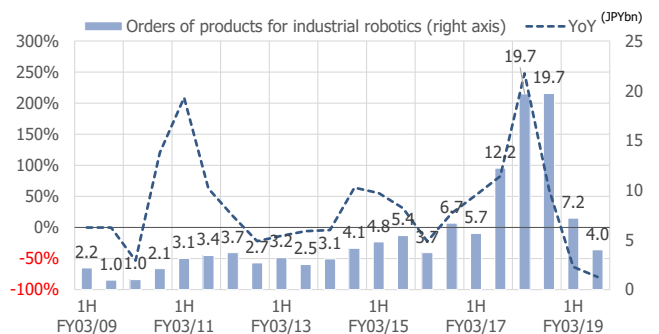
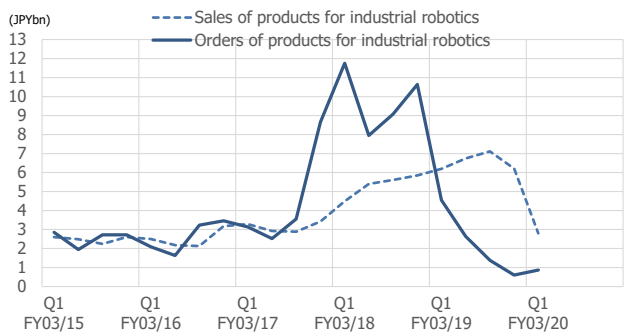


Source: Shared Research based on company data

Orders, sales, and order backlog

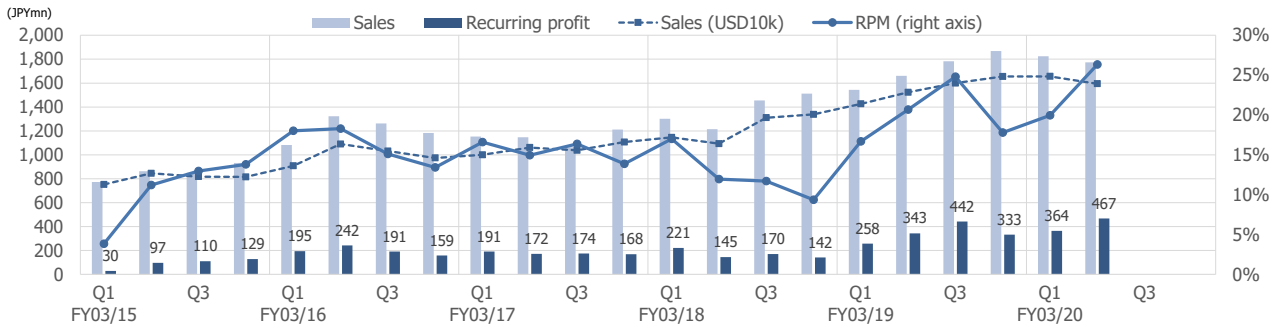


Products for industrial robotics (parent)

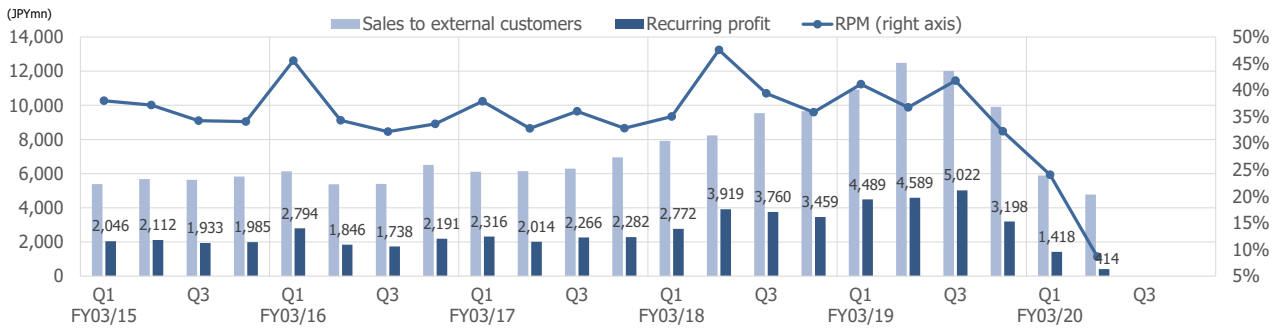


Source: Shared Research based on company data

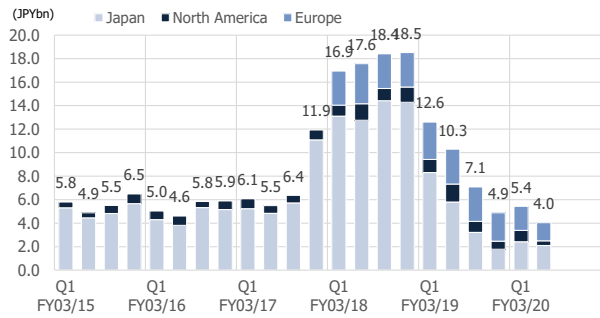
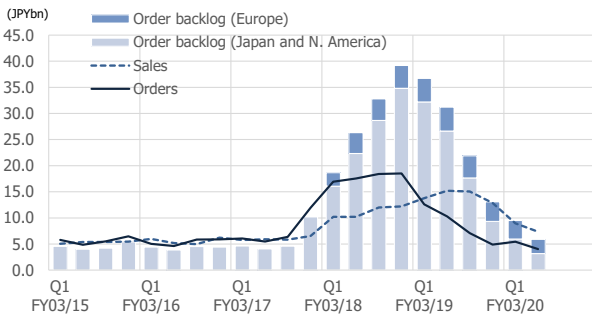
North America segment results



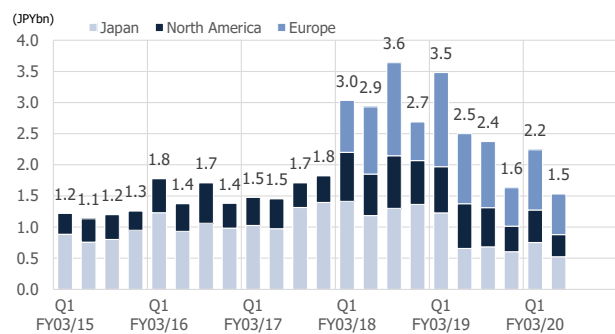
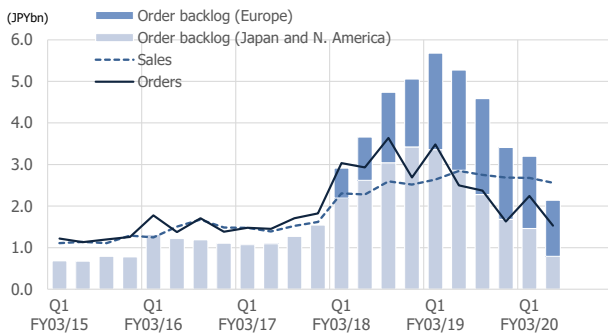
Japan segment results



Reducers (left: consolidated, right: orders by region)



Mechatronics (left: consolidated, right: orders by region)



Source: Shared Research based on company data

Full-year company forecasts

Consolidated (JPYmn)	FY03/19			FY03/20 Est.			FY03/20 Initial Est.		
	1H	2H	FY	1H Act.	2H Est.	FY Est.	1H Est.	2H Est.	FY Est.
Sales	34,474	33,335	67,809	21,577	15,123	36,700	21,000	21,000	42,000
YoY	37.8%	13.7%	24.8%	-37.4%	-54.6%	-45.9%	-39.1%	-37.0%	-38.1%
Gross profit	15,655	14,791	30,446	7,412	-	-	-	-	-
YoY	29.8%	8.4%	18.5%	-52.7%	-	-	-	-	-
GPM	45.4%	44.4%	44.9%	34.4%	-	-	-	-	-
SG&A expenses	6,741	6,801	13,542	6,029	-	-	-	-	-
YoY	17.9%	-7.9%	3.3%	-10.6%	-	-	-	-	-
SG&A ratio	19.6%	20.4%	20.0%	27.9%	-	-	-	-	-
Operating profit	8,914	7,989	16,904	1,384	-2,884	-1,500	450	550	1,000
YoY	40.6%	27.7%	34.2%	-84.5%	-	-	-95.0%	-93.1%	-94.1%
OPM	25.9%	24.0%	24.9%	6.4%	-19.1%	-4.1%	2.1%	2.6%	2.4%
Recurring profit	9,338	8,127	17,465	1,613	-2,913	-1,300	450	550	1,000
YoY	50.1%	35.2%	42.8%	-82.7%	-	-	-95.2%	-93.2%	-94.3%
RPM	27.1%	24.4%	25.8%	7.5%	-19.3%	-3.5%	2.1%	2.6%	2.4%
Net income	5,908	5,694	11,602	280	-1,780	-1,500	0	50	50
YoY	59.5%	30.7%	43.9%	-95.3%	-	-	-	-99.1%	-99.6%
Net margin	17.1%	17.1%	17.1%	1.3%	-11.8%	-4.1%	-	0.2%	0.1%
Capital expenditures	10,506	13,370	23,876	-	-	-	-	9,500	9,500
Depreciation	2,785	3,462	6,247	-	-	-	-	7,900	7,900
R&D expenses	1,204	1,272	2,476	-	-	-	-	2,450	2,450

Source: Shared Research based on company data

Parent (JPYmn)	FY03/19			FY03/20 Est.			FY03/20 Initial Est.		
	1H	2H	FY	1H Act.	2H Est.	FY Est.	1H Est.	2H Est.	FY Est.
Parent sales	25,229	24,020	49,249	10,527	7,473	18,000	10,500	11,500	22,000
YoY	40.7%	14.1%	26.3%	-58.3%	-68.9%	-63.5%	-58.4%	-52.1%	-55.3%
Operating profit	7,205	6,593	13,798	-	-	-	-	-	10
YoY	40.3%	12.1%	25.3%	-	-	-	-	-	-99.9%
OPM	28.6%	27.4%	28.0%	-	-	-	-	-	0.0%
Recurring profit	7,510	6,703	14,213	679	-1,379	-700	-240	390	150
YoY	43.2%	15.5%	28.7%	-91.0%	-120.6%	-104.9%	-103.2%	-94.2%	-98.9%
RPM	29.8%	27.9%	28.9%	6.5%	-18.5%	-3.9%	-2.3%	3.4%	0.7%
Net income	5,196	5,217	10,413	253	-753	-500	-160	260	100
YoY	43.2%	25.4%	33.7%	-95.1%	-114.4%	-104.8%	-103.1%	-95.0%	-99.0%
Net margin	20.6%	21.7%	21.1%	2.4%	-10.1%	-2.8%	-1.5%	2.3%	0.5%
Capital expenditures	8,716	7,229	15,945	-	-	-	-	-	4,700
Depreciation	966	1,492	2,458	-	-	-	-	-	3,860
R&D expenses	805	824	1,629	-	-	-	-	-	1,800
Factors for OP change YoY	+2,070	+712	+2,782	-	-	-	-	-	-13,788
Higher sales	+4,125	+1,650	+5,775	-	-	-	-	-	-15,276
Change in marginal profit ratio	-192	+197	+5	-	-	-	-	-	-315
Higher mfg and other costs	-1,177	-855	-2,032	-	-	-	-	-	+636
Higher SG&A expenses	-686	-262	-948	-	-	-	-	-	+1,167

Source: Shared Research based on company data

This note is the most recent addition to the [full report](#).

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