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On **November 13, 2019**, Suzumo Machinery Co., Ltd. (Suzumo) announced earnings results for 1H FY03/20.

Cumulative (JPYmn)	FY03/18				FY03/19				FY03/20		FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Sales	2,406	4,662	6,999	9,112	1,994	3,940	6,260	8,187	2,223	4,655	100.1%	4,650	54.4%	8,550
YoY	5.4%	-0.4%	-2.4%	-3.2%	-17.1%	-15.5%	-10.6%	-10.2%	11.5%	18.2%		18.0%		4.4%
Gross profit	1,172	2,262	3,429	4,353	983	1,889	3,006	3,919	1,050	2,196				
YoY	7.4%	2.0%	0.0%	-2.1%	-16.1%	-16.5%	-12.3%	-10.0%	6.8%	16.2%				
Gross profit margin	48.7%	48.5%	49.0%	47.8%	49.3%	48.0%	48.0%	47.9%	47.2%	47.2%				
SG&A expenses	785	1,612	2,361	3,115	828	1,664	2,430	3,226	873	1,772				
YoY	4.5%	5.0%	4.8%	2.6%	5.5%	3.3%	2.9%	3.6%	5.4%	6.5%				
SG&A-to-sales ratio	32.6%	34.6%	33.7%	34.2%	41.5%	42.2%	38.8%	39.4%	39.3%	38.1%				
Operating profit	387	650	1,068	1,238	155	225	576	693	177	424	101.0%	420	70.7%	600
YoY	13.9%	-4.7%	-9.1%	-12.2%	-60.0%	-65.4%	-46.1%	-44.0%	14.5%	88.5%		86.8%		-13.4%
Operating profit margin	16.1%	13.9%	15.3%	13.6%	7.8%	5.7%	9.2%	8.5%	8.0%	9.1%		9.0%		7.0%
Recurring profit	393	654	1,073	1,237	153	227	581	696	178	425	101.2%	420	70.9%	600
YoY	15.3%	-4.2%	-8.3%	-12.5%	-60.9%	-65.3%	-45.9%	-43.7%	15.9%	87.1%		84.8%		-13.8%
Recurring profit margin	16.3%	14.0%	15.3%	13.6%	7.7%	5.8%	9.3%	8.5%	8.0%	9.1%		9.0%		7.0%
Net income	245	436	721	833	105	155	377	469	-38	162	101.0%	160	80.8%	200
YoY	121.1%	40.0%	20.1%	1.5%	-57.0%	-64.4%	-47.8%	-43.8%	-	4.1%		3.0%		-57.3%
Net margin	10.2%	9.4%	10.3%	9.1%	5.3%	3.9%	6.0%	5.7%	-	3.5%		3.4%		2.3%

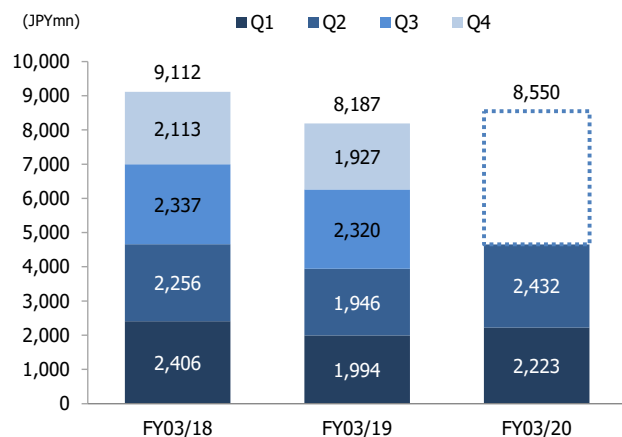
  

Quarterly (JPYmn)	FY03/18				FY03/19				FY03/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Sales	2,406	2,256	2,337	2,113	1,994	1,946	2,320	1,927	2,223	2,432
YoY	5.4%	-5.9%	-6.3%	-5.6%	-17.1%	-13.7%	-0.8%	-8.8%	11.5%	25.0%
Gross profit	1,172	1,090	1,167	924	983	907	1,116	914	1,050	1,146
YoY	7.4%	-3.2%	-3.5%	-9.5%	-16.1%	-16.8%	-4.4%	-1.1%	6.8%	26.5%
Gross profit margin	48.7%	48.3%	49.9%	43.7%	49.3%	46.6%	48.1%	47.4%	47.2%	47.1%
SG&A expenses	785	827	749	754	828	836	766	796	873	900
YoY	4.5%	5.5%	4.5%	-4.0%	5.5%	1.1%	2.2%	5.6%	5.4%	7.6%
SG&A-to-sales ratio	32.6%	36.7%	32.0%	35.7%	41.5%	43.0%	33.0%	41.3%	39.3%	37.0%
Operating profit	387	263	418	170	155	70	351	117	177	247
YoY	13.9%	-23.2%	-15.2%	-27.7%	-60.0%	-73.3%	-16.1%	-31.0%	14.5%	251.4%
Operating profit margin	16.1%	11.7%	17.9%	8.0%	7.8%	3.6%	15.1%	6.1%	8.0%	10.2%
Recurring profit	393	262	419	163	153	74	354	115	178	248
YoY	15.3%	-23.6%	-14.1%	-32.6%	-60.9%	-71.7%	-15.7%	-29.5%	15.9%	234.8%
Recurring profit margin	16.3%	11.6%	17.9%	7.7%	7.7%	3.8%	15.2%	6.0%	8.0%	10.2%
Net income	245	191	284	112	105	50	221	92	-38	199
YoY	121.1%	-4.8%	-1.3%	-49.2%	-57.0%	-73.9%	-22.2%	-18.0%	-	298.7%
Net margin	10.2%	8.5%	12.2%	5.3%	5.3%	2.6%	9.5%	4.8%	-	8.2%

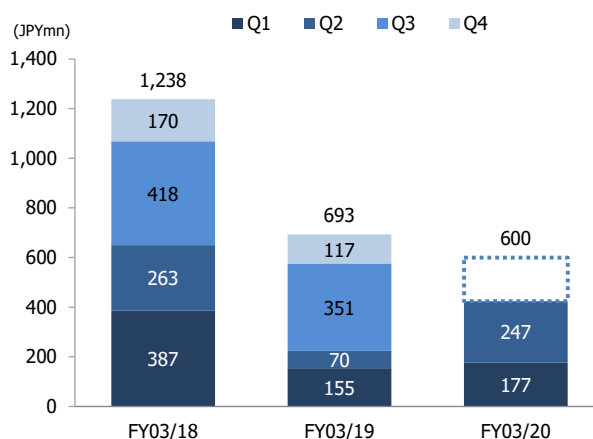
Source: Shared Research, based on company data

Note: Figures above may differ from those shown in company materials due to differences in rounding.

### Sales breakdown by quarter



### Operating profit breakdown by quarter



Source: Shared Research, based on company data

## 1H FY03/20 results (out November 13)

### Results overview (April–September 2019)

- ▷ Sales JPY4.7bn (+18.2%YoY)
- ▷ Operating profit JPY424mn (+88.5% YoY)
- ▷ Recurring profit JPY425mn (+87.1% YoY)
- ▷ Net income\* JPY162mn (+4.1% YoY)

\* Net income attributable to owners of the parent

- ▷ The company has not made any changes to its full-year forecasts as of end 1H FY03/20.

- The rise in 1H sales reflected gains in both domestic and overseas sales with domestic sales leading the way, rising 22.7% YoY to JPY3.5bn while overseas sales rose 6.2% YoY to JPY1.1bn. Starting in FY03/20, the company changed its segmentation scheme and now has only one reportable segment, so it is no longer discloses information by segment.
- Domestic sales rose 22.7% YoY to JPY3.5bn. In the mainstay Cooked Rice Processing Equipment Business, sales to existing customers of replacement sushi robots were solid. Sales of newly developed factory-scale equipment were also robust, and the company experienced a higher-than-expected surge in demand ahead of the consumption tax hike.
- Overseas sales 6.2% YoY to JPY1.3bn. This reflected solid sales in Asia/Oceania and a YoY decline in sales in North America.
- On the earnings front, the company saw gains at both the operating and recurring profit levels thanks to the growth in sales, overcoming the 0.8pp decline in the gross profit margin stemming from higher CoGS, and the increases in SG&A expenses driven by rising personnel costs. Despite JPY150mn in special merit bonuses for retiring directors the company recorded net income of JPY162mn (+4.1% YoY) on higher recurring profit and a JPY33mn refund from cancelled insurance policies for retiring directors.

### Full-year company forecasts for FY03/20

(JPYmn)	FY03/17			FY03/18			FY03/19			FY03/20		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Act.	2H Est.	FY Est.
<b>Sales</b>	<b>4,679</b>	<b>4,733</b>	<b>9,412</b>	<b>4,662</b>	<b>4,450</b>	<b>9,112</b>	<b>3,940</b>	<b>4,246</b>	<b>8,187</b>	<b>4,655</b>	<b>3,895</b>	<b>8,550</b>
YoY	12.1%	12.6%	12.4%	-0.4%	-6.0%	-3.2%	-15.5%	-4.6%	-10.2%	18.2%	-8.3%	4.4%
Cost of goods sold	2,462	2,502	4,964	2,400	2,359	4,759	2,051	2,216	4,267	2,459		
<b>Gross profit</b>	<b>2,217</b>	<b>2,231</b>	<b>4,448</b>	<b>2,262</b>	<b>2,091</b>	<b>4,353</b>	<b>1,889</b>	<b>2,030</b>	<b>3,919</b>	<b>2,196</b>		
Gross profit margin	47.4%	47.1%	47.3%	48.5%	47.0%	47.8%	48.0%	47.8%	47.9%	47.2%		
<b>SG&amp;A expenses</b>	<b>1,535</b>	<b>1,502</b>	<b>3,037</b>	<b>1,612</b>	<b>1,503</b>	<b>3,115</b>	<b>1,664</b>	<b>1,562</b>	<b>3,226</b>	<b>1,772</b>		
SG&A-to-sales ratio	32.8%	31.7%	32.3%	34.6%	33.8%	34.2%	42.2%	36.8%	39.4%	38.1%		
<b>Operating profit</b>	<b>682</b>	<b>728</b>	<b>1,411</b>	<b>650</b>	<b>588</b>	<b>1,238</b>	<b>225</b>	<b>468</b>	<b>693</b>	<b>424</b>	<b>176</b>	<b>600</b>
YoY	22.2%	2.0%	10.9%	-4.7%	-19.3%	-12.2%	-65.4%	-20.4%	-44.0%	88.5%	-62.4%	-13.4%
Operating profit margin	14.6%	15.4%	15.0%	13.9%	13.2%	13.6%	5.7%	11.0%	8.5%	9.1%	4.5%	7.0%
<b>Recurring profit</b>	<b>683</b>	<b>731</b>	<b>1,414</b>	<b>654</b>	<b>583</b>	<b>1,237</b>	<b>227</b>	<b>469</b>	<b>696</b>	<b>425</b>	<b>175</b>	<b>600</b>
YoY	21.0%	1.7%	10.2%	-4.2%	-20.3%	-12.5%	-65.3%	-19.5%	-43.7%	87.1%	-62.7%	-13.8%
Recurring profit margin	14.6%	15.4%	15.0%	14.0%	13.1%	13.6%	5.8%	11.0%	8.5%	9.1%	4.5%	7.0%
<b>Net income</b>	<b>312</b>	<b>509</b>	<b>821</b>	<b>436</b>	<b>397</b>	<b>833</b>	<b>155</b>	<b>313</b>	<b>469</b>	<b>162</b>	<b>38</b>	<b>200</b>
YoY	-9.1%	16.6%	5.3%	40.0%	-22.1%	1.5%	-64.4%	-21.0%	-43.8%	4.1%	-87.8%	-57.3%
Net margin	6.7%	10.8%	8.7%	9.4%	8.9%	9.1%	3.9%	7.4%	5.7%	3.5%	1.0%	2.3%

Source: Shared Research, based on company data

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## Medium-term outlook

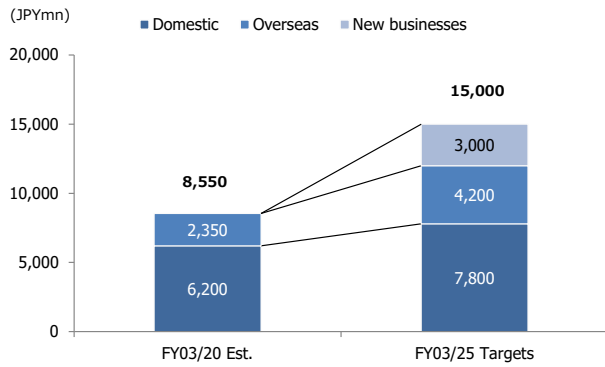
The company announced a medium-term business plan when it released 1H FY03/20 results. Dubbed Growth 2025, the five-year plan starts in FY03/21.

- ▷ New vision: Delivering the delicious taste and warmth of food to people the world over
- ▷ Basic strategies:
  - 1) Grow and penetrate further in existing markets.
  - 2) Develop new growth areas/businesses.
  - 3) Proactively invest and collaborate to support business growth.
  - 4) Maximize corporate value through business growth and enhanced social value.
- ▷ Growth strategy: Implement growth strategy focusing on expansion of existing markets and creation of new markets.
  - Domestic strategy: Expand scope of cooked rice processing market and strengthen new product development.
    - Expand market for SHARIBEN-ROBOT.
    - Establish industry-leading products in factory-scale equipment for food factories.
    - Enhance product development outside cooked rice area.
    - Spread awareness of SUZUMO brand among consumers.
  - Overseas strategy: Make further inroads in three key markets (North America/Asia/Europe) and create a fourth (Middle East).
    - North America: Japanese food is already well established. In order to deepen relationships with existing customers and approach potential customers, collaborate with outside parties including potential business alliances, expand sales and service locations, and propose new cooked rice products.
    - Asia: The market for Japanese food is growing rapidly, along with economic development. Help grow emerging Japanese food markets by supporting inroads by Japanese companies and consult for local companies in areas of product development and quality,
    - Europe: While Japanese food is becoming more popular, availability of Japanese-style rice dishes remains limited among businesses and consumers. Establish new offices, restructure the sales network, and collaborate with major local businesses to grow the market.
    - Middle East: Create a Japanese food value chain and develop the market for cooked rice by collaborating across traditional business boundaries with local and Japanese companies, as well as companies handling ingredients and kitchens.

Creating new businesses: The three themes here are customer value, labor savings, and market creation. Create new products and businesses outside traditional frameworks via co-creation with external parties, leveraging acquisitions and alliances.

Capital/financial strategy: Aggressively invest in new products, new businesses, capex, and intangible assets to grow the business and maximize corporate value. Basic stance on shareholder returns is to maintain stable dividends. The company aims to conduct proactive investor relations activities for institutional and individual investors and enhance disclosure in Japan and overseas.

## Targets under Growth 2025 medium-term business plan



(JPYmn)	FY03/20 Est.	FY03/25 Targets
Sales	8,550	15,000
Domestic	6,200	7,800
Overseas	2,350	4,200
New businesses	-	3,000
Operating profit	600	2,250
OPM	7.0%	15.0%
ROE	-	10.0%

Source: Shared Research based on company materials

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

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