

20% increase in operating profit, favorable progress against 1H plan - Acquired exclusive domestic distribution rights for the subscriber version of ARUMCODE -

FY2023/12 Q1 results

On May 9, the company announced its results for 1Q, ending March 31. Net sales rose 12.8%, to ¥43.78 bn on a 20.3% rise in operating profit, to ¥1.77 bn. This compares to the company's 1H forecast of a 9.2% increase in sales and a 9.4% decline in operating profit. Performance was driven primarily by a ¥3.89 bn increase in sales 1.3ppt improvement in the profit margin of the Machinery & Tool segment. Growth in high value-added services such as engineering also contributed.

In 2022, while machine orders were favorable, sales could not keep pace with orders due to semiconductor parts shortages and other factors, and order backlogs had been building up, but these are gradually being resolved and deliveries are exceeding initial plans. According to macroeconomic statistics disclosed by the Japan Machine Tool Builders' Association (JMTBA), in the 2H of FY22/12, orders had accumulated to the equivalent of 8-9 months of monthly sales, but as of March 2023, the backlog of unfilled orders had fallen to 6 months. Although no quantitative disclosure is available, the situation appears to be generally the same for the company.

By industry, automotive sales, especially EV-related applications, and by region, North American applications drove revenue growth. It should be noted that in 1Q, the yen value of overseas revenue, which is recognized three months later than domestic revenue, appears to have been boosted by the positive impact of foreign exchange rates. However, sales in the North America region expanded significantly from ¥2.51 bn in 1Q FY22/12 to ¥4.17 bn in 1Q FY23/12. In addition to sales of injection molding machinery and machine tools, the engineering subsidiary Industrial Tool also improved its sales mix with the acquisition of new projects, which contributed to the increase in profit margin.

On the other hand, attention should be paid to current orders. In North America, investment has been postponed due to high inflation and financial instability, and demand for Injection molding machinery for the pharmaceutical industry is beginning to run its course. In China, the recovery in demand following the repeal of the zero-corona policy has yet to really take hold in the manufacturing sector. Although the domestic market is relatively firm, we see the global order trend continuing to bottom out.

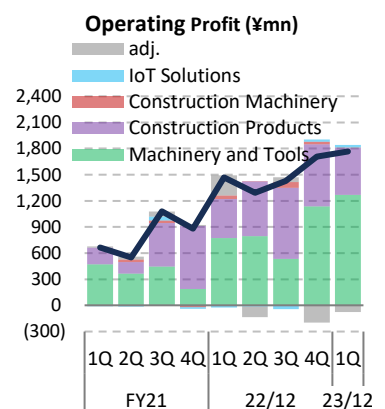
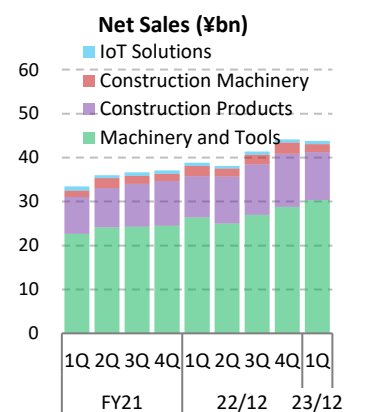
FY	Net sales (¥mn)	YoY (%)	OP (¥mn)	YoY (%)	NP (¥mn)	YoY (%)	EPS (¥)	DPS (¥)
FY2019/12	175,395	-	6,892	-	5,620	-	-	-
FY2020/12	145,028	-17.3	4,539	-34.1	2,996	-	-	-
FY2021/12	143,180	-1.3	3,178	-30.0	3,065	-	-	-
2022/12	162,416	13.4	5,895	85.5	4,531	47.8	178.9	113.0
2023/12 CE	170,000	4.7	5,700	-3.3	4,380	-3.3	172.9	61.0
2022/12 1Q	38,819	-	1,469	-	1,159	-	45.8	-
2023/12 1Q	43,781	12.8	1,767	20.3	1,237	6.7	48.9	-

Source: SIR from the company materials

Note: Before FY2021, The adjusted amount of the two groups' revenues for the period.

The DPS for FY22/12 includes a commemorative dividend of ¥50.

1Q Flash



Source: Compiled by SIR from the company IR material.

Note: Before FY2021, The adjusted amount of the two groups' revenues for the period.

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Update on Medium-term Management Plan measures

The major topic of the past three months has been the March 22 announcement of a business alliance agreement with ARUM Inc. The company had previously held exclusive domestic sales rights to the on-premise version of *ARUMCODE*, which fully automates the programming process. Now the company has obtained the same rights to the newly launched cloud-based subscription service, *ARUM Factory365*. We will closely monitor future trends from the perspective of expanding earnings and securing a stable revenue source in the smart factory field.

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