

Steady progress in current period, but keep an eye on macro trends in machinery orders

FY2023/12 3Q results

In the January-September FY23/12 results announced on November 7, 2023, the company reported net sales of ¥129.3 bn (+9.3% YoY) and operating profit of ¥4.68 bn (+11.8% YoY). This was generally in-line with the company's full-year plan, which was revised upward at the time of the 2Q results announcement, marking 75.6% progress for sales and 78.1% for operating profit. Operating profit was up YoY as the company managed to secure sales volume, centered on its mainstay Machinery & Tools segment, which offset higher material costs as well as increased human capital investments, mainly in overseas wages, including the impact of foreign exchange rates.

On the other hand, there is a slight slowdown in quarterly sales, as the company reported a 6.8% YoY increase to ¥44.15 bn in the July-September 2023 period, compared to a 12.8% YoY increase in January-March and an 8.6% YoY increase in April-June. By segment, sales rose 11.4% YoY to ¥30.0 bn in the Machinery & Tools segment and 17.3% YoY to ¥0.82 bn in the IoT Solutions segment, and fell 0.9% YoY to ¥11.46 bn in the Construction Products segment and 12.9% YoY to ¥1.89 bn in the Construction Machinery segment. The Construction Products segment was affected by a cautious investment stance in response to high construction costs and a prolonged slump in housing demand, while the Construction Machinery segment was affected by a drop in customer appetite following price hikes by manufacturers driven by higher manufacturing costs.

In addition, investors should pay some attention to the momentum of orders, which is a leading indicator for the Machinery & Tools segment. The company was able to secure an 11.4% YoY rise in sales in the July-September period even as tools sales remained generally flat, thanks to the delivery of machinery order backlogs accumulated in the past, coupled with an increase in the yen value of overseas sales owing to the weaker yen. However, based on monthly statistics from the Japan Machine Tool Builders' Association, order trends at other machine manufacturers, and the tone of company disclosures, the downturn in macroeconomic conditions has not yet bottomed out, and there aren't many factors pointing toward positive sales trends in 1H FY2024/12. The company's revised plan for FY23/12 incorporates a sales plan based on weak orders, so downside risk in the current period is limited, but investors ought to exercise some caution in terms of guidance risk for FY24/12.

In September 2023, the company released new material related to advancing its medium-term management plan, including materials about reorganization and the launch of "UNI-MOW," a smart livestock production system based on AI analytics. Beginning in FY24/12, the company will enter the second stage of its medium-term management plan, a period of accelerated growth, and it appears that it is steadily making preparations for this.

FY	Net sales (¥mn)	YoY (%)	OP (¥mn)	YoY (%)	NP (¥mn)	YoY (%)	EPS (¥)	DPS (円)
2019/12	175,395	-	6,892	-	5,620	-	-	-
2020/12	145,028	-17.3	4,539	-34.1	2,996	-	-	-
2021/12	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
2023/12CE	171,000	5.3	6,000	1.8	4,700	3.7	185.1	65.0
2022/12 3Q	118,259	-	4,188	-	3,376	-	133.3	-
2023/12 3Q	129,311	9.3	4,683	11.8	3,859	14.3	153.2	-

Source: Compiled by SIR from the company materials

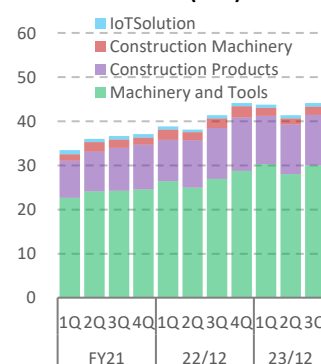
Note: Before FY2021, The adjusted amount of the two groups' revenues for the period.

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

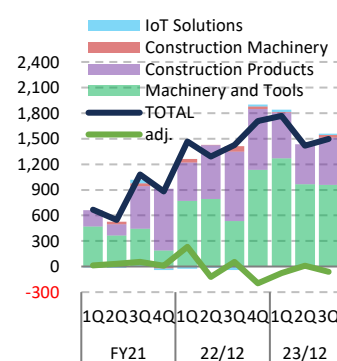
3Q Flash



Net sales(¥bn)



Operating Profit (¥mn)



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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