Harmonic Drive Systems (6324.T): Conf. Call takeaways: Lead times holding steady, AI robots also contributing; Buy

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During the morning trading session on September 4, we hosted a conference call with Harmonic Drive Systems' Representative Director, Senior Executive Officer and CFO Kazutoshi Kamijoh for domestic and overseas investors. Our overall impression is positive, following on from the positive impression left by the plant tour we conducted on September 2 (link). Below, we summarize the key takeaways.

Business environment overview: Strong inquiries being fulfilled with normal lead times

1Q consolidated orders of ¥24.1 bn marked the first time orders exceeded ¥20 bn since 4Q3/22. Management struck a positive tone, saying that the company has finally moved into a full-fledged recovery phase. Orders for industrial robot applications from major Japanese and European customers were described as strong but stable, with management suggesting the current high level is likely to continue. In the closely watched SPE segment, on a calendar-year basis the trend clearly turned starting in 2026, and management said that both SPE main units and wafer transfer robots are currently very strong, mainly in Japan and the US, and continuing to trend upward. Thanks in part to the increase in supply capacity the company has been building, as described in our plant tour report (link), the median lead time from order to shipment remains healthy at around three months even amid this robust demand. There is no sign of the kind of abnormal delays, more than double the normal lead time (six months to over 12 months), that were seen during the peak cycle four to five years ago. Management therefore stated clearly that there is no advance ordering or double ordering in current order trends, reconfirming that the company is managing the situation smoothly. We came away with a positive impression, sensing that the company's profit generation capability and supply chain have moved up a level.

Reconfirming orders and sales trends for humanoid robot applications; mass-production scale currently limited to one customer, but inquiries robust, mainly from Japan and the US

HDS has already secured orders from a North American AI robot customer of ¥1.2 bn in 4Q3/26 and ¥1.25 bn in 1Q3/27. These orders correspond to CY2026 production volumes at one of the few customers that has moved into the mass-production phase. HDS said it has now largely secured the orders needed to meet its FY3/27 sales plan of ¥2.3 bn, as set out in the sales target in the new medium-term management plan (link) announced alongside FY3/26 full-year results. HDS also said

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it expects orders for that customer's CY2027 production volumes to be booked in 3Q-4Q3/27. Although orders are likely to pause in 2Q3/27, the company said progress is tracking in line with expectations.

HDS also offered additional comments on its medium-term plan targets for AI robot application sales of ¥7.1 bn in FY3/29 and ¥13.3 bn in FY3/31. Regarding the North American segment's sales of ¥1.7 bn in FY3/27, ¥3.4 bn in FY3/29, and ¥8.4 bn in FY3/31, the company said it has thoroughly confirmed the production plans of its main US customer and set conservative figures that account for risk. On the other hand, the company explained that the corresponding sales figures for Japan (¥0.3 bn in FY3/27, ¥3.3 bn in FY3/29, and ¥4.3 bn in FY3/31) are somewhat more ambitious, reflecting the potential for expansion of projects being proposed by various partner companies as well as new projects supported by the Japanese government. We also touched on this expansion potential in our Physical AI/humanoid robot report (link). We believe there is scope for further upside to HDS's sales plan, particularly in the US.

No compromise seen on margins; we welcome renewed confirmation that HDS is deepening customer partnerships while maintaining high value-added margins rooted in strong competitive advantages

Our impression is that whether humanoid robots, and AI robots more broadly, can be profitable is once again becoming a key focus for the stock market. From this perspective, HDS has been carefully screening customer relationships and projects while maintaining discipline. This effect had not been fully visible until now because volumes had generally been stagnant. At today's meeting, however, management clearly stated that margins on its products, including those for AI robot applications, are being firmly maintained. We confirmed that HDS is actively pursuing technical partnerships and joint development with AI robot customers who recognize its high added value, and that the company is doing its best to secure profit growth alongside strong top-line growth. Management also said that, while customers continue to emphasize cost reduction, they are increasingly requesting a range of product performance improvements, including thinner, lighter, more durable, and higher-torque designs. On the direction of joint development, management noted that many players are focused on realizing Physical AI, and that interest in actuators as a development focus area is clearly increasing.

Further margin improvement looks likely as the foundation for profit growth continues to expand

HDS confirmed that its productivity improvement measures and cost reduction efforts are bearing fruit, with sales price improvement initiatives also contributing. Above all, management said that the main driver of margin improvement is higher volumes and increased utilization rates. In Japan, monthly production is currently 80,000-85,000 units, with management noting that maximum monthly capacity under current staffing is just over 100,000 units, and the company expects output of around 90,000 units per month in 2H. The US plant is operating at full capacity relative to its monthly production capacity of 10,000 units, with Japan providing backup support through some exports. In Germany, monthly shipments of 12,000 units compare with capacity of 15,000 units. Both the US and German plants are running at high utilization rates, though there is still room for further output increases. The US is currently expanding capacity from 10,000 to 15,000 units per month, with the new line expected to come online in January-February 2027. As we also noted in our plant tour report (link), we confirmed

that the foundation for the company's profit growth continues to expand steadily.

Our view: we maintain our bullish stance

Following the plant tour and today's meeting, we take a positive view of the renewed recovery and strengthening in the company's operating foundation. We believe this confirms that HDS is returning to a trajectory of structural growth, and we reiterate our Buy rating. We expect the current strong growth in orders to expand as a stable base for profit growth. Profitability in AI robot applications is becoming a new focal point for the market, and we think the fact that HDS has already established solid initiatives in this area is likely to support a re-rating of the stock.

Price Target Risks and Methodology - Harmonic Drive Systems (6324.T)

Our 12-month target price of ¥11,000 is based on FY3/30E EV/EBITDA, applying the sector-average multiple of 10X and a 180% sector-relative premium, the same level observed in the previous peak cycle, with the resulting theoretical value discounted back to the midpoint of FY3/27E and FY3/28E at a capital cost of 10%.

Downside risks to our target price include (1) weaker investment appetite from manufacturers/EMS of tech products, and a decline in appetite for mass production at equipment manufacturers, primarily of industrial robots and SPE, and (2) greater commitment to the auto components business.

6324.T	12m Price Target: **¥11,000**	Price: **¥5,730**	Upside: **92.0%**

Buy

Market cap: ¥543.8bn / $3.5bn
Enterprise value: ¥538.3bn / $3.5bn
3m ADTV: ¥11.5bn / $71.7mn
Japan
Japan Industrials
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	3/26	3/27E	3/28E	3/29E
Revenue (¥ bn)	59.6	75.0	97.0	115.0
Op. profit (¥ bn)	2.6	10.0	19.0	26.0
Op. profit CoE (¥ bn)	1.5	8.5	–	–
EPS (¥)	17.0	73.7	142.4	197.5
P/E (X)	NM	77.8	40.2	29.0
P/B (X)	3.8	6.3	5.7	5.0
Dividend yield (%)	0.6	0.5	0.9	1.2
N debt/EBITDA (ex lease,X)	(0.4)	(0.3)	(0.2)	(0.2)
CROCI (%)	6.3	9.5	12.9	14.7

	6/26	9/26E	12/26E	3/27E
EPS (¥)	13.6	–	–	–

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 4 Sep 2026 close.



Disclosure Appendix

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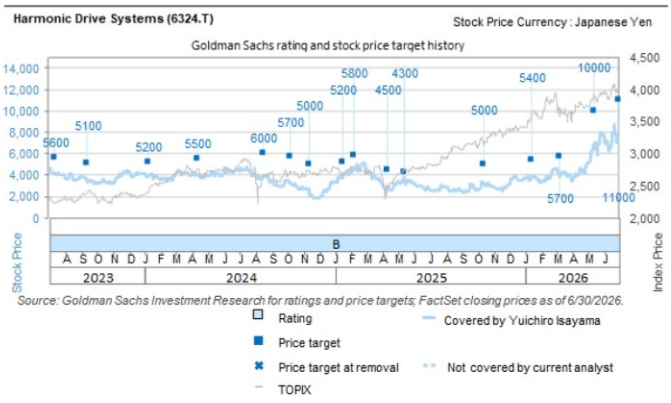
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Harmonic Drive Systems (6324.T)

Date of report	Target price (¥)	Closing price (¥)
29-Jun-26	11,000	7,120
13-May-26	10,000	6,970
09-Mar-26	5,700	3,805
14-Jan-26	5,400	3,835
13-Oct-25	5,000	3,300
14-May-25	4,300	3,835
11-Apr-25	4,500	2,913
07-Feb-25	5,800	4,535
16-Jan-25	5,200	3,930
12-Nov-24	5,000	2,649
07-Oct-24	5,700	3,315
16-Aug-24	6,000	3,955
12-Apr-24	5,500	4,045
08-Jan-24	5,200	3,865
13-Sep-23	5,100	3,365

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