

# Chapter 2 Our Growth Strategy



Teleconference between our global site and office in Japan



The OSAKI Group aims to be “Global Energy Solution Leader” that creates new values to society worldwide through our energy solutions.

In order to make a sustainable growth globally, we formulated the Mid-term Management Plan for five years starting from fiscal 2019 and announced it in May 2019.

**Mitsuyasu Watanabe**  
President and COO  
OSAKI ELECTRIC Co., Ltd.

### Q1: How would you describe fiscal 2018?

Fiscal 2018 has been a year for the group to face new challenges. In Japan, we worked hard to meet strong demand for delivering smart meters. In solution businesses, we took steps in expanding power-saving and labor-saving services, examples of our solutions to solve the social issues we face today. Furthermore, with the launch of new businesses such as the “watch series,” we are expanding solution lineups. In November 2018, we established our first open innovation laboratory. My aim is to accelerate collaboration with various partners in developing value-added solutions.

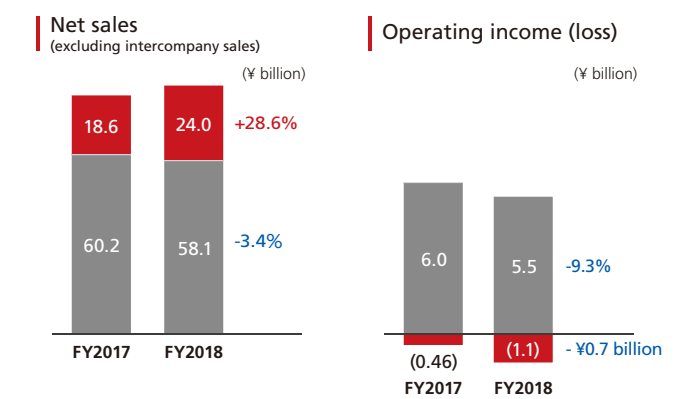
Global smart meter business, on the other hand, struggled to meet the sudden hike in demand due to a shortage of materials. However, we saw our business grow strongly in Oceania, and a new contract in the Middle East assured us of our positive outlook on future growth.

All in all, fiscal 2018 closed with an increase in revenue and decrease in profit year-on-year. Nonetheless, it was an important year to the OSAKI Group in identify-

ing business and organisational challenges, and drawing a roadmap for future growth summarised as “Mid-term Management Plan 2019–23.”

### Business results by region

■ OSAKI ELECTRIC and its subsidiaries in Japan  
■ Subsidiaries outside of Japan



\*Reference data based on a managerial accounting system

**Q2: What is your assessment of the business environment surrounding the OSAKI Group in formulating the Mid-term Management Plan?**

The strong demand for smart meters in Japan has brought profits to the Group for years, but we expect the demand will gradually decrease for several years from fiscal 2019. Taking that into consideration, we forecast decreased sales and profits for Japanese business from fiscal 2019 to 2023.

On the other hand, we acquired a smart meter company in Singapore in 2012 to seek expansion outside of Japan. Since then, we have invested in global businesses and we expect to see full-scale growth from fiscal 2019. In Oceania, where we have a particularly strong customer base, we have closed long-term contracts with major customers which will contribute to steady growth for the next several years. Our efforts to enter the residential smart meter market in the UK are expected to

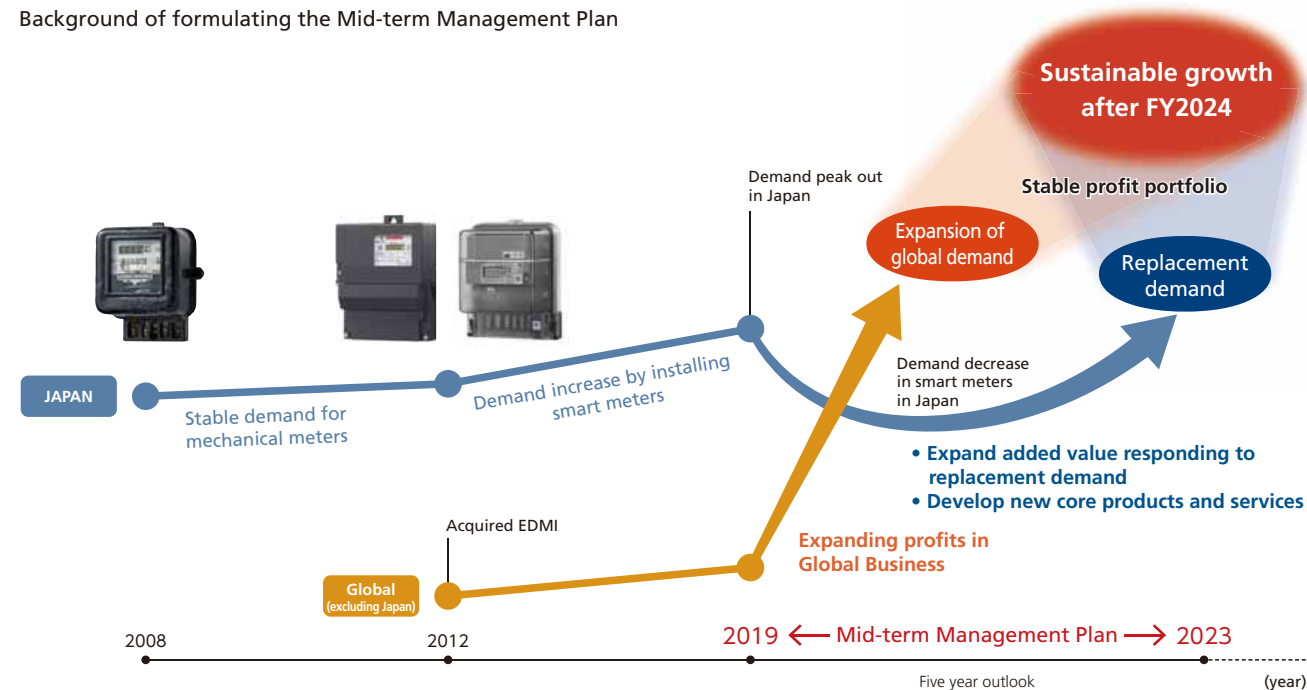
deliver tangible results from fiscal 2019. In addition, a new contract in the Middle East will contribute to revenue and profit expansion. All in all, strong growth in global business may well outgrow the decline in Japanese business.

**Q3: What are the key strategies to achieve the Mid-term Management Plan?**

Our key strategies are the following:

- 1. Expanding profits in global business**  
Our global business is led by EDM I, a subsidiary OSAKI ELECTRIC acquired in 2012 and headquartered in Singapore. Oceania, the UK and the Middle East are our focus markets and we will reinforce operations in these regions. To fully meet increasing global demand, OSAKI ELECTRIC, the parent company in Japan, will take initiatives in reinforcing

**Background of formulating the Mid-term Management Plan**



**Mid-term Targets**

	FY2018 Results	FY2019 Forecasts	FY2020 Outlook	FY2021 Outlook	FY2023 Mid-term Targets
Net sales	82,089	92,000	100,000	105,000	—
Operating income	4,299	4,300	5,000	6,000	8,000 or more
Profit attributable to owners of parent	1,806	1,600	2,000	3,000	—
ROE	3.8%	3.3%	4.0%	6.0%	8.0% or higher

(¥ million)

group-wide development and manufacturing, and will particularly strengthen procurement and manufacturing capacity outside Japan. I believe this is a good example of group synergy.

**2. Expanding value-added smart meter businesses**

In addition to the manufacturing and sales of smart meters, we will reinforce solution businesses such as automated power-saving and metering services to a wider range of customers. These services deliver added value to our customers while utilising existing power infrastructures. We aim to provide solution services to solve social issues by integrating new technologies such as IoT, AI and edge computing to our services.

Our efforts in exploring solution businesses will support our challenges in developing next-generation smart meters for the "New power platform using next-generation technologies," a project led by Japanese government. We will work closely with our customers in exploring a wide range of possibilities in new services by using smart meters as communication hubs.

**3. Developing new products and services**

By leveraging our strength in measurement and control technologies and integrating new technologies such as IoT and AI, we will develop services

with new value. We will particularly focus on the following:

- Developing and providing new services which will change the living style of people and the business style in society
  - Developing and providing new products and services which support the "New power platform using next-generation technologies."
- These initiatives will be carried out in collaboration with various partners from a wide range of industries at our open innovation laboratory.

**4. Building resilient operations structure**

- In carrying out the above strategies, we will build a resilient operations structure in the following areas:
- Strengthen group-wide operations in development and manufacturing
  - Build strong teams by promoting greater diversity in personnel and training
  - Reinforce cost control
  - Promote corporate brand

We will implement the aforementioned four strategies and deliver fiscal 2023 financial goals: Operating income of 8 billion yen or more and ROE of 8% or higher.

**Q4: How will you increase global business profits?**

We will take the following measures to attain profit growth:

**1. Strengthen customer base with smart meter (hardware) business**

We will strengthen our hardware customer base by leveraging existing contracts of smart meters and entering new markets to attain new customers. The UK project is a great example to elevate our global presence in the hardware business. I see the hardware business as a first step to strengthen

customer relations, and we will take further steps to provide services and solutions that would bring added value to customers.

**2. Increase profits by expanding "Total Solution Services"**

We will strengthen solution businesses to further improve profitability by expanding sales of smart meters coupled with various solution services. We have been providing metering solution services for years in Oceania where we have very strong relationships with customers. We will extend the total solution services to other regions.

**3. Expand subscription services via the cloud**

In Oceania, we have begun the metering solution provided via the cloud. This is a subscription business model in which the service fees are billed monthly and contributes to higher profitability. We aim to expand the subscription type business model to other regions.

**Q5: The demand for smart meters in Japan is expected to decrease for the next five years. What measures do you plan to take?**

I see the slowdown period of the smart meter's demand cycle as a great chance for OSAKI to explore new business opportunities in Japan in line with the development of next-generation smart meters.

In the foreseeable future, smart meters will be installed in every household and building in Japan. It will then be possible to provide services customised to each household using a network built on the next-generation energy infrastructure. I believe that smart meters will function as an important part of the network. Also, as a leading smart meter company, I am confident that our highly sophisticated technologies in measurement and control, as well as our strong relationships with customers in the energy industry, will contribute to the development of a future smart society.

Today, OSAKI is partnering with start-up companies, research centers at universities and companies from various industries. Through collaboration with our partners, we will respond to fast-changing market and diversified consumer demand in aiming to deliver value-added energy solutions.

**Q6: What is OSAKI's vision for the future?**

Our Group vision is to become the "Global Energy Solution Leader." To attain the position of a leader in the global market, we will leverage our strengths in measurement and control technologies and high-quality products. Furthermore, the Group must gain speed responsive to changes in the business environment and creativity in supporting customer needs.

OSAKI has a company history of over a 100 years. In its long history, at every turning point, the Company and its employees responded quickly to changes in the market, technology and social changes. Today, the OSAKI Group has a great potential to change and grow further, making a sustainable contribution to society for the next 100 years.

