

Financial Results for FY2020

(12 months ended March 31, 2021) and

Mid-tem Management Plan

June 9th, 2021

Mitsuyasu Watanabe
President and COO

OSAKI ELECTRIC

1. FY2020 Financial Results

(Sales and profits declined YoY. Sales fell short but profit is higher than initial forecasts.)

- Sales 76.3 Bn yen, Operating Income 2.7 Bn yen.
- **Japan** : Sales declined mainly due to the expansion of COVID-19 virus infection while demand for smart meters peaked out. Profits, however, increased year on year, from cost reduction efforts. Profit increased compared to initial forecasts mainly due to higher utilization rates for smart meter production.
- **Overseas** : Sales and profits declined year on year due to the spread of COVID-19 virus and a reactionary decline from Iraq (Kurdistan Regional Government) and Cambodia projects. Sales and profits fell short against initial forecasts mainly due to the spread of COVID-19 virus.

2. FY2021 Forecasts (Higher Sales and Profits YoY)

- Sales 83 Bn yen, Operating Income 3.5 Bn yen.
- **Japan** : Smart meters business expects tough environment with low demand and severe pricing. Products and services including energy management systems, smart locks are expected to see an increase in sales as the impact from COVID-19 is expected to decrease. Profits are expected to decline from lower utilization rates for smart meter production as well as a reactionary increase in SG&A expenses from FY2020, where costs were severely cut in response to the pandemic.
- **Overseas** : Both sales and profit are expected to increase, mainly due to steady growth in Oceania by providing high profit solution services, and an increase in shipments for the UK project.

3. Mid-term Management Plan (Five years ending March 31, 2026)

- OSAKI Group will expand energy related solutions and services in building profitable and sustainable business foundation. Moreover, the Group will focus its resources to build environment sustainable society.

Agenda

- 1. FY2020 Financial Results**
- 2. FY2021 Forecasts**
- 3. Mid-term Management Plan (FY2021-25)**

1 . FY2020 Financial Results

1-1 Sales and Profits

1-2 Balance Sheets

1-3 Cash Flows

1-1 Sales and Profits

YoY

- **Sales** : Decreased from the expansion of COVID-19 virus infection while demand for smart meters in Japan remains slow
- **OP** : Decrease in overseas profit exceeds increased profits in Japan from cost reduction efforts

Changes from initial forecasts

- **Sales** : Decreased from the expansion of COVID-19 virus infection in overseas
- **OP** : Increased from cost reduction efforts, higher utilization rate for production in Japan

(¥Mn)

	FY2019	FY2020 Initial Forecasts	FY2020	YoY	Changes from Initial Forecasts
Net Sales	90,069	80,000	76,255	-13,813	-3,744
Japan (*)	53,578	50,000	49,577	-4,001	-423
Overseas (*)	36,490	30,000	26,678	-9,812	-3,322
Operating income	3,691	1,500	2,684	-1,006	1,184
Smart meters & solutions in Japan	3,013	1,300	3,136	122	1,836
Smart meters & solutions overseas	440	0	-467	-907	-467
Others	210	200	6	-204	-194
Adjustments	27	-	9	-17	9
Ordinary Income	3,544	1,600	2,888	-656	1,288
Profit attributable to owners of parent	1,197	100	482	-714	382

*"Japan" describes Smart meters & solutions in Japan and others external sales, and "Overseas" describes the external sales of Smart meters & solutions overseas.

1-2 Balance Sheets

- Accounts receivable decreased due to lower sales caused by the impact from COVID-19 and the collection of accounts receivable in overseas.
- Inventories decreased due to curb procurement of parts and materials overseas
- Appropriation of increase in cash from improvement of operating CF to repayment of borrowings. (Net Cash: ¥0.4 billion ⇒ ¥10.4 billion)
- Capital Adequacy Ratio improved due to decrease in borrowings. (47.8% ⇒ 51.2%)

(¥Mn)

	2019	2020	Changes	Factors
Assets	97,962	90,989	-6,973	Accounts Receivable -4,175
Current Assets	56,980	53,090	-3,890	Inventory -4,835
Fixed Assets	40,981	37,898	-3,083	
Liabilities	39,324	32,101	-7,223	Total debt -5,739
Current Liabilities	25,934	18,962	-6,972	
Fixed Liabilities	13,390	13,139	-251	
Equity	58,637	58,887	+250	
Capital	46,790	46,614	-176	
Non-controlling	11,303	11,764	+461	
Others	544	509	-35	
Capital Adequacy Ratio	47.8%	51.2%	+3.5%	

- Operating cash flows improved significantly due to a decrease in accounts receivables and inventories

(¥Mn)

	FY2020
Income before income taxes and minority interests	2,530
(Increase) decrease in notes and accounts receivable	3,530
(Increase) decrease in inventories	4,265
Increase (decrease) in notes and accounts payable	-476
Others	653
Operating activities	10,503
Investing activities	-1,187
Increase (decrease) in short-term debts	-5,207
Cash dividends paid	-1,473
Others	-258
Financing activities	-6,939
Effect of exchange rate changes on cash and cash equivalents	-87
Cash and cash equivalents at beginning of year	12,366
Cash and cash equivalents at end of year	14,654

2. FY2021 Forecasts

2. FY2021 Forecasts

- **Japan** : Smart meters business expects tough environment with peak out of demand and severe pricing. Energy management services, smart locks are expected to see an increase in sales. Profits are expected to decline from lower utilization rates for production as well as an expected increase in SG&A expenses.
- **Global** : Both sales and profit are expected to increase, mainly due to steady growth in Oceania by providing high profit solution services, and an increase in shipments for the UK project.

(¥ Mn)

	2020 1H Results	2021 1H Forecasts	YoY	FY2020 Results	FY2021 Forecasts	YOY
Net Sales	35,734	39,000	3,265	76,255	83,000	6,744
Japan (*)	23,146	23,500	353	49,577	51,000	1,422
Overseas (*)	12,587	15,500	2,912	26,678	32,000	5,321
Operating income	767	800	32	2,684	3,500	815
Smart meters & solutions in Japan	948	400	-548	3,136	2,500	-636
Smart meters & solutions overseas	-224	400	624	-467	1,000	1,467
Others	43	0	-43	6	0	-6
Adjustments	0	-	-0	9	-	-9
Ordinary Income	744	700	-44	2,888	3,300	411
Profit attributable to owners of parent	-202	100	302	482	3,000	2,517

*"Japan" describes Smart meters & solutions in Japan and others external sales, and "Overseas" describes the external sales of Smart meters & solutions overseas.

3. Mid-term Management Plan

(FY2021-25)

3-1 Mid-term Targets

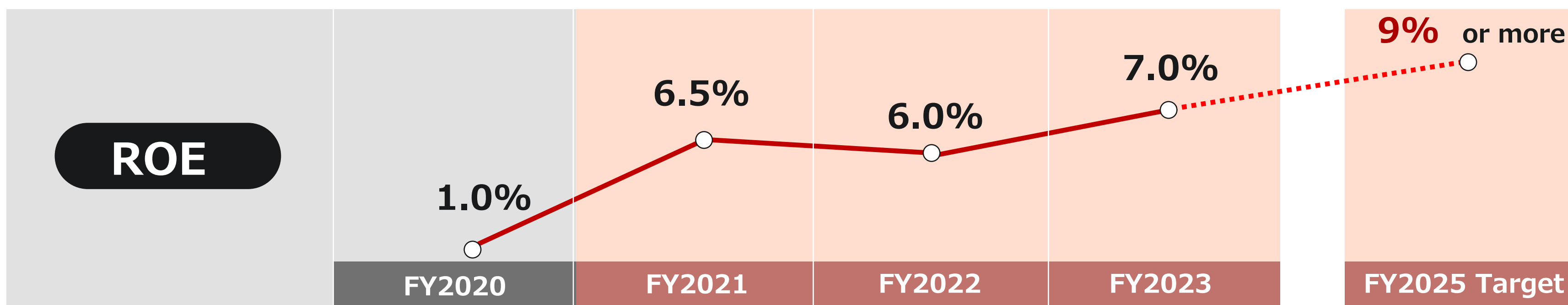
3-2 Expanding Profits in Global Businesses

3-3 Japanese Business

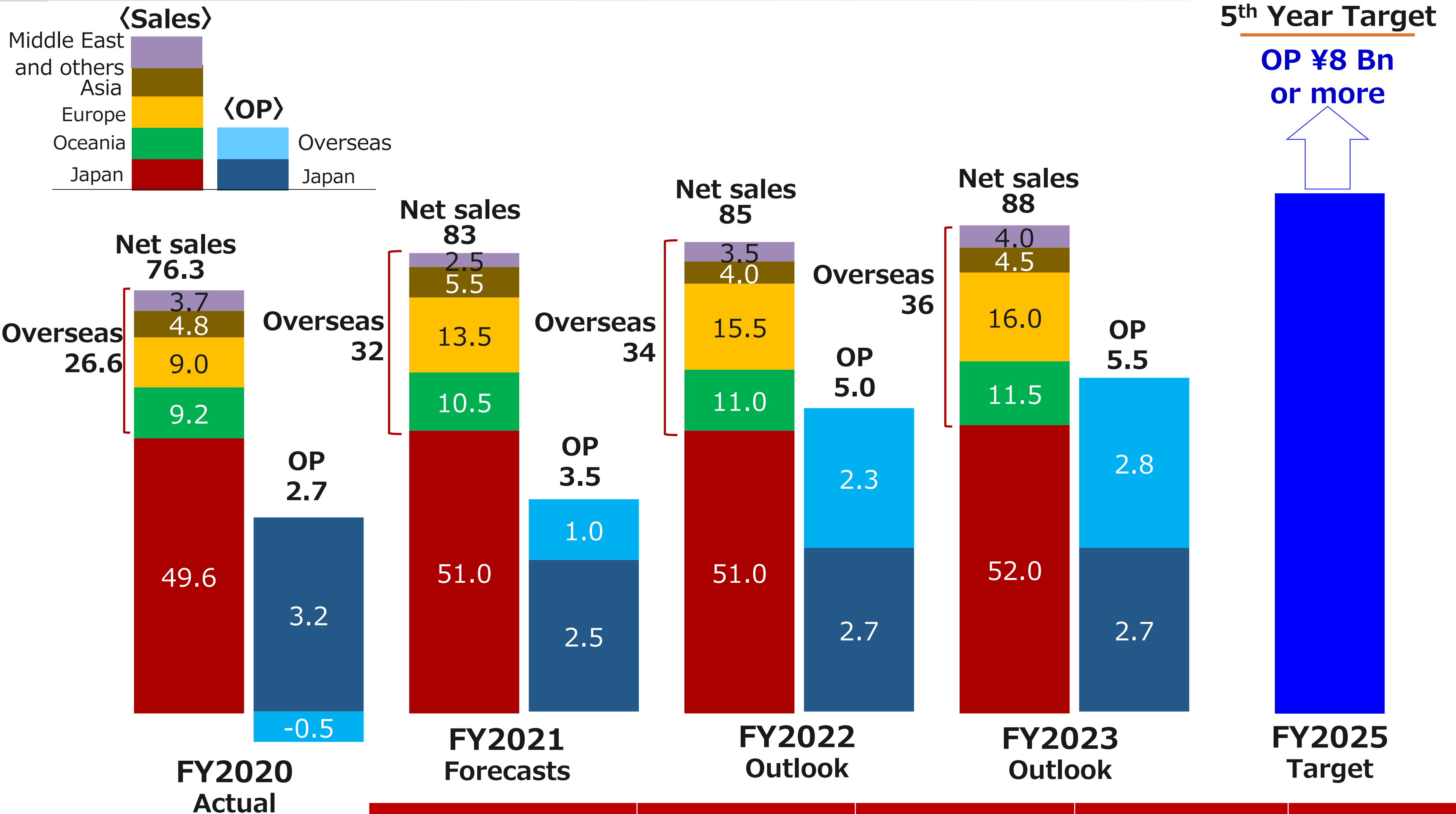
3-4 Building Resilient Group Operations

3-1-1 Mid-term Targets

	FY2020 Actual	FY2021 Forecasts	FY2022 Outlook	FY2023 Outlook	(¥Bn) FY2025 Mid-term Target
Net Sales	76.3	83.0	85.0	88.0	—
Operating income	2.7	3.5	5.0	5.5	8.0 or more
OP margin	3.5%	4.2%	5.9%	6.3%	—
Ordinary income	2.9	3.3	4.9	5.5	—
Net income	0.5	3.0	2.8	3.5	—
NP margin	0.6%	3.6%	3.3%	4.0%	—
ROE	1.0%	6.5%	6.0%	7.0%	— 9% or more
CAPEX	2.0	2.8	2.8	3.1	—
Depreciation	2.7	2.7	2.8	2.8	—
R&D Expenditures	2.9	3.4	3.5	3.6	—



3-1-2 Mid-term Targets by Region



	FY2020 actual	FY2021 forecasts	FY2022 outlook	FY2023 outlook
Overseas sales ratio	35%	39%	40%	41%
Overseas OP ratio	-%	29%	46%	51%

3-2-1 Expanding profits in global businesses

Improving profitability by expanding the area where meters and solutions are deployed

UK project

Meters,
Communication hubs
⇒high volume but
low margin

Asia, Middle East, Africa, Europe, etc.

Improving profitability by shifting to
meters and solutions

Oceania

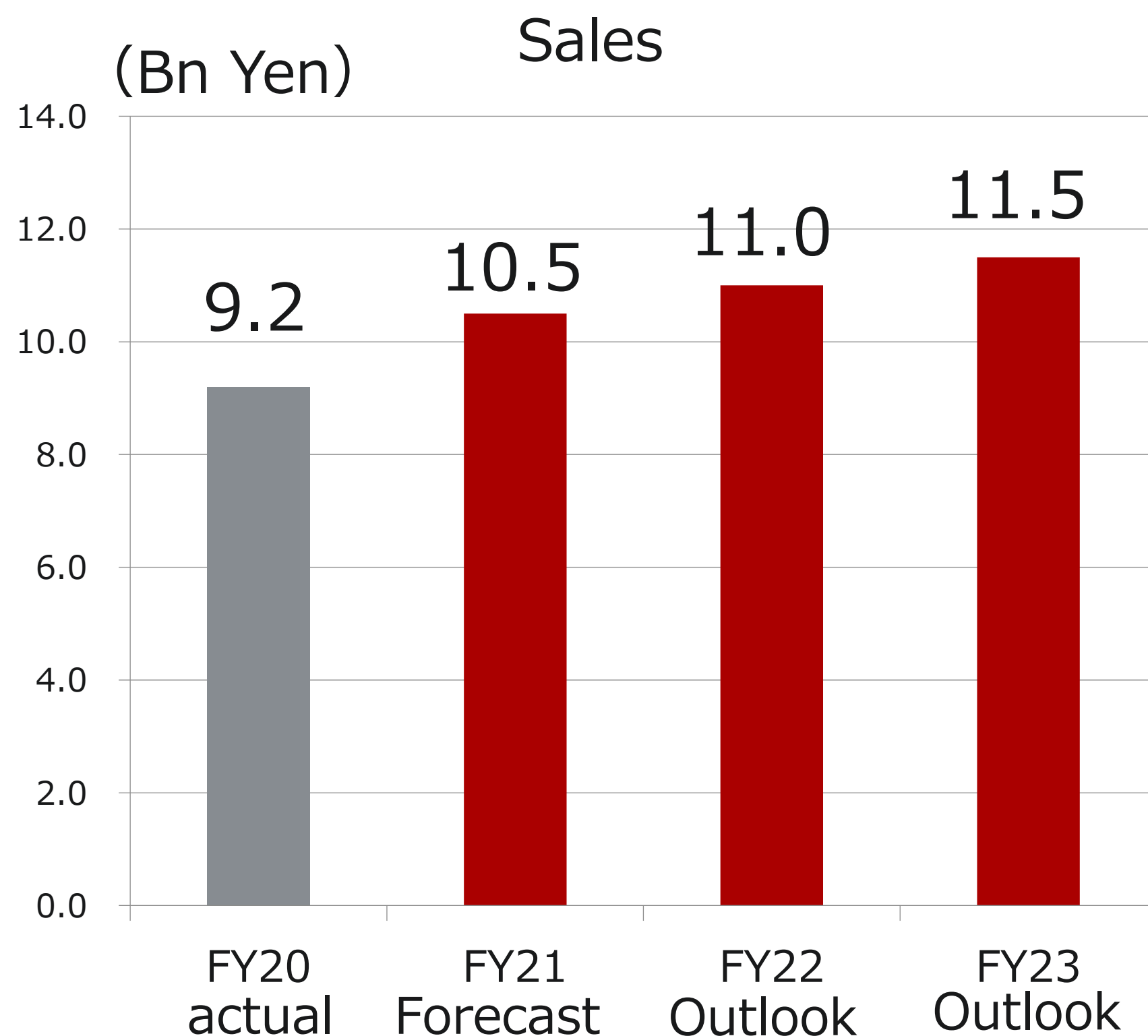
Developing meters
and solutions
⇒High margin

Key Actions

- Strengthening the development system for new hardware and software.
- Decentralization of production bases including BCP (Business Continuity Plan).

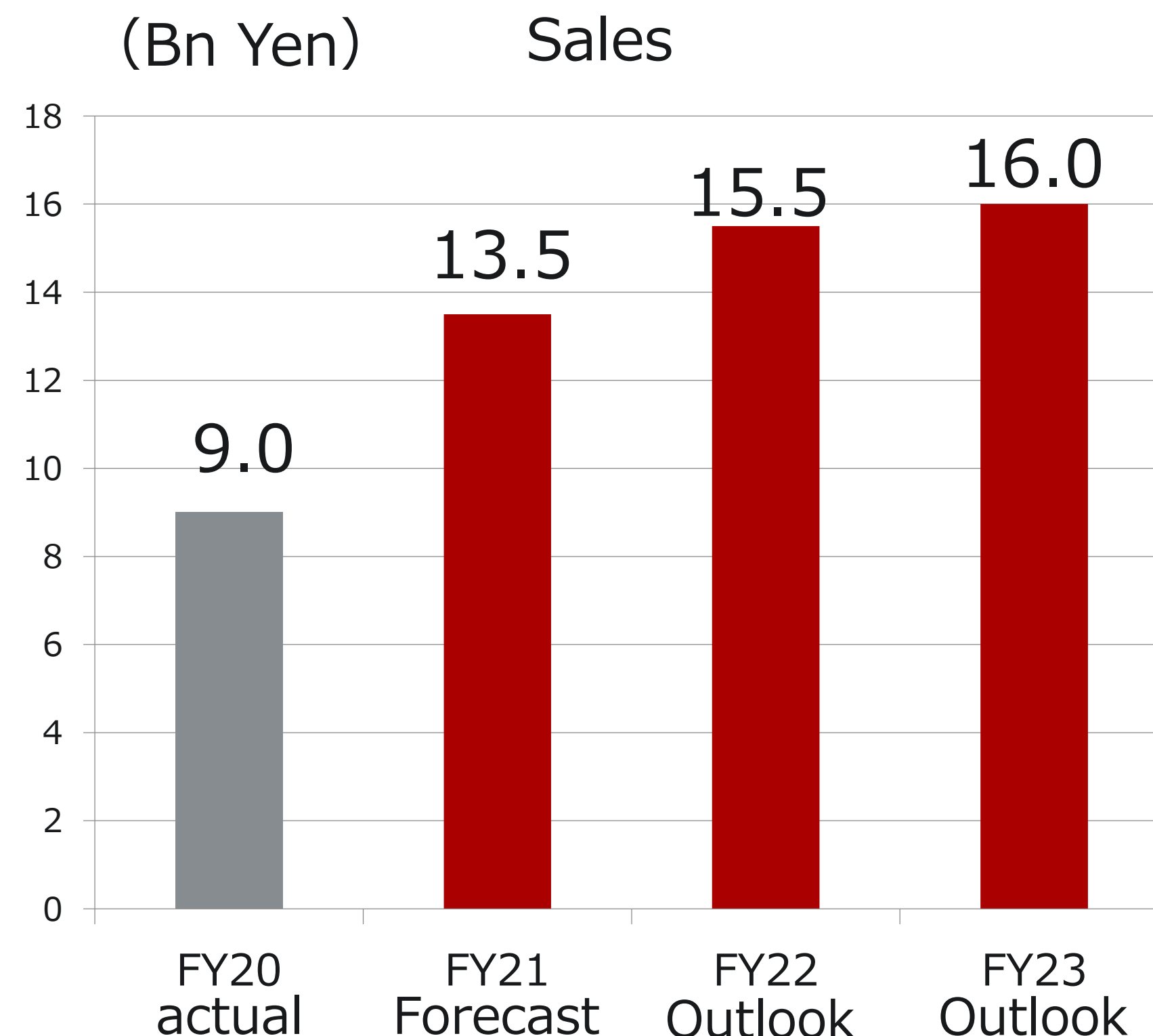
3-2-2 Expanding profits in global businesses

Oceania



- FY20: The effect of COVID-19 virus was limited. Steady expansion of business.
- FY21: Expect stable growth.
- Outlook: Stable growth by maintaining a high market share amid a diversified demand period within the region.

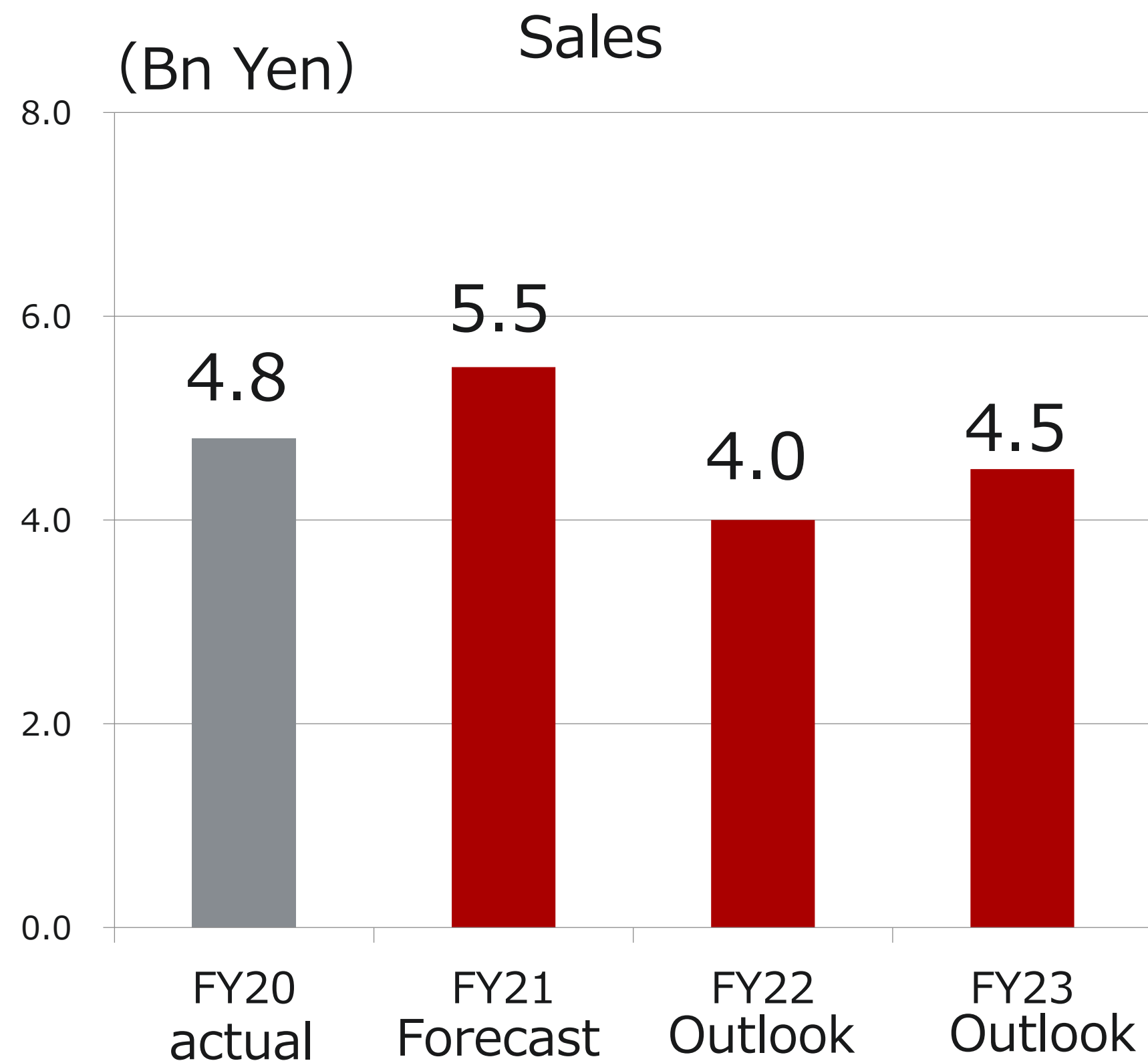
Europe (UK project)



- FY20: Smart meter installation temporarily stagnant due to city lockdowns.
- FY21: Gradually increase sales due to less effects of COVID-19 virus.
- Outlook: Expected stable sales trends until FY25.

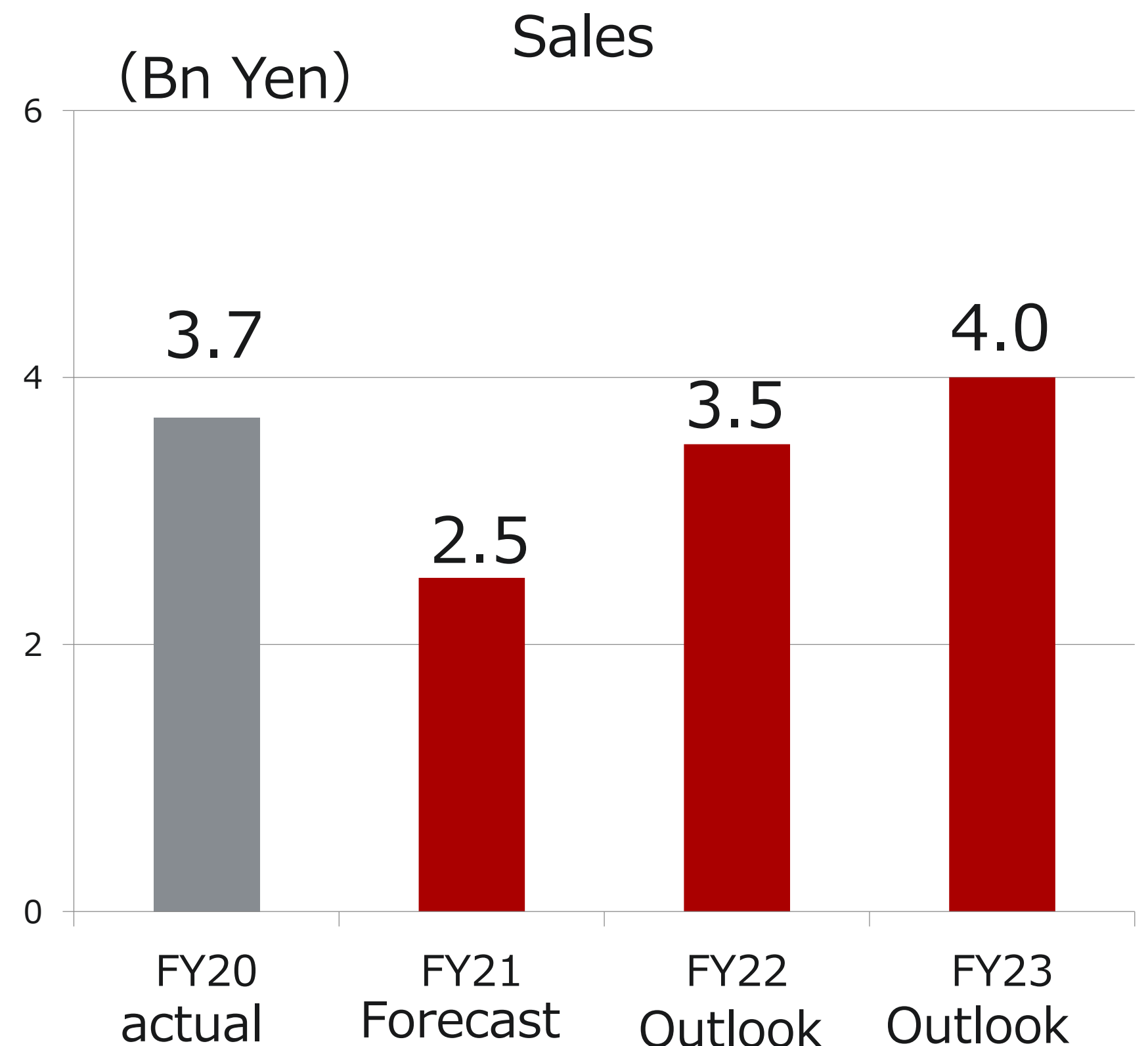
3-2-3 Expanding profits in global businesses

Asia



- FY20: Sales activities stagnated due to the spread of COVID-19 virus.
- FY21: Conservative sales forecast from continuous COVID-19 virus impact.
- Outlook: Declines temporarily in FY22 due to sale of subsidiary. Improving profitability by expanding solutions.

Middle East and others



- FY20: Delay of new projects due to the spread of COVID-19 virus.
- FY21: Conservative plans are set in an uncertain market environments.
- Outlook: Aiming for profit-oriented growth by expanding solutions.

3-2-4 Global businesses topics

Sale of overseas subsidiary

Company name : Quantum Automation Pte Ltd

Business : Development, integration and maintenance of building automation systems in Singapore

Transfer price : U.S. dollar equivalent to 4 billion yen

Gain on sale : 1.68 billion yen

(The extraordinary gain may differ depending on such factor as a change in the exchange rate.)

Schedule of stock transfer : September 30, 2021 (planned)

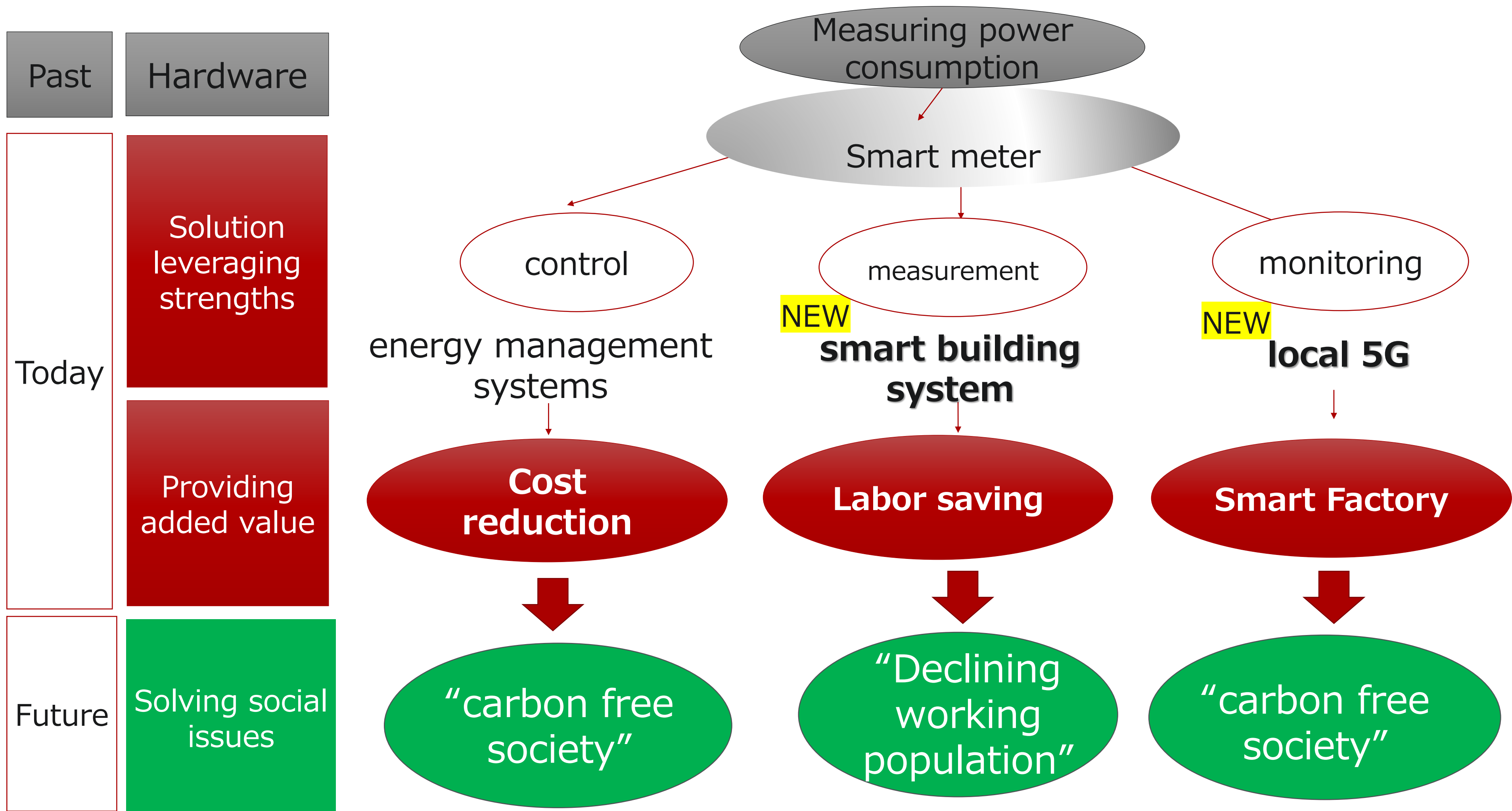
Company of the transferee : Tottech Corporation

⇒Osaki Group will concentrate its overseas management resources on the meter and solutions business, the core business, to maximize the enterprise value in global markets.

3-3-1 Japanese Business

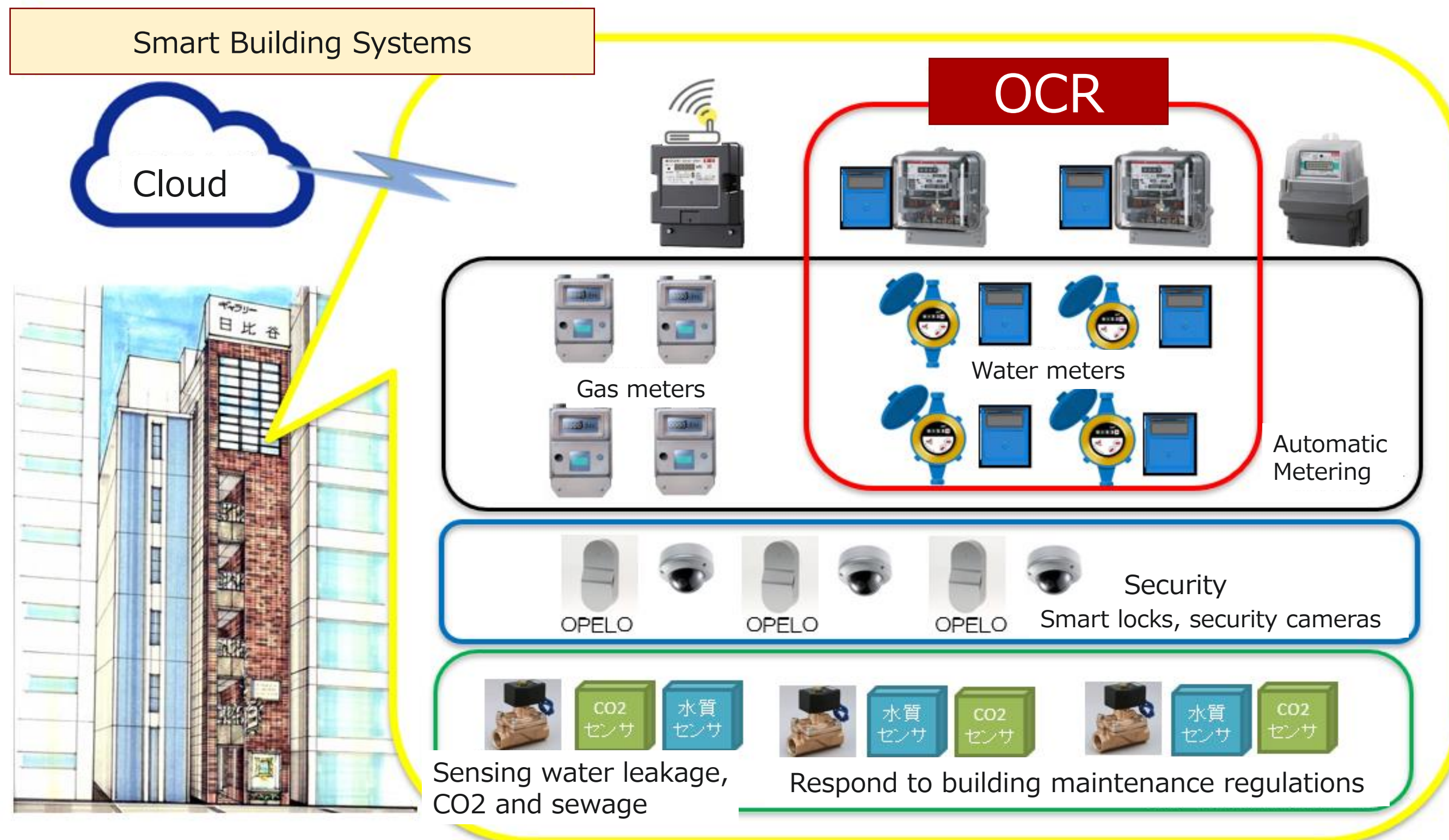
① Developing value-added smart meters and expanding energy solutions

Deliver solutions for social issues



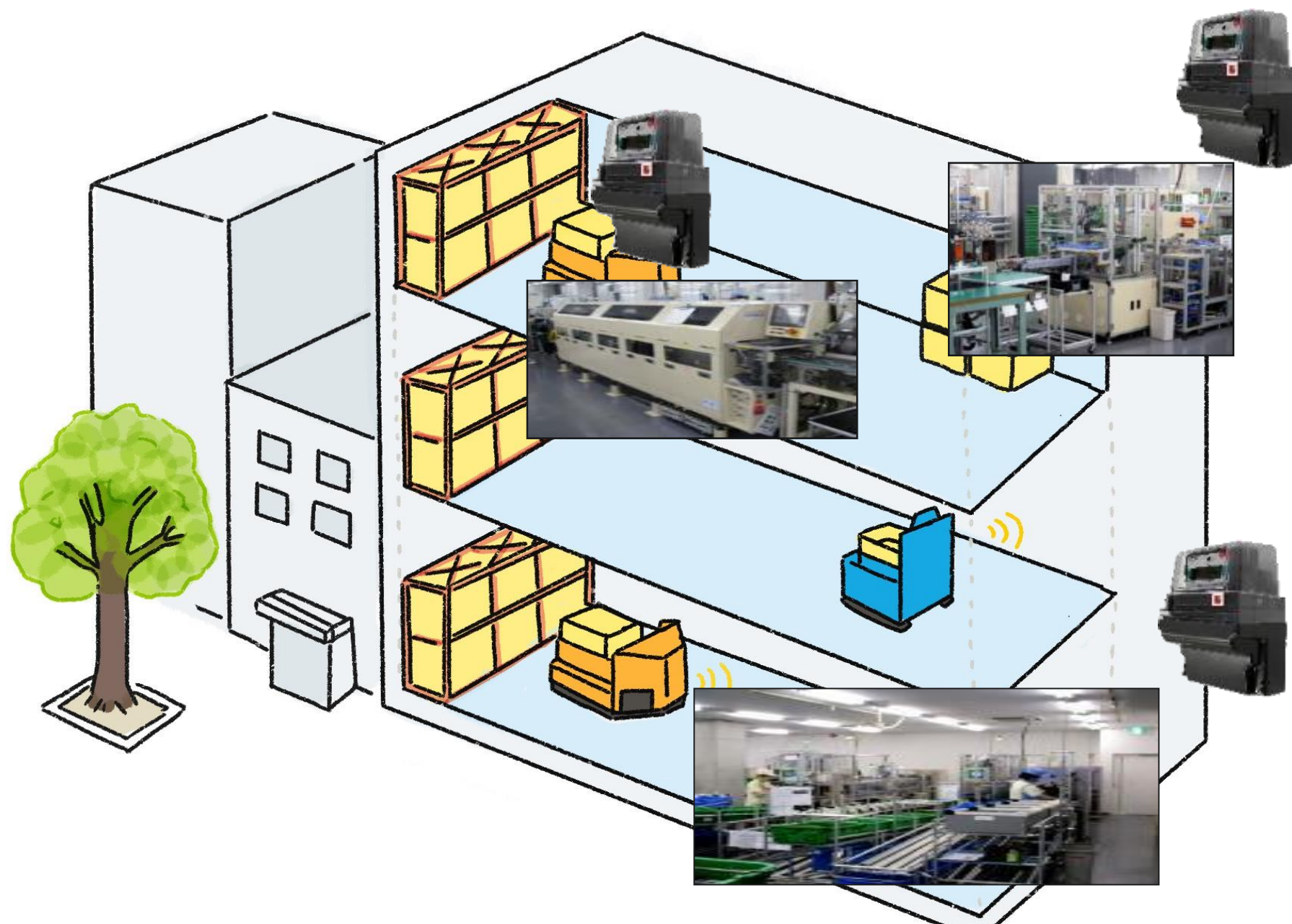
3-3-2 Japanese Business e.g.) smart building system

- Providing a total solution system managing buildings remotely and automatically
 - Providing the total solution including "Smart metering", "Energy management", "smart locks", etc.
 - Achieves remote meter reading of mechanical meters and water meters with OCR meter reading
- Contribute to streamlining management operations by making buildings smarter, and responding to "declining working population"



3-3-3 Japanese Business e.g.) local 5G demonstration experiment

- Network optimization in the factory
 - Utilizing local 5G, an IoT communication standard, as an in-factory network
 - Verify possibility as an added value of next-generation smart meters
- Initiatives for smart factories
 - Reduce manpower and increase production through facility monitoring using smart meters to detect failures, and automated transport by automated guided vehicles (AVG).
 - Contributing to "carbon free" of the entire factory by visualizing and controlling the power consumption and CO2 emissions of each facility



Demonstration experiment :

- Automation Transportation Using Unmanned Carriers (AGVs) Using Local 5G Networks
- Achieving AGV Movement Between Floors
- Initiatives through collaboration with Trust Smith and ABIT

② Developing new products and services

■ Developing solution services aiming to solving social issues

- Deliver solutions to drive "non-contact" and "non-face-to-face" services in preventing the spread of COVID-19 virus.
- Deliver solutions for carbon free society

Service example

- Using smart locks for rental property viewing without property agents attending
- Smart entrance for after-school care facilities, etc.

Actively collaborate with external partners (NEXT 100teX Lab, etc.)

■ Launching new businesses by effectively utilizing the Group's infrastructures

⇒ Effective use of land and buildings of group companies

- Strengthen corporate governance and risk management
- Elevate financial soundness
- Build strong teams by training and allocation
- Strengthening efforts for SDGs activities



Global Energy Solution Leader

Providing tomorrow's energy solution for a better society

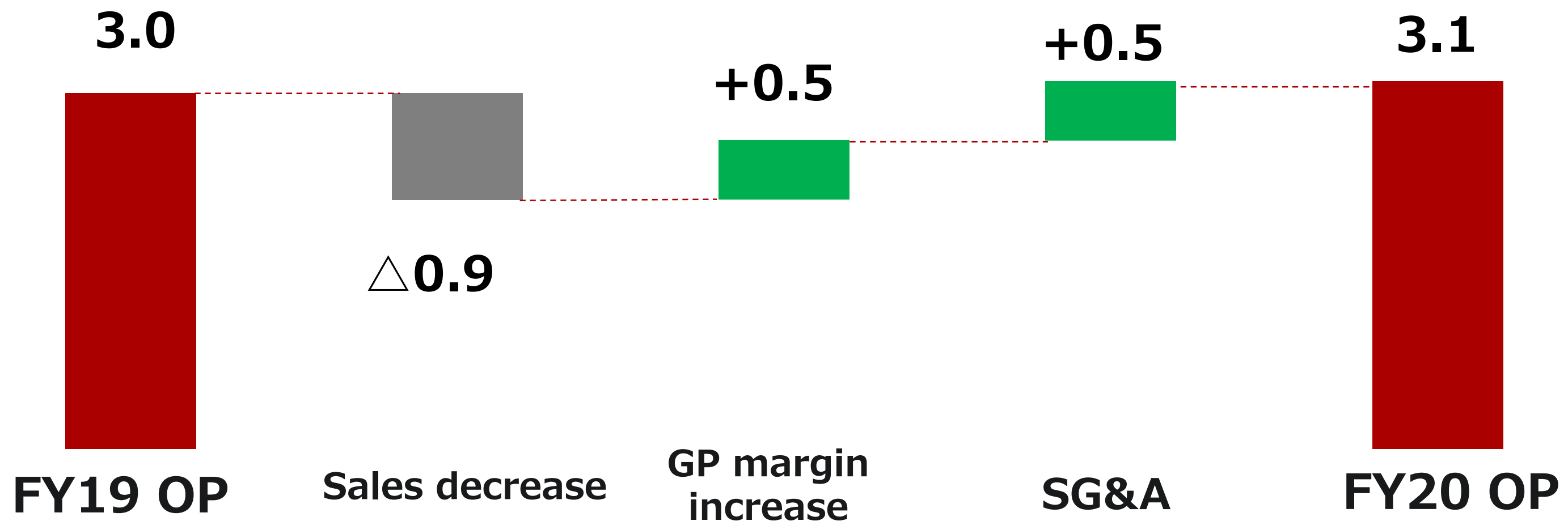
Appendix

- Financial data
- Market data
- ESG Measures
- Shareholders Return Policy

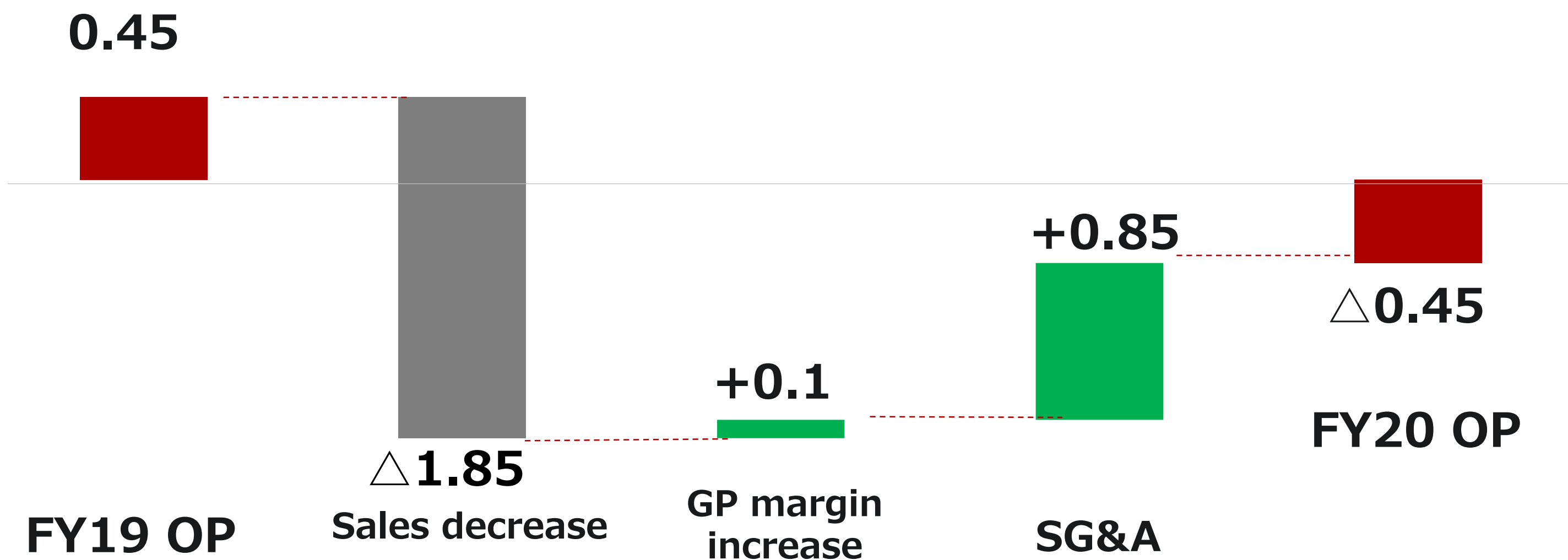
FY2020 Operating Profit Change (YoY)

Smart meters & solutions in Japan

(¥Bn)



Smart meters & solutions overseas



Sales by Region (Excluding intercompany sales)

(¥Mn)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2020 Forecasts
Japan	63,236	59,927	57,735	53,475	49,641	51,000
Overseas	22,923	18,852	24,353	36,593	26,614	32,000
Oceania	9,110	7,807	9,522	9,422	9,154	10,500
Europe	5,248	3,858	4,449	9,558	8,952	13,500
Asia	7,431	6,168	7,086	8,841	4,803	5,500
Middle East, Others	1,133	1,017	3,295	8,770	3,703	2,500
Consolidated Net Sales	86,159	78,780	82,089	90,069	76,255	83,000
Overseas Sales Ratio	26.6%	23.9%	29.7%	40.6%	34.9%	38.6%

* Figures from Annual Report.

Sales by product and service

(Excluding intercompany sales)

Smart meters & solutions in Japan

(¥Mn)

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Meters	25,559	34,973	31,947	31,149	27,136	22,811
Monitor Control	2,665	2,605	2,585	2,856	3,055	3,565
Switchgears	8,208	8,066	7,144	7,097	7,847	7,725
VCTs	3,965	4,400	4,925	4,772	4,767	4,094
Others (adjustments)	12,977	12,206	11,694	10,374	9,012	9,972
Total	53,376	62,252	58,296	56,251	51,819	48,169

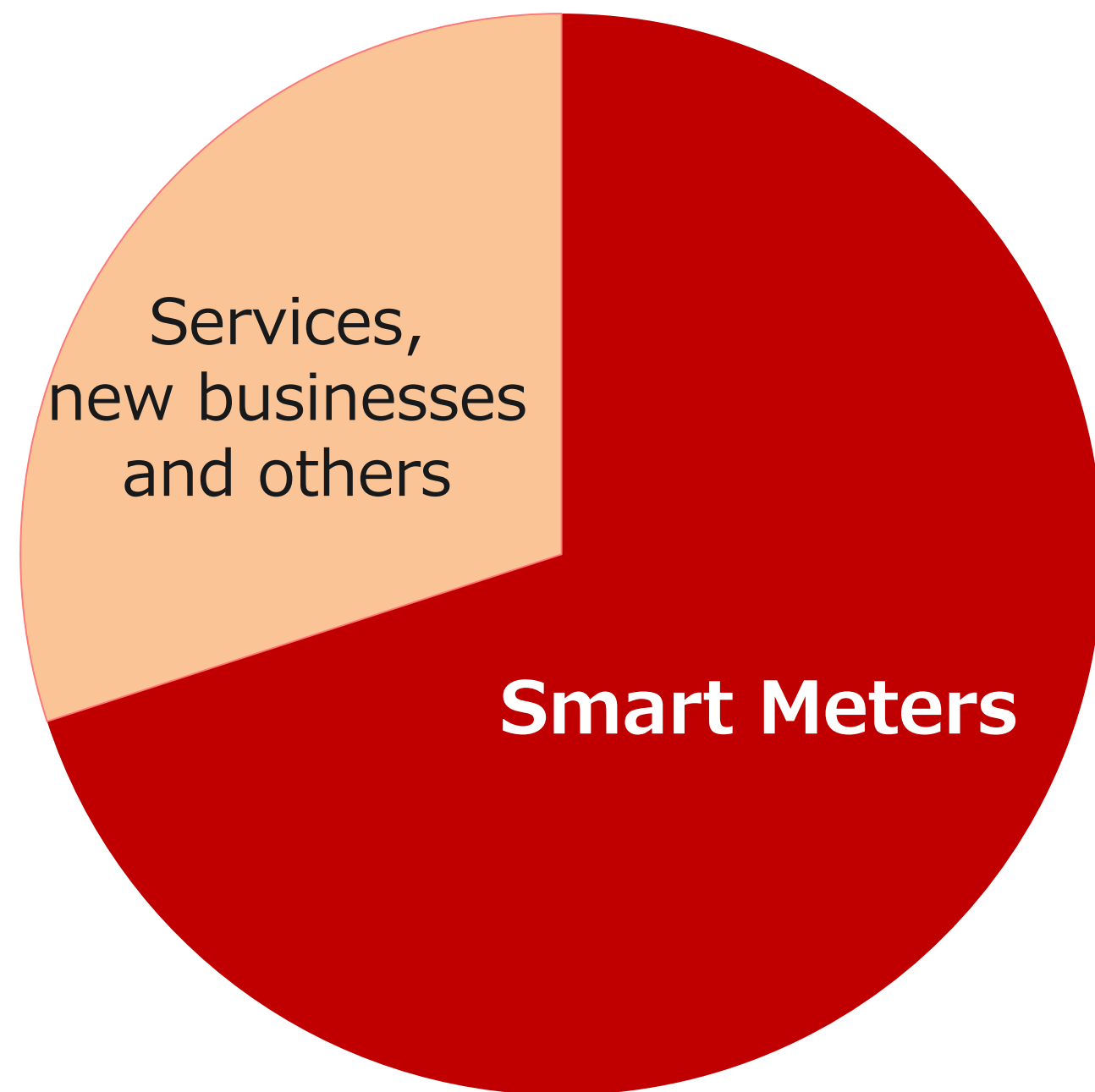
*Referential figures based on managerial accounting

Smart meters & solutions overseas

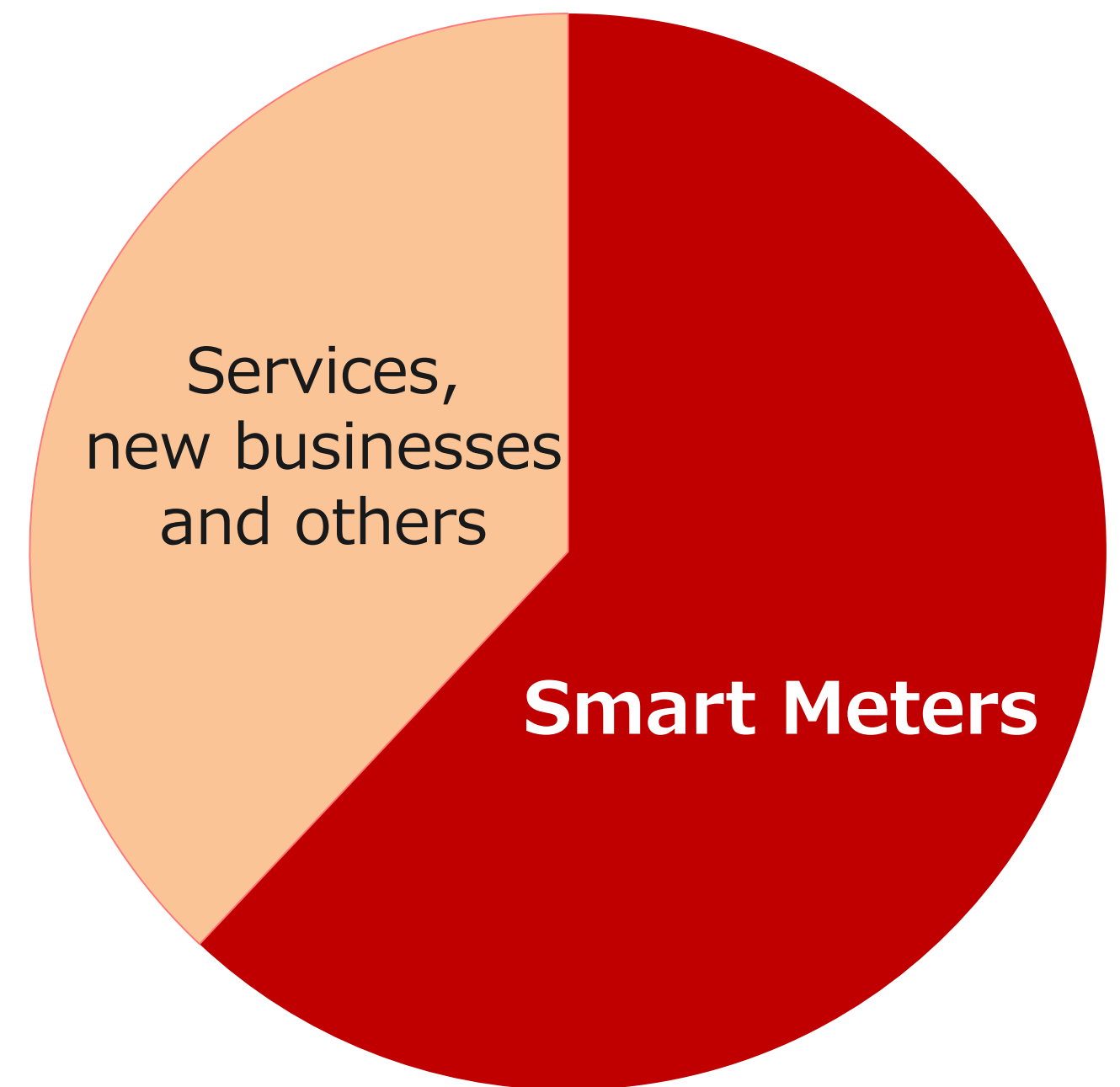
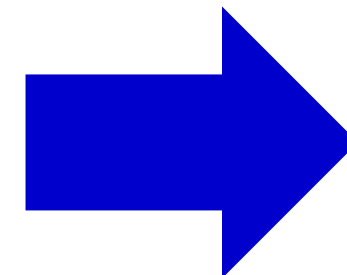
(¥Mn)

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Meters	13,261	14,618	11,489	14,652	25,263	18,248
Monitor Control	6,781	8,092	7,132	9,299	11,226	8,429
Total	20,043	22,710	18,621	23,952	36,490	26,678

*Referential figures based on managerial accounting

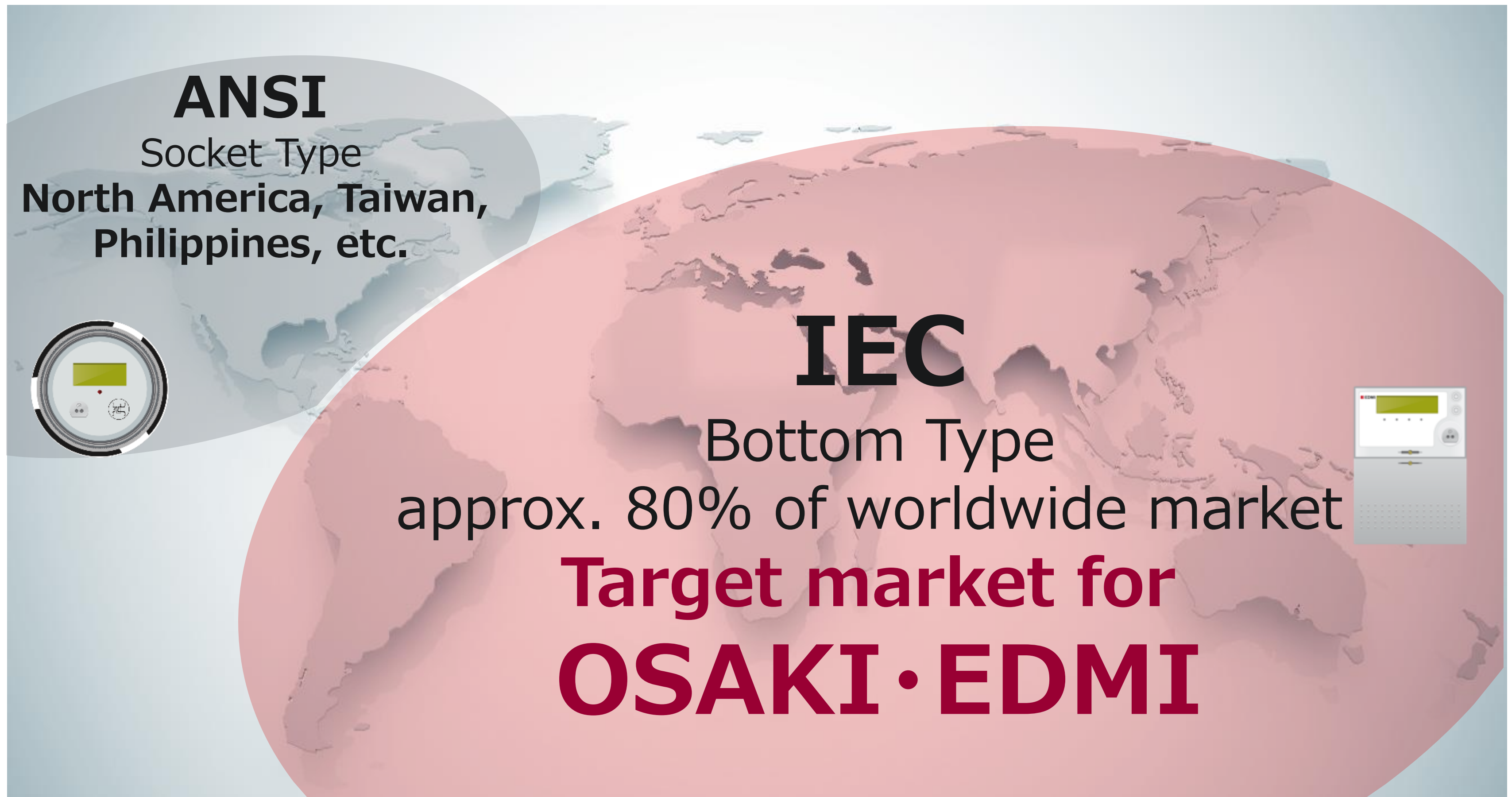


FY2020 Results: ¥49.6 Bn




FY2023 Target: ¥52.0 Bn

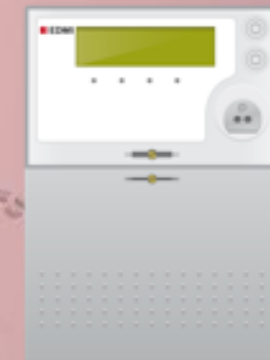
Types of electric meter standards



ANSI
Socket Type
North America, Taiwan,
Philippines, etc.



IEC
Bottom Type
approx. 80% of worldwide market
**Target market for
OSAKI · EDM I**



Environment

Environment-conscious operations

CO2 reduction Measures

Products and services for CO2 reduction

Provide products and services for optimal energy management in and out of Japan

Environment-friendly Group

Waste reduction

Environment-friendly products
Reduce waste, increase recycling
Reduce chemical material waste

Social

Socially responsible operations

Technology

Safer and more secure society with metering solutions technologies

Create new values by applying AI and IoT technologies for various services for safer and more secure society

Diversity

Co-working in a diversified pool of people

Create new values in collaboration with people across all borders of nationalities, organizations, etc.

Governance supporting E & S

Governance

Elevate corporate value and minimize risks

Management

Board effectiveness

Evaluate board effectiveness every year
➔ continual efforts to elevate governance

Supervision

Advisory committees
Executive officer system

Set the committees for appointment and compensation
Appoint an outside board as Chairman.
Majority are outside members
➔ Attain fairness, objectivity and transparency
Introduction of executive officer system in June 2020
➔ Ratio of Independent Directors: 29%

OSAKI Group Statement for the Modern Slavery Act

OSAKI updated the Group Statement for the Modern Slavery Act in UK and Australia on May 27th, 2021.

- The Osaki Group supports and respects international codes of human rights, including the United Nations International Bill of Human, the United Nations Global Compact, and the ILO Declaration on Fundamental Principles and Rights at Work
- Osaki Electric Co., Ltd. is committed to ensuring that we do not violate human rights and that we are not complicit in the violation of human rights through the company and its group companies (hereinafter “Osaki Group”) or our supply chains.
- We do not allow any violation of human rights such as modern slavery or human trafficking, either directly or indirectly, in the business conducted by the Osaki Group.

Initiatives

- Establishment of a Human Rights Risk Monitoring System
- Thorough dissemination of Group Compliance rules and early detection and correction of problems through the whistle blowing
- Strengthen management of human rights risk in internal audits
- Formulation of Basic Procurement Policy that incorporates human rights compliance
- Employee training and workshops

Link destination : [Statement Regarding the Modern Slavery Act in UK and Australia \(FY2020\)](#)

"Sotokoto" article publication

ソトコト広報室 2021.05.21

電気メーターを通じて生活をより豊かに。懸命にそして楽しく新たな可能性を模索する大崎電気工業。



In collaboration with the SDGs online media “Sotokoto”, launched article series to promote Osaki Electric's idea of a prosperous society using electricity.

Click here for article reference (in Japanese only)

[ソトコト広報室](#)

Dividend Policy

- Provide dividends in accordance with financial performance
- In principle, providing either the higher of DOE (Dividend on Equity Ratio) of 2% or Pay out ratio of 30%

		FY2017	FY2018	FY2019	FY2020	FY2021 Forecast
Dividend per share	Interim / year-end	10 / 10	10 / 10	10 / 10	10 / 10	10 / 10
	Annum	20	20	20	20	20
Total dividend paid	Annum	976 Mn	978 Mn	978 Mn	980 Mn	
Pay out ratio	Annum	36.6%	54.1%	81.7%	203.3%	32.7%
DOE	Annum	2.3%	2.2%	2.2%	2.2%	2.2%

Policy on Share Buy-back

- Placing higher capital efficiency as priority, consider the share buy-back option while taking factors such as cash on hands, working capital, financial performance and stock price trend, and investment opportunities into consideration

OSAKI ELECTRIC CO., LTD.

TSE 1st Section

Code: 6644

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