

Financial Results for First Half FY2023

(Six months ended September 30, 2023)

November 20, 2023

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President and COO**

OSAKI ELECTRIC CO., LTD.

1. FY2023 2Q Results: Sales 44.2B yen, Operating Income 2.3B yen

	Japan	Overseas	Consolidated
YoY	Increased sales and profits Increased smart meters Sales. Temporary changes in product mix	Increased sales and profits Upturn in the materials procurement environment	Sales (+4.6B) OP (+1.8B)
Vs. Initial targets	Increased sales and profits Increased smart meters Sales. Changes in product mix and cost reductions	In line with initial plan	Sales (+1.2B) OP (+1.4B)

2. FY2023 Forecast: Sales 93.5B yen, Operating Income 4.3B yen

	Japan	Overseas	Consolidated
YoY	Decrease in sales and profits Smart meters are at a trough in demand. Rising prices of raw materials	Increase in sales and profits Upturn in the materials procurement environment	Sales (+4.2B) OP (+2.1B)
Vs. Initial targets	Increase in sales and profits Sales of smart meters increased. Changes in product mix	Increase in sales and profits Higher sales value due to the depreciation of the yen. Cost reduction	Sales (+5.5B) OP (+1.5B)

3. FY2024 Outlook

- Japan : Strengthen R&D and manufacturing organization, expand solutions
- Overseas : Improve profitability by expanding sales of smart meters and its HES (Head-end-system) solution

Agenda

- 1. 1H FY2023 Financial Results**
- 2. FY2023 Forecast**
- 3. FY2024 Outlook**
- 4. Capital Policy**

1. 1H FY2023 Financial Results

1-1 Sales and Profits

1-2 Balance Sheet

1-3 Cash Flows

1-1-1 Sales and Profits

YoY

■ Sales : Overall increase

- Increased in Japan due to steady growth in the Smart Meter Business
- Increased in overseas due to upturn in the materials procurement environment

■ Operating Income : Overall increase

- Increased in Japan due to sales increase and temporary changes in the product mix
- Increased in overseas due to settling of materials prices

Vs. Initial targets

■ Overseas sales and profits were in line with the initial plan.

Higher sales and profits resulted from higher sales for Japan in the Smart Meter Business, changes in product mix, and cost reductions.

(¥Mn)

	FY2022 1H Actual	FY2023 1H Initial Forecast	FY2023 1H Actual	YoY	Change from Initial Forecast	FY2023 Forecast
Net Sales	39,562	43,000	44,174	4,612	1,174	93,500
Operating Income	535	900	2,325	1,790	1,425	4,300
Ordinary Income	348	700	2,415	2,067	1,715	4,200
Profit attributable to owners of parent	1,041	200	1,356	315	1,156	1,900

1-1-2 Results by Segments

(¥Mn)

	FY2022 1H Results	FY 2023 1H Actual	YoY
Net Sales	39,562	44,174	4,612
Smart Meters & Solutions in Japan	24,265	25,012	746
Smart Meters & Solutions Overseas	14,307	18,927	4,620
Others	989	235	-754
Operating Income	535	2,325	1,790
Smart Meters & Solutions in Japan	1,163	1,903	739
Smart Meters & Solutions Overseas	-777	276	1,053
Others	150	157	6
Adjustments	-1	-10	-9

*Others include Production Equipment (sold in FY2022 2Q) and Real Estate businesses

1-2 Balance Sheet

- Decrease in Accounts Receivables due to collections both in Japan and overseas.
- Increase in Inventory due to forward build-up in preparation for future shipments both in Japan and overseas, increase for overseas caused by depreciation of Yen.
- Net Cash: 4.5B yen, Capital Adequacy Ratio: 51.3%

(¥Mn)

	March 31st, 2023	September 30th, 2023	Changes	Factors
Assets	93,268	93,307	+39	Accounts Receivable -3,348
Current Assets	56,618	54,538	-2,079	Cash -3,968
Fixed Assets	36,649	38,769	+2,119	Inventory +5,040
Liabilities	34,638	33,012	-1,626	Accounts Payable -1,384
Current Liabilities	25,008	22,590	-2,417	Borrowing -225
Fixed Liabilities	9,630	10,421	+791	
Equity	58,629	60,295	+1,665	
Capital	45,933	47,894	+1,960	
Non-controlling	12,228	11,933	-295	
Others	466	466	—	
Capital Adequacy Ratio	49.2%	51.3%	2.1%	

1-3 Cash Flows

- Cash flow from operating activities was 0.5B yen with a temporary increase in inventories.

Free cash flow \triangle 1.1B yen

(¥Mn)

	FY2023 1H
Income before income taxes and minority interests	2,400
(Increase) decrease in notes and accounts receivable	4,008
(Increase) decrease in inventories	-4,114
Increase (decrease) in notes and accounts payable	-1,621
Others	-137
Operating activities	535
Purchase of property, plant and equipment	-614
Expenses from derivative transactions	-1,006
Others	-20
Investing activities	-1,640
Increase (decrease) in short-term debts	-684
Dividends paid	-1,083
Others	-128
Financing activities	-1,896
Effect of exchange rate changes on cash and cash equivalents	50
Cash and cash equivalents at beginning of year	12,718
Cash and cash equivalents at end of 1H	9,766

2. FY2023 Forecast

2-1 FY2023 Forecast

- Based on the latest trends, the company has revised its full-year forecast.

(¥Mn)

	FY2023 1H	YoY	FY2023 2H	YoY	FY2023		YoY	Change from Initial Forecast
	Actual		Forecast		Initial Forecast	Revised Forecast		
Net Sales	44,174	4,612	49,326	-364	88,000	93,500	4,247	5,500
Operating Income	2,325	1,790	1,975	284	2,800	4,300	2,074	1,500
Ordinary Income	2,415	2,067	1,785	249	2,400	4,200	2,315	1,800
Profit attributable to owners of parent	1,356	315	544	267	1,000	1,900	581	900

2-2 FY2023 Forecast by Segment

■ **YoY** : Japan: Smart meter sales decreased due to trough in demand.
Profits are expected to decrease due to lower sales and higher raw material costs.

Overseas: Sales increased due to upturn in the materials procurement environment, mainly in Europe.
In addition to sales increase, profits are expected to increase due to setting of component prices.

■ Vs. Initial Forecast :

Japan: Sales increased due to smart meter business and profit increased due to changes in the product mix.

Overseas: Sales increased due to depreciation of yen.

Profits are forecast to rise due to stabilization of depreciation of GBP pound and cost reductions. (¥Mn)

	FY2022 1H Actual	FY2023 1H Actual	YoY	FY2022 Actual	FY2023 Initial Forecast	FY2023 Forecast*	YoY	Change from Initial Forecast
Net Sales	39,562	44,174	4,612	89,253	88,000	93,500	4,247	5,500
Smart meters & solutions in Japan	24,276	25,022	745	54,427	50,500	53,000	-1,427	2,500
Smart meters & solutions overseas	14,647	19,559	4,912	34,613	38,000	41,000	6,387	3,000
Others	1,044	287	-756	1,333	600	600	-733	—
Adjustments	-405	-695	-289	-1,121	-1,100	-1,100	21	—
Operating Income	535	2,325	1,790	2,226	2,800	4,300	2,074	1,500
Smart meters & solutions in Japan	1,163	1,903	739	3,816	1,900	3,000	-816	1,100
Smart meters & solutions overseas	-777	276	1,053	-1,886	600	1,000	2,886	400
Others	150	157	6	304	300	300	-4	—
Adjustments	-1	-10	-9	-7	—	—	7	—

* Announced on November 7th

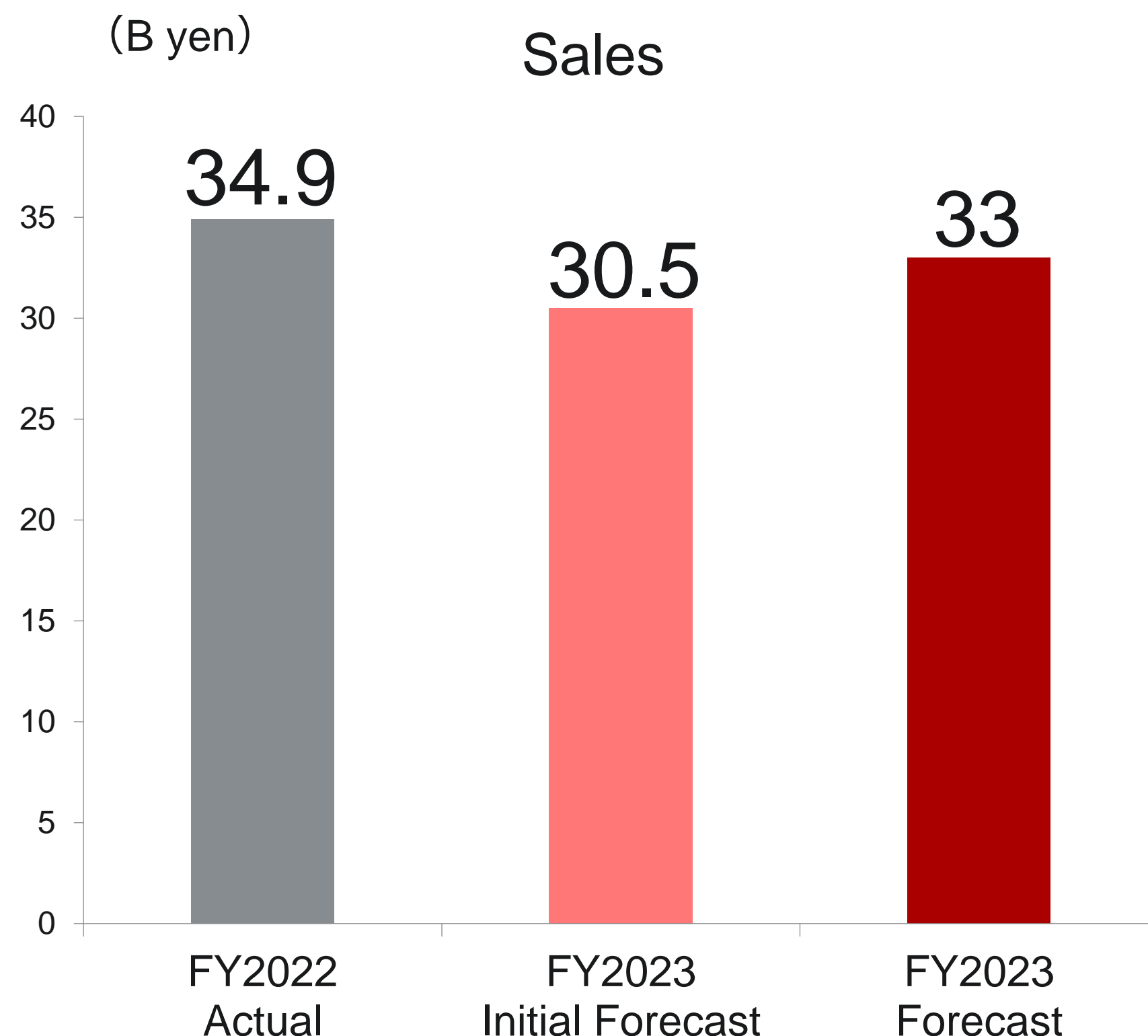
3. FY2024 Outlook

3-1 Japan Business

3-2 Overseas Business

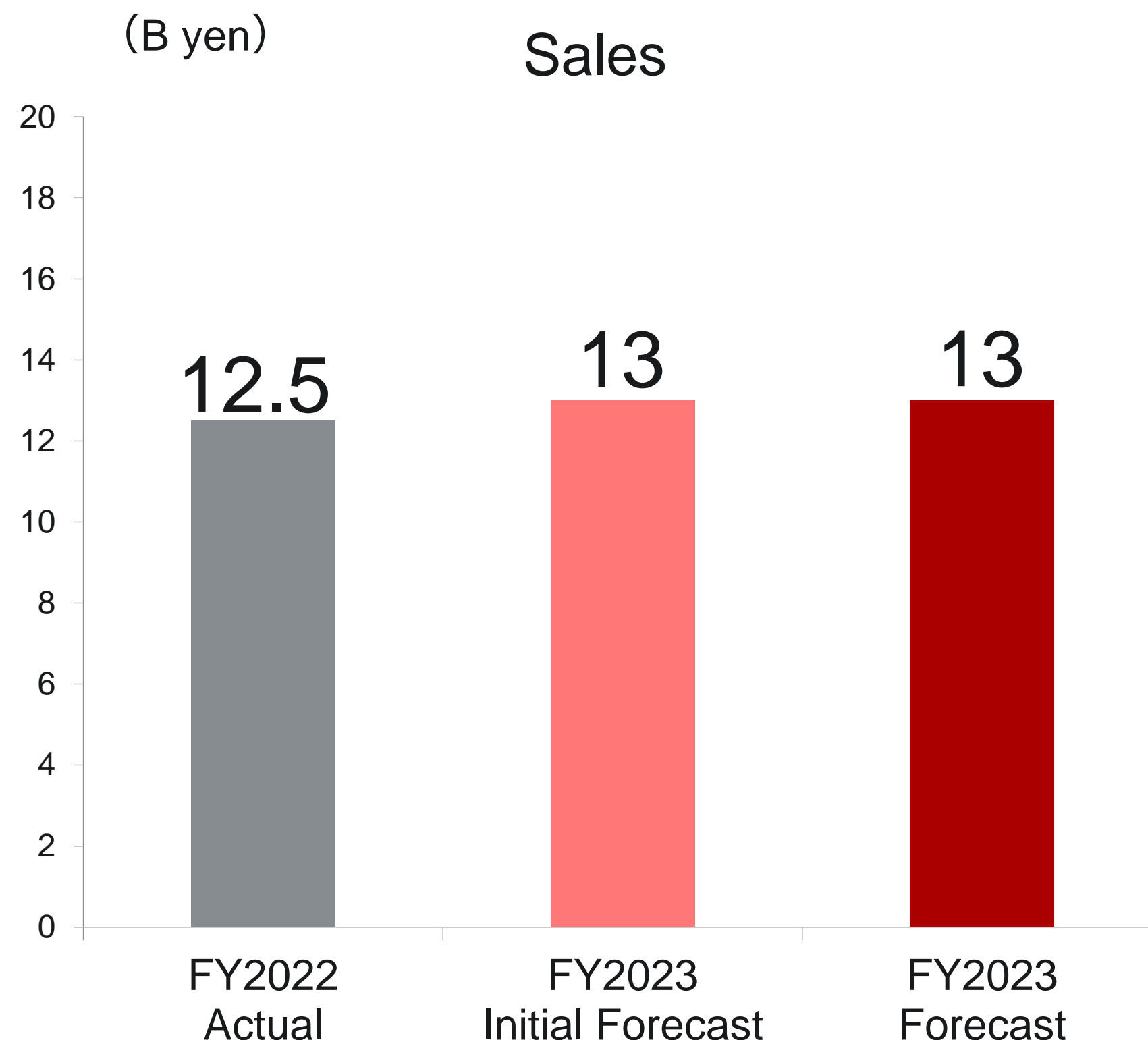
3-1 Japan Business

Smart Meter Business



- YoY :
Decrease due to trough in demand
- Vs. Initial Forecast:
Increase
- FY2024 Outlook :
Strengthen organization for development and manufacturing of next generation smart meters

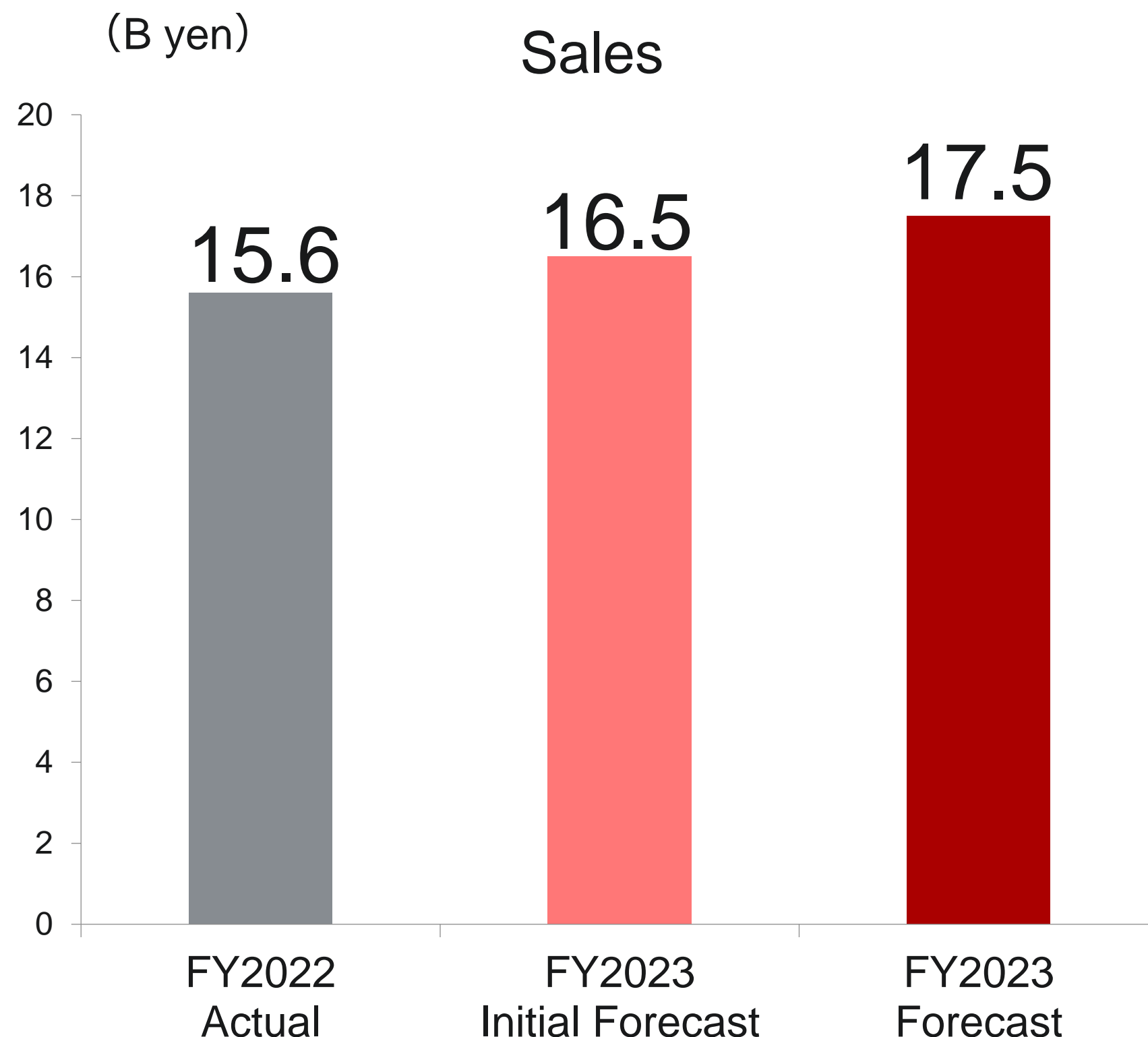
Solution Business



- YoY :
Increase in the Energy Solutions and Smart Lock Businesses
- Vs. Initial Forecast:
In line with initial plan
- FY2024 Outlook :
Expand Energy Solutions and Smart Lock

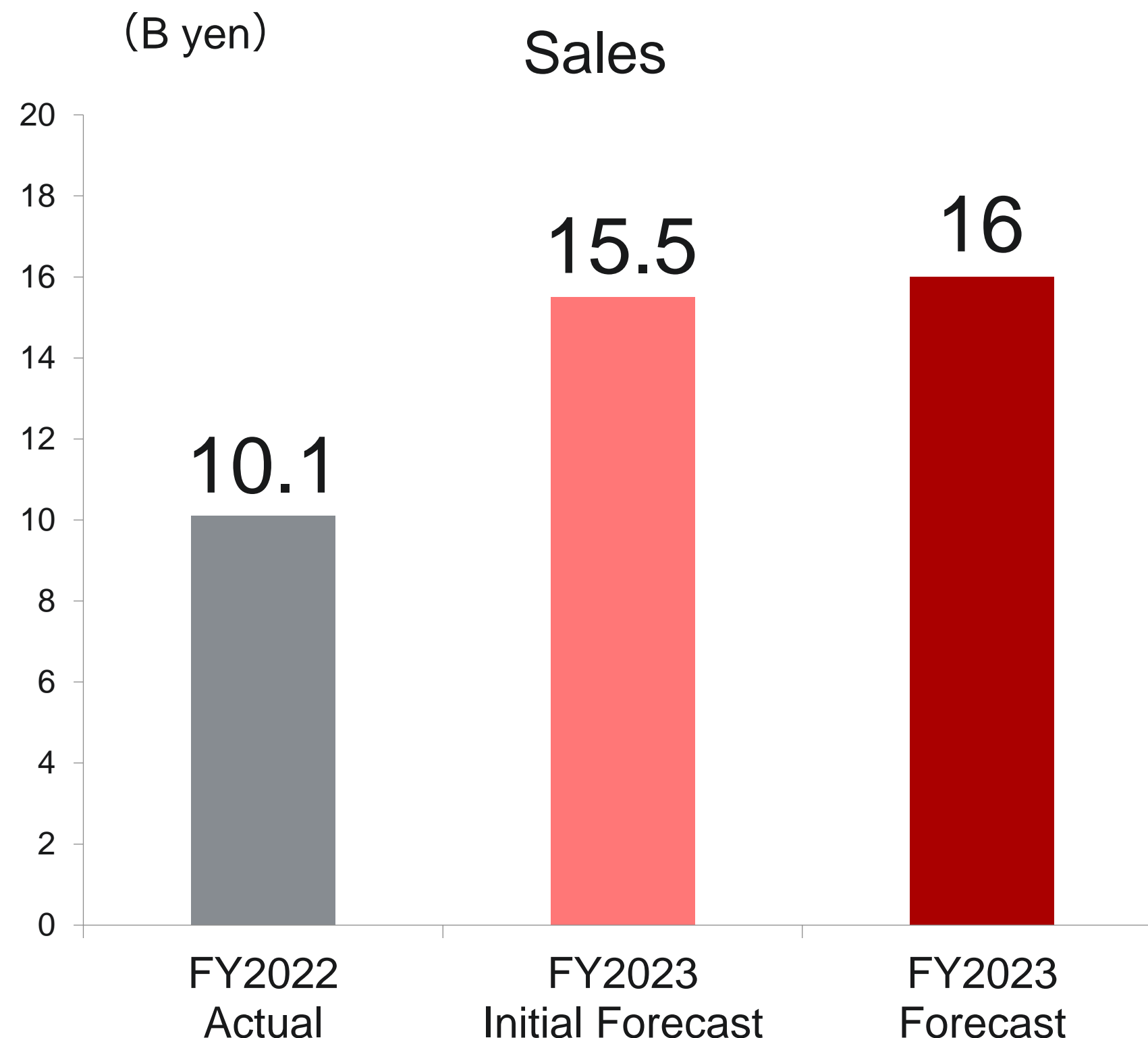
3-2-1 Overseas Business (Oceania, Europe)

Oceania



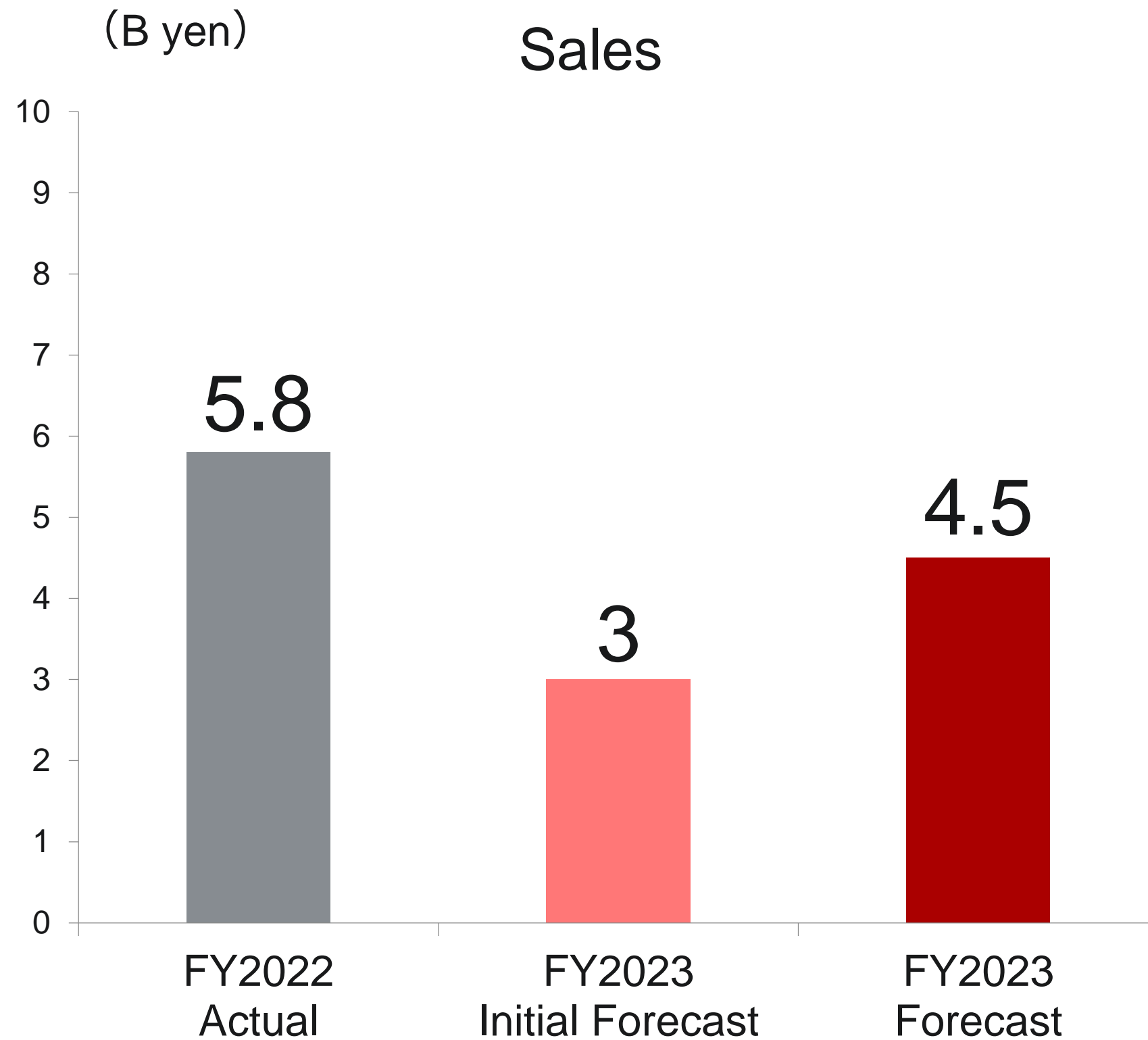
- YoY :
Steady shipments
- Vs. Initial Forecast:
Increase due to depreciation of the yen
- FY2024 Outlook :
Anticipate stable growth and engage in further cost reduction

Europe (mainly UK)



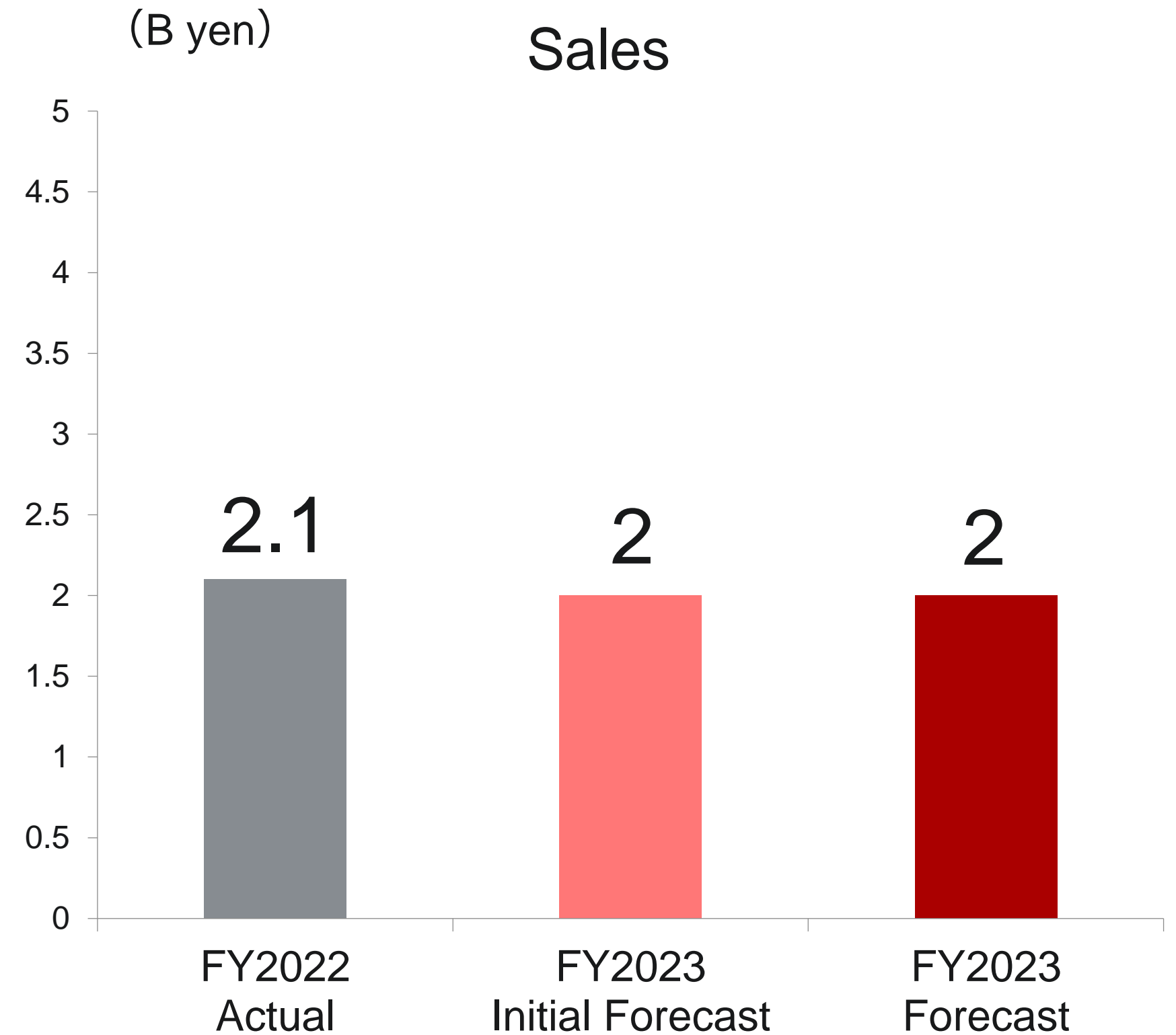
- YoY :
Increase due to upturn in the material procurement environment
- Vs. Initial Forecast:
Increase due to depreciation of the yen
- FY2024 Outlook :
Continued demand for smart meters in the UK

Asia



- YoY : Decrease due to withdrawal from low-profit markets
- Vs. Initial Forecast: Increase in some regions
- FY2024 Outlook : Improved profit margins through market selection and focus, and expansion of industrial meters

Middle East and Others



- YoY : Unchanged
- Vs. Initial Forecast: In line with initial plan
- FY2024 Outlook : Expectations for market growth, increase profits by expanding sales of head-end-system solutions and meters

4. Capital Policy

Financial goals and Approach to Capital Policy

		FY2022	FY2023 Forecast	Approach
Profit Growth	OP	2,226M yen	4,300M yen	Carry out group growth strategy and attain OP 5.5B yen by FY2025
	ROE	2.9%	4.0%	Attain ROE exceeding capital cost (currently at 5.5%) by FY2025, and aim for 8% and higher as mid-term goal
Capital Efficiency	FCF	1,610M yen	(1H Actual) △1,105M yen	Generate cash to provide investment and dividends
	Portfolio Management	Sale of manufacturing equipment business	(Promote portfolio optimization)	Set and monitor KPI by products/services and regions to reinforce portfolio management
Financial Soundness	Capital Adequacy Ratio	49.2%	(1H Actual) 51.3%	Keep capital adequacy ratio at around 50%
Shareholder Returns	Dividend	Annual dividend of 20 yen per share	Annual dividend of 20 yen per share	Provide either the higher of DOE (Dividend on Equity Ratio) of 2% or pay-out ratio of 30%
	Repurchase of own shares	Total 1.25B yen acquisition	(Continued study)	Evaluate cash, working capital, business performance, stock price, status of investments and other factors in decision-making process.



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Appendix

Sales by Business Portfolio (Excluding intercompany sales)

■ Smart meters & solutions in Japan

(¥Mn)

	FY2019	FY2020	FY2021	FY2022	FY2023 1H
Smart meter business	35,886	32,016	29,425	34,885	16,896
Solution business	10,006	10,510	10,531	12,483	5,295
Switchgear business	5,926	5,641	6,025	7,037	2,820
Total	51,819	48,169	45,983	54,406	25,012

■ Smart meters & solutions overseas

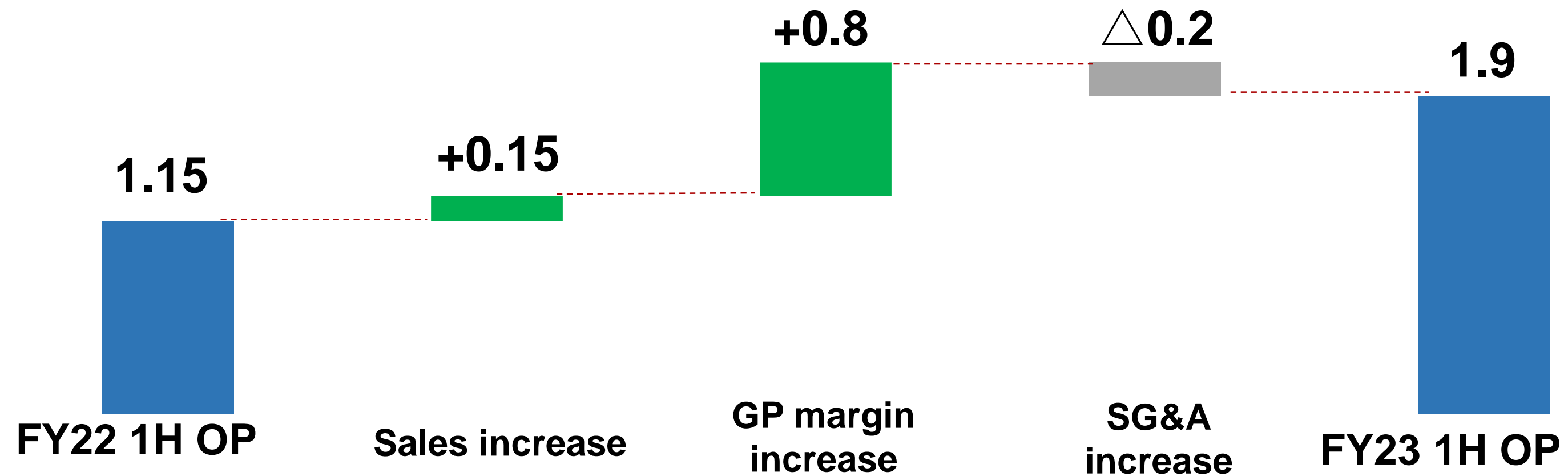
(¥Mn)

	FY2019	FY2020	FY2021	FY2022	FY2023 1H
Oceania	9,422	9,154	10,642	15,628	7,771
Europe	9,544	8,938	11,339	10,129	7,839
Asia	8,753	4,882	6,041	5,800	2,601
Middle East and others	8,770	3,703	1,071	2,062	715
Total	36,490	26,678	29,095	33,620	18,927

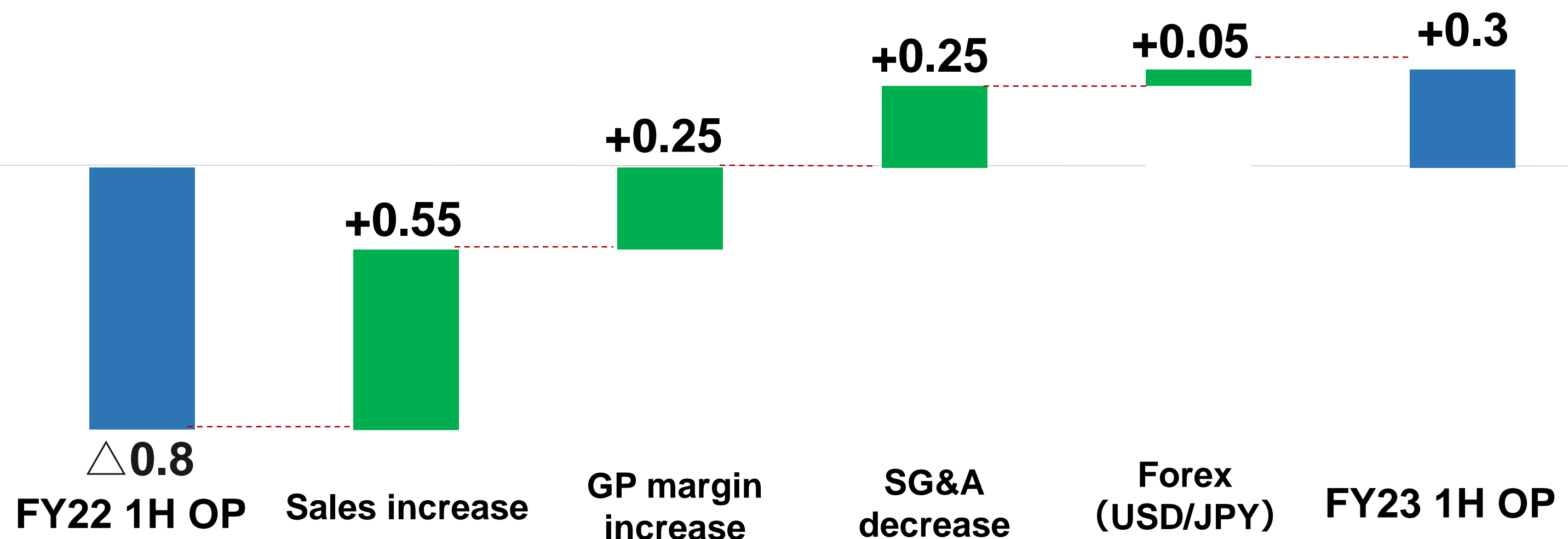
1H FY2023 Operating Profit Change (YoY)

Smart meters & solutions in Japan

(¥Bn)



Smart meters & solutions overseas



■ Smart meters & solutions in Japan: Monitored by products and services

Business Portfolio	Position and Basic Policy
Smart meter business	Drive as a core business and pursue stable profit contribution.
Solution business	As focus businesses in Japan, provide solutions for social issues such as energy saving and decarbonization by leveraging strong smart meter business. Aim to improve profitability in Japan.
Switchgear business	Provide to stable demand and maintain revenue and profit contributions.

■ Smart meters & solutions overseas: Monitored by regions

Business Portfolio	Position and Basic Policy
Oceania	Reinforce solution business by combining smart meters and head-end systems solution. Aim for stable profit growth.
Europe	Improve profitability in UK by improving product mix and reducing production costs.
Asia	Improve profitability by focusing on high margin products and services, such as solution services and commercial & industrial meters.
Middle East and Africa	

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%

		(Yen)	FY2019	FY2020	FY2021	FY2022	FY2023 1H Results /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		978 Mn	980 Mn	974 Mn	942 Mn	
Payout ratio	Annum		81.7%	203.3%	—	71.8%	49.3%
DOE	Annum		2.2%	2.2%	2.3%	2.3%	2.0%

Policy on Repurchase of own shares

- Placing higher capital efficiency as priority, consider repurchase of own shares 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 Prime Market

Code: 6644

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