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Consolidated Financial Results for the Nine Months Ended December 31, 2023 [Japanese GAAP]

February 6, 2024

Company name: Osaki Electric Co., Ltd.

Stock exchange listing: Tokyo

Code number: 6644

URL: <https://www.osaki.co.jp>

Representative: Chairman and CEO

Yoshihide Watanabe

Contact: Director and Managing Executive Officer
Head of Corporate Strategy Division

Ryuichi Ueno

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Scheduled date of filing quarterly securities report: February 14, 2024

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: No

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2023 (April 1, 2023 to December 31, 2023)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2023	68,392	12.8	4,362	310.4	4,360	847.6	2,184	302.1
December 31, 2022	60,642	12.8	1,063	34.4	460	(43.1)	543	-

(Note) Comprehensive income: Nine months ended December 31, 2023: ¥ 4,453 million [41.4%]
 Nine months ended December 31, 2022: ¥ 3,150 million [773.6%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	46.62	45.88
December 31, 2022	11.43	11.24

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
December 31, 2023	94,151	61,592	52.0
March 31, 2023	93,268	58,629	49.2

(Reference) Equity: As of December 31, 2023: ¥ 48,929 million
 As of March 31, 2023: ¥ 45,933 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	-	10.00	-	10.00	20.00
Fiscal year ending March 31, 2024	-	10.00	-		
Fiscal year ending March 31, 2024 (Forecast)				10.00	20.00

(Note) Revision to the forecast for dividends announced most recently: No

(Note) Breakdown of the 3rd quarter dividend for the fiscal year ending March 31, 2024 :

Commemorative dividend	- yen
Special dividend	- yen

3. Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2024(April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	94,200	5.5	5,400	142.5	5,000	165.2	2,000	51.5	42.68

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2023

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

December 31, 2023: 49,267,180 shares

March 31, 2023: 49,267,180 shares

2) Number of treasury shares at the end of the period:

December 31, 2023: 2,353,409 shares

March 31, 2023: 2,464,755 shares

3) Average number of shares outstanding during the period:

Nine months ended December 31, 2023: 46,863,572 shares

Nine months ended December 31, 2022: 47,551,002 shares

*Quarterly financial results are exempt from the audit conducted by certificated public accountants or an audit firm.

*Proper use of business forecasts and other special notes.

The descriptions of the future such as business outlook made in this statement are based on the information we currently have and the certain assumptions that we consider reasonable. The actual performance may significantly vary due to the various factors.

Regarding business forecasts, please refer to the page 5 “1.3 Statements for Financial Forecasts and Business Outlook”.

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1. Business Results

1.1 Highlight of Operating Results of Nine Months ended December 31, 2023

- Consolidated net sales: 68.4 billion yen (YoY +12.8%), Operating income: 4.4 billion yen (+310.4%), Profit attributable to owners of parent: 2.2 billion yen (+302.1%)
- Net sales for Smart meters & solutions in Japan increased year on year with higher sales in the Smart Meter Business and Switchgear Business. Operating income increased with temporary changes in the product mix, etc.
- For Smart meters & solutions overseas, sales increased year on year with an increase in shipments to UK enabled by an upturn in the electronic materials procurement environment and an increase in shipments to Oceania. Operating income increased with the higher sales and setting of electronic materials prices, which had soared previously.

Summary of Consolidated Financial Results for the Nine Months ended December 31, 2023

(Millions of yen)

	Nine Months ended December '22	Nine Months ended December '23	YoY Change	
			Amount	%
Net sales	60,642	68,392	7,750	+12.8%
Smart meters & solutions in Japan	37,517	38,897	1,380	+3.7%
Smart meters & solutions overseas	22,699	30,138	7,439	+32.8%
Production equipment	761	—	(761)	—
Real estate	427	431	4	+1.0%
Adjustment	(762)	(1,075)	(312)	—
Operating income	1,063	4,362	3,299	+310.4%
Smart meters & solutions in Japan	2,186	3,365	1,179	+53.9%
Smart meters & solutions overseas	(1,343)	782	2,126	—
Production equipment	9	—	(9)	—
Real estate	218	226	7	+3.7%
Adjustment	(7)	(11)	(4)	—
Ordinary income	460	4,360	3,900	+847.6%
Profit attributable to owners of parent	543	2,184	1,641	+302.1%

1.2 Consolidated Financial Condition

Total assets at December 31, 2023 were 94,151 million yen, a 882 million yen increase from March 31, 2023. This was mainly due to a increase in inventory and investment securities by 5,826 million yen and 1,191 million yen respectively, while cash and deposits, and notes and accounts receivable decreased by 3,537 million yen and 2,489 million yen respectively.

Total liabilities were 32,558 million yen, a 2,080 million yen decrease from March 31, 2023. This was mainly due to a decrease in notes and accounts payable – trade and electronically recorded obligations – operating by 1,382 million yen and short-term and long-term borrowings in overseas subsidiaries by 705 million yen.

Net assets were 61,592 million yen, a 2,963 million yen increase from March 31, 2023. This was mainly due to a increase retained earnings, foreign currency translation adjustment and valuation difference on available-for-sale securities by 1,247 million yen, 890 million yen and 864 million yen respectively.

1.3 Statements for Financial Forecasts and Business Outlook

The Company revised the forecast for full-year for the fiscal year ending March 31, 2024, previously announced on November 7, 2023. Please refer to “Notice Concerning Revision of Financial Forecasts for the Fiscal Year ending March 2024” for more details.

2. Consolidated Financial Statements

2.1 Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	9,171	5,633
Deposits paid	4,611	3,295
Notes and accounts receivable - trade, and contract assets	20,495	18,006
Merchandise and finished goods	7,775	10,771
Work in process	2,673	3,672
Raw materials and supplies	8,626	10,458
Other	3,778	4,407
Allowance for doubtful accounts	(514)	(470)
Total current assets	56,618	55,777
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,339	8,055
Land	12,090	12,099
Other, net	5,072	4,786
Total property, plant and equipment	25,502	24,941
Intangible assets	735	709
Investments and other assets		
Investment securities	5,660	6,851
Retirement benefit asset	1,571	1,564
Other	3,183	4,310
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	10,412	12,722
Total non-current assets	36,649	38,373
Total assets	93,268	94,151

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,172	7,331
Electronically recorded obligations - operating	3,799	3,258
Short-term borrowings	2,864	1,823
Income taxes payable	904	238
Provision for bonuses	1,543	1,085
Provision for bonuses for directors (and other officers)	39	73
Provision for loss on liquidation of subsidiaries and associates	14	-
Provision for product warranties	576	410
Other	7,092	7,644
Total current liabilities	25,008	21,865
Non-current liabilities		
Long-term borrowings	2,642	2,978
Provision for retirement benefits for directors (and other officers)	47	50
Provision for repairs	28	33
Retirement benefit liability	2,404	2,409
Deferred tax liabilities	2,209	2,671
Other	2,298	2,549
Total non-current liabilities	9,630	10,692
Total liabilities	34,638	32,558
Net assets		
Shareholders' equity		
Share capital	7,965	7,965
Capital surplus	8,759	8,762
Retained earnings	26,033	27,281
Treasury shares	(1,254)	(1,198)
Total shareholders' equity	41,503	42,811
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,423	2,287
Foreign currency translation adjustment	2,510	3,401
Remeasurements of defined benefit plans	496	428
Total accumulated other comprehensive income	4,430	6,117
Share acquisition rights	466	466
Non-controlling interests	12,228	12,196
Total net assets	58,629	61,592
Total liabilities and net assets	93,268	94,151

2.2 Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income (For the nine months)

(Millions of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Net sales	60,642	68,392
Cost of sales	48,045	51,950
Gross profit	12,597	16,442
Selling, general and administrative expenses	11,534	12,080
Operating profit	1,063	4,362
Non-operating income		
Interest income	15	29
Dividend income	193	266
Other	125	141
Total non-operating income	334	437
Non-operating expenses		
Interest expenses	100	131
Foreign exchange losses	796	257
Other	40	51
Total non-operating expenses	937	439
Ordinary profit	460	4,360
Extraordinary income		
Gain on sale of non-current assets	319	-
Gain on sale of shares of subsidiaries and associates	1,907	-
Total extraordinary income	2,226	-
Extraordinary losses		
Impairment losses	-	200
Loss on sale of shares of subsidiaries and associates	580	197
Total extraordinary losses	580	397
Profit before income taxes	2,106	3,962
Income taxes - current	816	1,017
Income taxes - deferred	262	179
Total income taxes	1,079	1,196
Profit	1,027	2,765
Profit attributable to non-controlling interests	483	581
Profit attributable to owners of parent	543	2,184

Quarterly Consolidated Statements of Comprehensive Income (For the nine months)

(Millions of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Profit	1,027	2,765
Other comprehensive income		
Valuation difference on available-for-sale securities	291	864
Foreign currency translation adjustment	1,909	890
Remeasurements of defined benefit plans, net of tax	(77)	(67)
Total other comprehensive income	2,123	1,687
Comprehensive income	3,150	4,453
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,666	3,872
Comprehensive income attributable to non-controlling interests	483	581

2.3 Notes to Consolidated Financial Statements
(Notes Regarding Going Concern Assumption)
There are no applicable matters.

(Notes in the Event of Significant Changes in Shareholders' Capital)
There are no applicable matters.

(Business Segments)

I Fiscal year ended 31 Dec 2022

1. Sales, Profits or Losses by Reporting Segments

(Millions of yen)

	Reporting Segments					Adjustment (Remark)	Consolidated
	Smart meters & solutions in Japan	Smart meters & solutions overseas	Production equipment	Real estate	Total		
Sales to Customers	37,500	22,034	759	348	60,642	—	60,642
Intersegment Sales	16	665	1	79	762	(762)	—
Total Sales	37,517	22,699	761	427	61,405	(762)	60,642
Operating Income	2,186	(1,343)	9	218	1,070	(7)	1,063

(Remark) 1 “Production equipment” have indicated the business performances during the fiscal year ended 30 Sep 2022.

(Remark) 2 The operating income is adjusted by the elimination of the intersegment transactions.

2. Impairment loss of Fixed Asset and Goodwill by Reporting Segments
There are no applicable matters.

II Fiscal year ended 31 Dec 2023

1. Sales, Profits or Losses by Reporting Segments

(Millions of yen)

	Reporting Segments				Adjustment (Remark)	Consolidated
	Smart meters & solutions in Japan	Smart meters & solutions overseas	Real estate	Total		
Sales to Customers	38,881	29,158	352	68,392	—	68,392
Intersegment Sales	15	980	79	1,075	(1,075)	—
Total Sales	38,897	30,138	431	69,468	(1,075)	68,392
Operating Income	3,365	782	226	4,374	(11)	4,362

(Remark) The operating income is adjusted by the elimination of the intersegment transactions.

2. Changes in Reporting Segments

We have sold Osaki Engineering Co., Ltd. on 30 Sep 2022 that had been classified into the “Production equipment” of the Reporting Segments in the previous fiscal year and have excluded from the scope of consolidation.

As a result, we have discontinued the “Production equipment” from the fiscal year ended 30 Jun 2023.

3. Impairment loss of Fixed Asset and Goodwill by Reporting Segments

(Important impairment loss of fixed asset)

In the “Smart meters & solutions overseas” of the Reporting Segments, we have recognized the impairment loss on fixed assets of 200 million of yen and recorded it as extraordinary loss.