

Financial Results for First Half FY2020

(Six months ended September 30, 2020)

December 8th, 2020

**Mitsuyasu Watanabe,
President and COO**

OSAKI ELECTRIC

1. 1H FY2020 Financial Results

- YoY decrease in sales and profits due to impact from COVID-19, in addition to low demand for smart meters in Japan
- Sales were in line with the previous forecasts. Profits were better than expected due to higher production and cost reduction

2. FY2020 Full-Year Forecasts

FY2020 forecasts remain unchanged while impact of the worldwide spread of COVID-19 on business environment is unclear

Sales Target: 80 Bn yen (COVID-19 impact: -12 Bn yen)

Operating Income 1.5 Bn yen (COVID-19 impact: -2.7 Bn yen)

3. Progress on Mid-term Management Plan

- While some delays in meter installation, COVID-19 has little impact on the mid-term demand for smart meters
- Overseas: Responsive to country/regional needs, and multi-production sites for BCP
- Japan: Concentrate on added-value for smart meters, and successful launch of new businesses

Agenda

- 1. 1H FY2020 Financial Results**
- 2. Progress on Mid-term Management Plan**
- 3. ESG**

1. 1H FY2020 Financial Results

1-1 Sales and Profits

1-2 Balance Sheets

1-3 Cash Flows

YoY

- Decrease in sales and profits due to impact from COVID-19, in addition to low demand for smart meters in Japan

Changes from Previous Forecasts

- Sales: In line
- Operating income : Better than expected due to higher production and cost reduction

FY2020 Forecasts

- Unchanged from initial forecasts (as of May 27, 2020) while impact of the worldwide spread of COVID-19 on business environment is unclear

(¥Mn)

	FY2019 1H Actual	FY2020 1H Previous Forecasts	FY2020 1H Actual	YoY	Changes from Previous Forecasts	FY2020 Forecasts
Net Sales	43,580	36,000	35,734	-7,846	-266	80,000
Operating Income	2,033	200	767	-1,265	+567	1,500
Ordinary Income	1,946	200	744	-1,201	+544	1,600
Profit attributable to owners of parent	845	-600	-202	-1,047	+398	100

1-1-2 Results by Segments

YoY

■ Smart meters & solutions in Japan:

Decrease in sales and profits due to impact from COVID-19, in addition to low demand for smart meters in Japan

■ Smart meters & solutions in overseas:

Decrease in sales and profits due to impact from COVID-19, in addition to decrease from a one-time project in Middle East and Cambodia in the previous year

(¥Mn)

	FY2019 1H Results	FY2020			YoY
		Q1	Q2	1H Results	
Net Sales	43,580	19,347	16,387	35,734	-7,846
Smart meters & solutions in Japan	24,152	11,097	11,211	22,308	-1,843
Smart meters & solutions overseas	19,050	7,816	5,100	12,916	-6,134
Others	932	585	318	903	-29
Adjustments	-555	-151	-242	-393	+162
Operating income	2,033	669	98	767	-1,265
Smart meters & solutions in Japan	1,327	557	391	948	-379
Smart meters & solutions overseas	561	22	-246	-224	-786
Others	135	86	-43	43	-91
Adjustments	8	3	-3	0	-7

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 ⇒ ¥6.7 billion)
- Capital Adequacy Ratio improved due to decrease in borrowings. (47.8% ⇒ 52.2%)
(¥Mn)

	March 31st, 2020	September 30th, 2020	Changes	Factors
Assets	97,962	88,369	-9,592	Accounts Receivable -7,388
Current Assets	56,980	49,417	-7,563	Inventory -2,100
Fixed Assets	40,981	38,952	-2,029	
Liabilities	39,324	30,490	-8,834	Total debt -4,824
Current Liabilities	25,934	17,296	-8,638	
Fixed Liabilities	13,390	13,194	-195	
Equity	58,637	57,879	-758	
Capital	46,790	46,167	-622	
Non-controlling	11,303	11,201	-101	
Others	544	509	-34	
Capital Adequacy Ratio	47.8%	52.2%	+4.4%	

- Operating cash flows improved significantly due to a decrease in accounts receivables and inventories (¥Mn)

	FY2020 1H	Increase/Decrease in cash	
		Japan	Overseas
Income before income taxes and minority interests	744		
(Increase) decrease in notes and accounts receivable	6,950	Increase	Increase
(Increase) decrease in inventories	1,906	Flat	Increase
Increase (decrease) in notes and accounts payable	-1,974	Decrease	Decrease
Others	-686		
Operating activities	6,940		
Investing activities	-1,012		
Increase (decrease) in short-term debts	-4,623		Decrease
Increase (decrease) in long-term debts	-12		Decrease
Others	-1,160		
Financing activities	-5,796		
Effect of exchange rate changes on cash and cash equivalents	246		
Cash and cash equivalents at beginning of year	12,366		
Cash and cash equivalents at end of year	12,744		

2. Progress on Mid-term Management Plan

2-1 Expanding profits in global businesses

2-2 Expanding value-added smart meter businesses

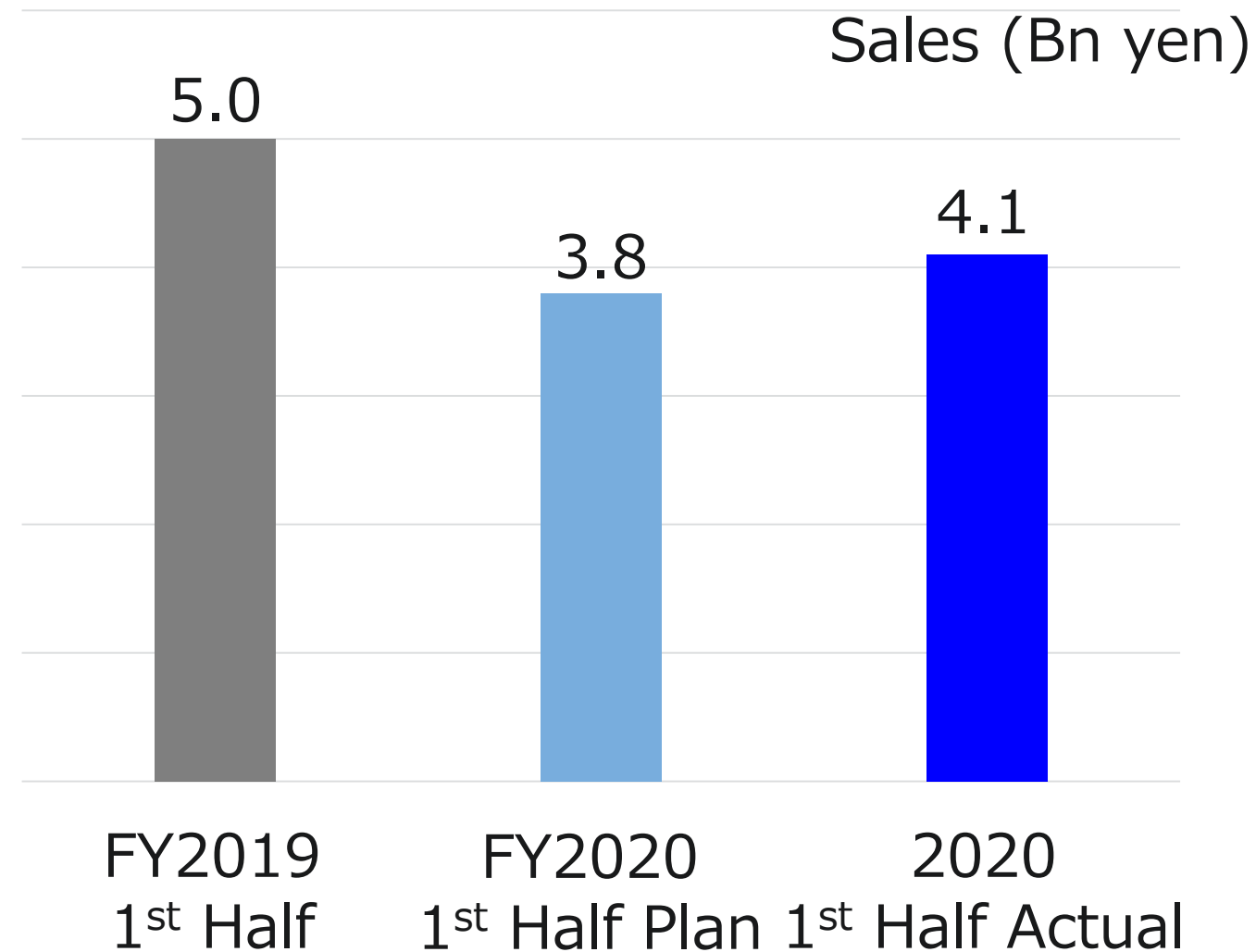
2-3 Developing new products and services

Mid-term demand for smart meters in energy infrastructure remains strong, while impact of COVID-19 caused delays in installations

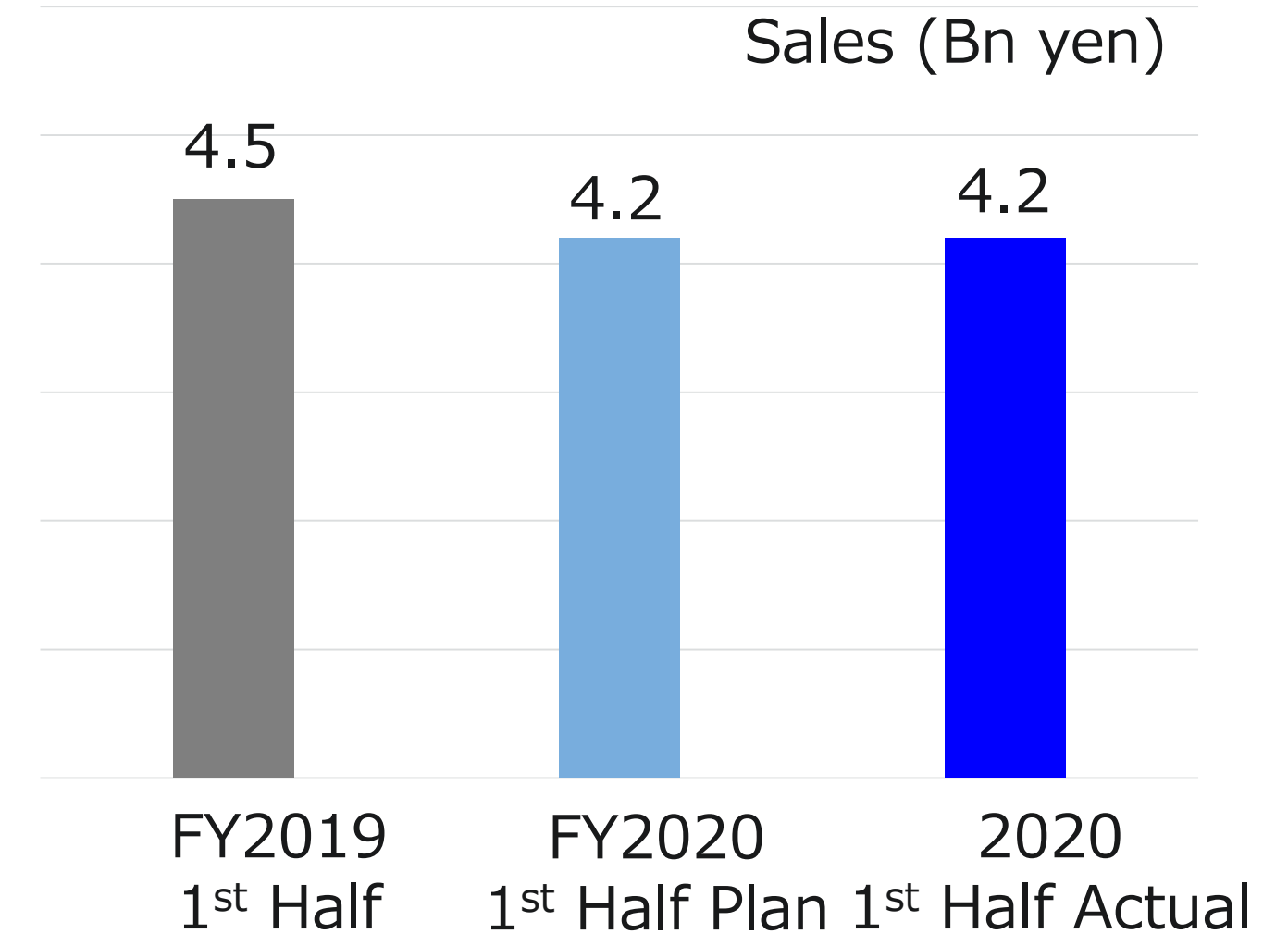
- **Overseas: Delays in installations, but demand unchanged**
 - Responsive to country/regional needs, and multi-production sites for BCP (Business Continuity Plan)
- **Japan: Install to all households (by 2024) - ongoing**
 - A drop in demand from 2021 is anticipated to flatten
 - Development of value-added smart meters to launch from 2024
 - Sales channels to expand for smart building solutions including energy management systems, automatic metering

2-1-1 Expanding profits in global businesses

Oceania



Europe (UK)



YoY

- Growing market needs, however planned to decrease due to COVID-19
- 1st Half showed smaller impact from COVID-19 compared to other regions
- 2nd Half expected to pick up in orders

FY2021 Outlook

- Expect stable growth

YoY

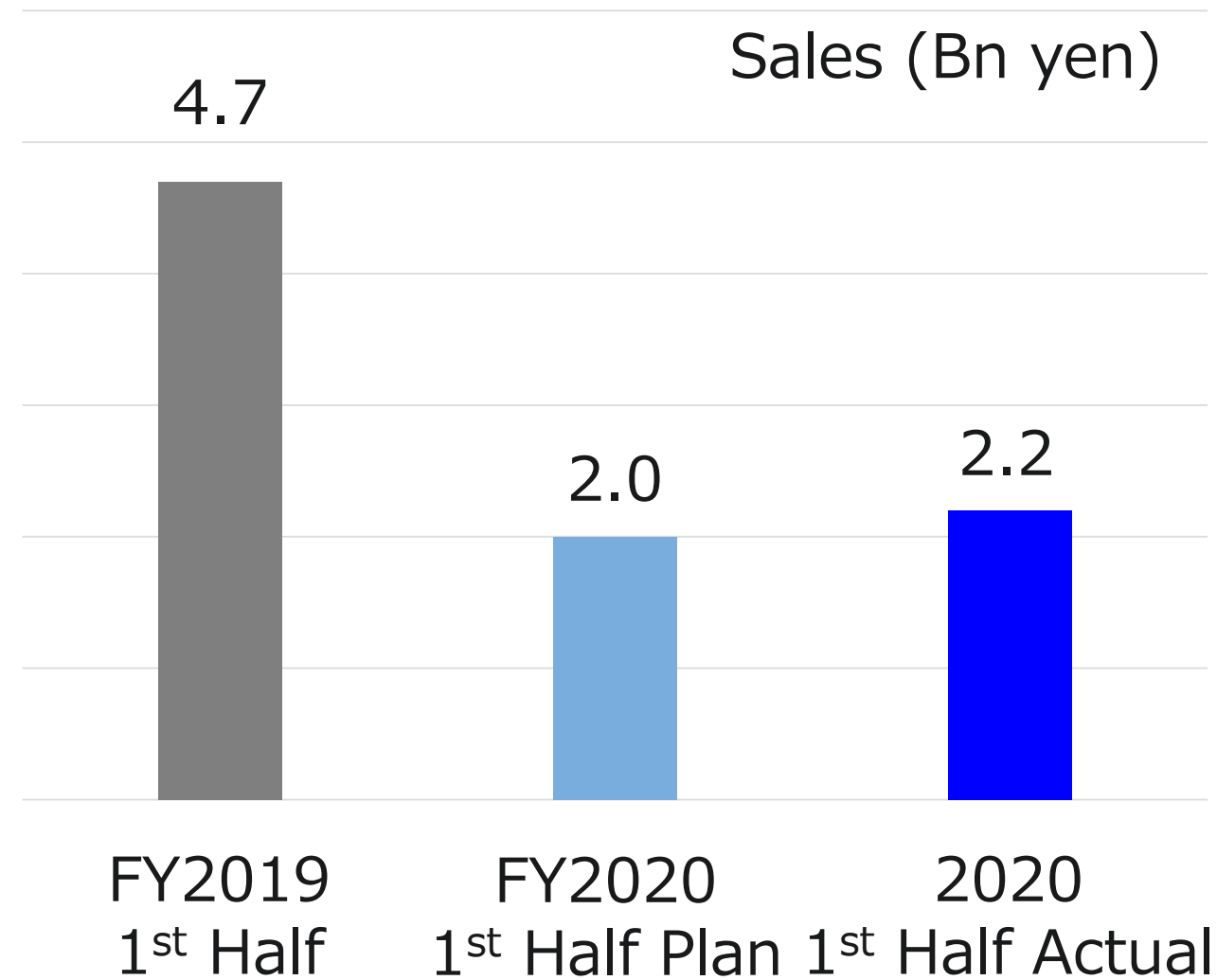
- Although in the rapid growth stage, we planned conservatively due to COVID-19
- 1st Half in line with the plan (UK undergone lockdown in Q2)
- 2nd Half largely impacted from recent lockdown (Nov.-Dec.)

FY2021 Outlook

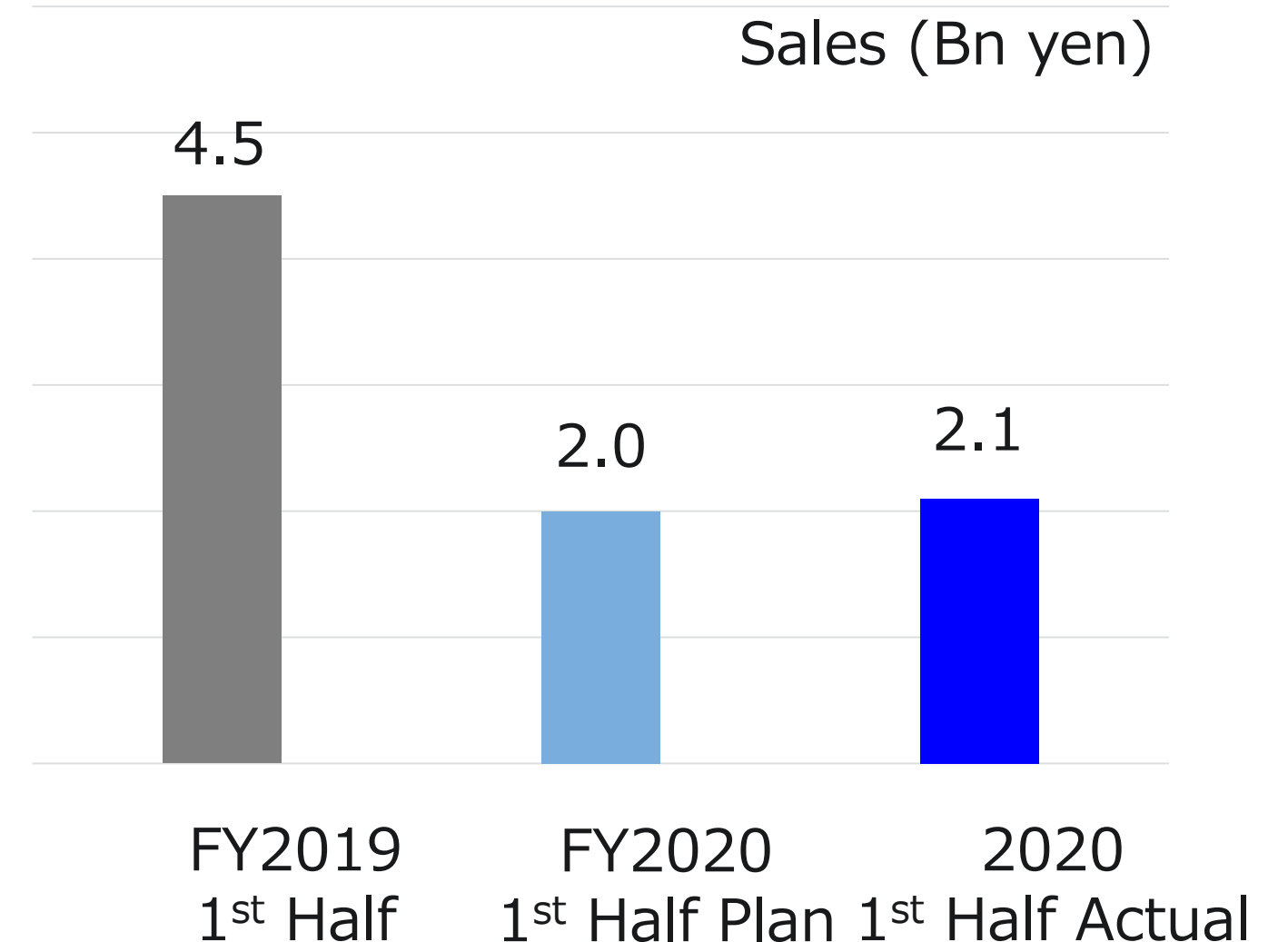
- Observing market conditions after UK lockdown lifted.
- Develop dual band communications hubs and 3 phase meter which respond to customer needs and contribute to the future profit growth

2-1-2 Expanding profits in global businesses

Asia



Middle East and others



YoY

- Planned a decrease in sales from one-time projects in Cambodia and Middle East in the previous year
- 1st Half in line with the plan
- Delay in smart meter projects in overall regions due to COVID-19

FY2021 Outlook

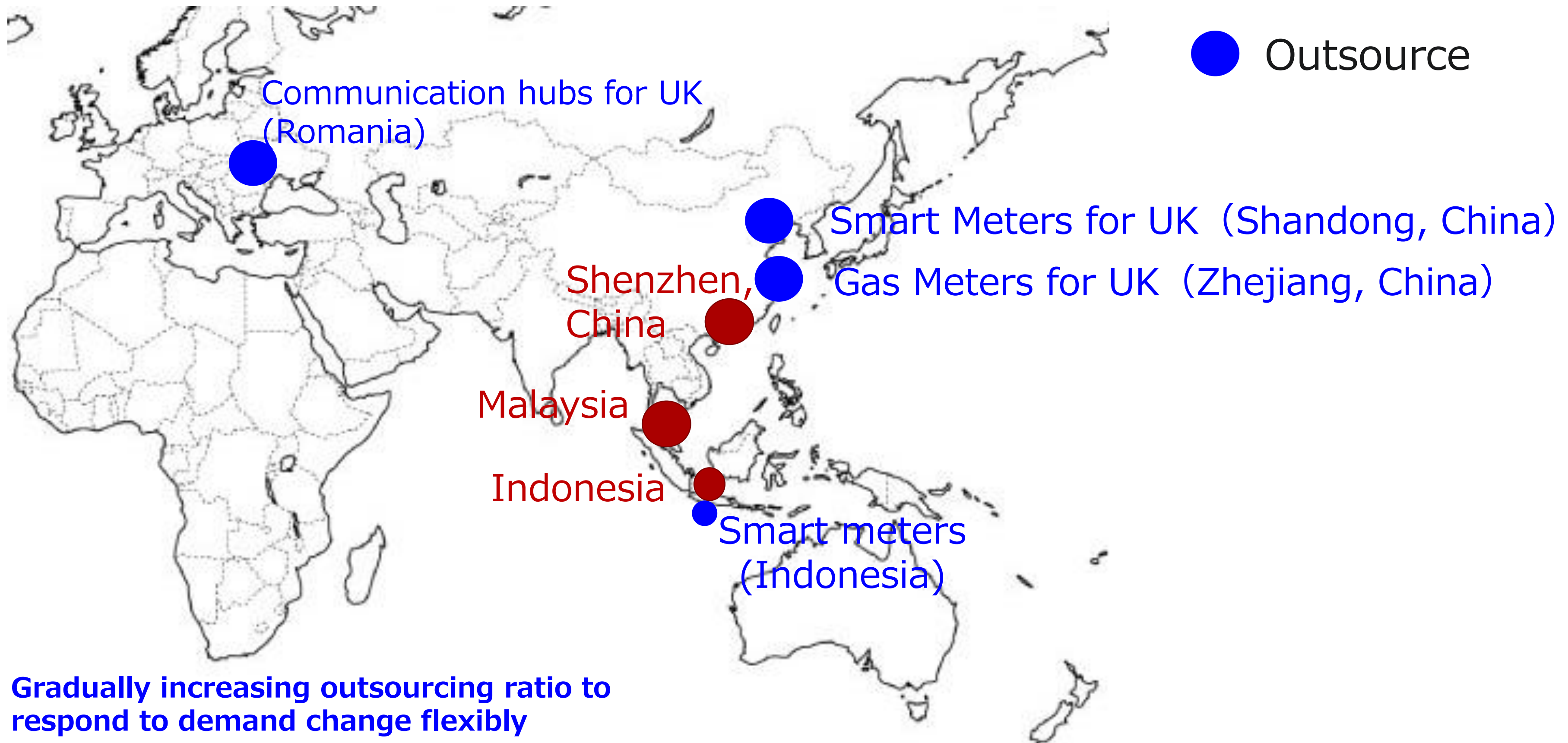
- Preparing to deliver value-added services combining meters and solutions to boost growth when smart meter projects restart

2-1-3 Expanding profits in global businesses

Mass Production

- Building an optimal manufacturing framework to leverage assets, including outsourcing, multiproduction sites for BCP (Business Continuity Plan)

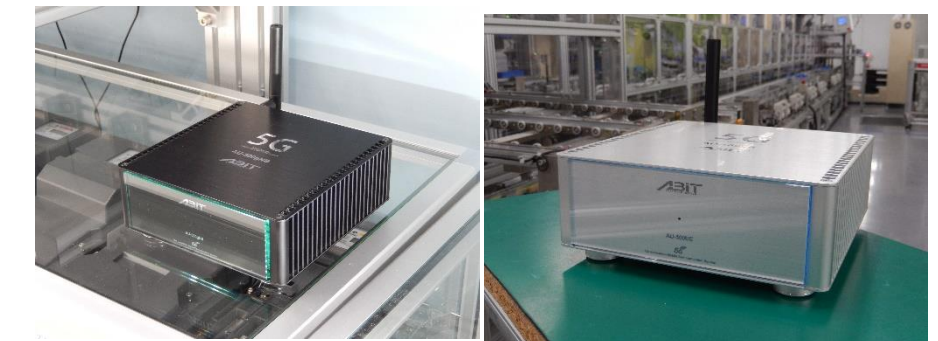
- EDM I
- Outsource



Collaboration and Co-development for next-generation smart meters

Local 5G

- Collaborating with Abit Corporation*, a field test equipment for Local 5G is set up at Saitama R&D and Manufacturing Center
- Developing communication gateway system for industrial smart meters
- Exploring business possibilities in developing high functionality/multipurpose smart meters with 5G modules for industrial use
- Collecting information of 4K images and sensors, and automatic guided vehicles at Saitama Factory



Local 5G Equipment

Base station



Image of field test at Saitama Factory

Possible collaboration with high-voltage equipment manufacturer

Possible integration with new businesses for new series of solutions

Using data of images and sensor

- Detect deflections in manufacturing,
- Predict equipment failures
- Monitor and analysis of operations and movement/activity lines

*Abit Corporation is a capital and business alliance of OSAKI.

Scalability of Smart Lock Systems

1. Attendance systems + Security

Collaboration with SEIKO Solutions

- Based on employment contracts and work shift schedules, authorizing entry by remote with Smart locks for efficiency and security
- Highly useful for offices and shops with many temporary workers

SEIKO セイコーソリューションズ株式会社 



- Attendance Systems Smart locks
- Work shift systems

2. Facial recognition + Body temperature

Smart locks with cameras for facial recognition and measuring body temperatures.

- Set at after-school facility for elementary students
- Facial recognition for high security and entry without touching the door
- Alerting students to wear masks
- Measuring body temperatures to prevent students with fever to enter the facility

OSAKI Group Statement for the Modern Slavery Act

OSAKI announced the Group statement for the Modern Slavery Act in UK and Australia on November 17th, 2020.

- OSAKI and its group companies, through their supply chain of businesses, do not violate human rights or take part in activities which lead to violation
- OSAKI group ensures that 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

- Employee training and workshops
- Development of self-evaluation systems
- Development of systems for monitoring and guiding suppliers



Global Energy Solution Leader

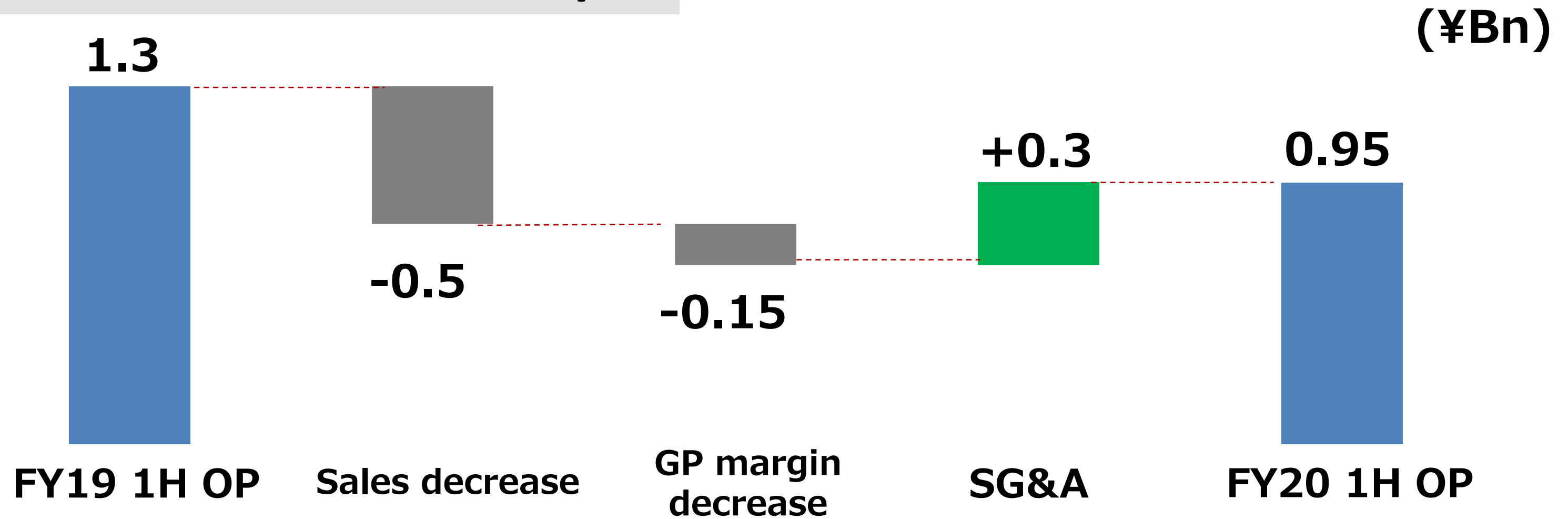
Providing tomorrow's energy solution for a better society

Appendix

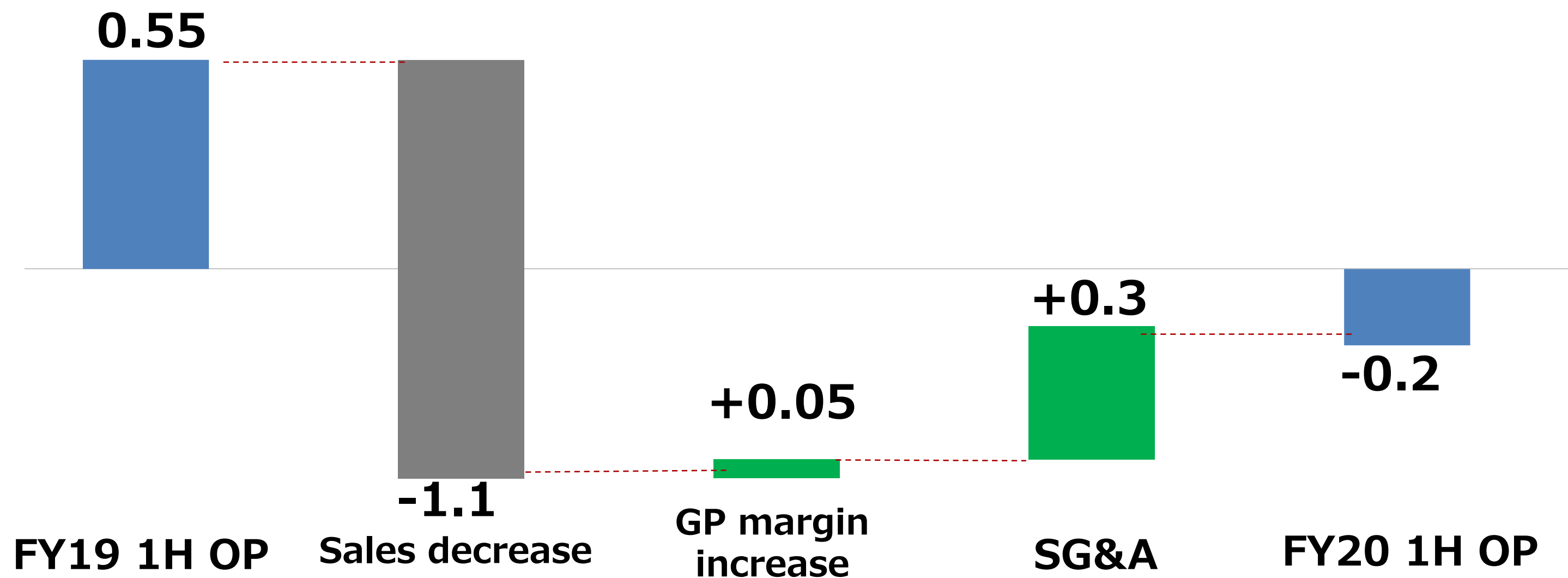
- Financial data
- Mid-term Management Plan (FY2020-24)
- Global market
- ESG Measures
- Shareholders Return Policy

1H FY2020 Operating Profit Change (YoY)

Smart meters & solutions in Japan



Smart meters & solutions overseas



Sales by Region (Excluding intercompany sales)

(¥Mn)

	FY2015	FY2016	FY2017	FY2018	FY2019 1Q	FY2019 2Q	FY2019 3Q	FY2019	FY2020 1Q	FY2020 2Q	FY2020 Forecasts
Consolidated Net Sales	75,596	86,159	78,780	82,089	20,287	43,580	66,200	90,069	19,347	35,734	80,000
Japan	55,150	63,236	59,927	57,735	11,526	24,915	38,449	53,475	11,643	23,130	50,000
Overseas	20,445	22,923	18,852	24,353	8,760	18,665	27,751	36,593	7,703	12,603	30,000
Oceania	7,049	9,110	7,807	9,522	2,549	5,021	7,363	9,422	2,211	4,116	8,500
Europe	3,471	5,248	3,858	4,449	2,229	4,454	6,833	9,558	2,375	4,181	10,500
Asia	7,962	7,431	6,168	7,086	2,019	4,706	6,835	8,841	1,336	2,164	6,500
Middle East, Others	1,962	1,133	1,017	3,295	1,961	4,482	6,718	8,770	1,780	2,141	4,500
Overseas Sales Ratio	27.1%	26.6%	23.9%	29.7%	43.2%	42.8%	41.9%	40.6%	39.8%	35.3%	

*1 Figures from Annual Report FY2019.

*2 The Full-year Forecasts for FY2020 are based on the initial plan announced on May 27, 2020 because of uncertainty in the market environment due to the lack of a convergence outlook for COVID-19.

Sales by product and service

(Excluding intercompany sales)

■ Smart meters & solutions in Japan

(¥Mn)

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

*Referential figures based on managerial accounting

■ Smart meters & solutions overseas

(¥Mn)

	FY2015	FY2016	FY2017	FY2018	FY2019
Meters	13,261	14,618	11,489	14,652	25,263
Monitor Control	6,781	8,092	7,132	9,299	11,227
Total	20,043	22,710	18,621	23,952	36,490

*Referential figures based on managerial accounting

Expanding value-added smart meter businesses

Developing new products and services

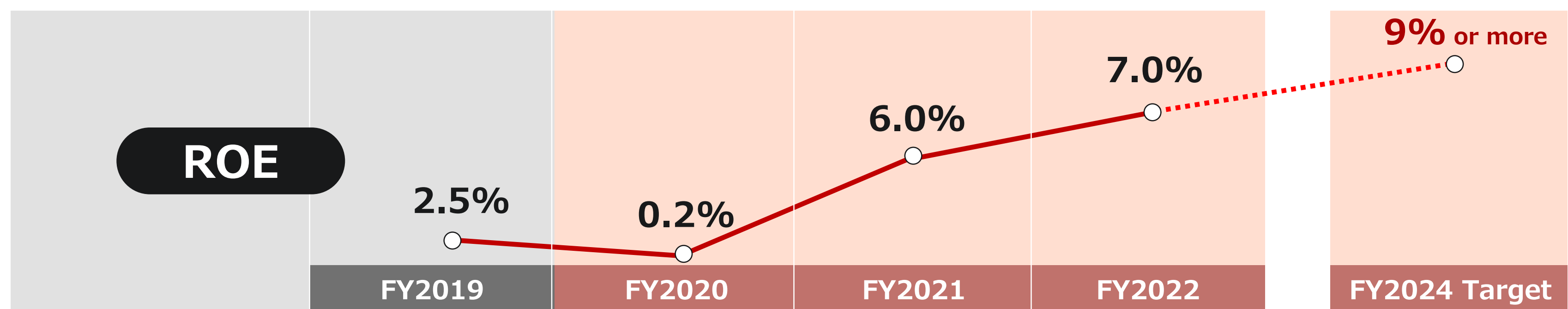
Expanding profits in global businesses

Building resilient operational structure

Mid-term Targets

Announced on May 27th, 2020

	FY2019 Actual	FY2020 Forecasts	FY2021 Outlook	FY2022 Outlook	FY2024 Mid-term Target
Net Sales	90.0	80	100	105	—
Operating income	3.7	1.5	5.0	6.0	8.0 or more
OP margin	4.1%	1.9%	5.0%	5.7%	—
Ordinary income	3.5	1.6	4.7	5.7	—
Net income	1.2	0.1	3.0	3.5	—
NP margin	1.3%	0.1%	3.0%	3.3%	—
ROE	2.5%	0.2%	6.0%	7.0%	9% or more
CAPEX	2.3	2.8	2.5	2.5	—
Dep	2.9	2.7	2.6	2.6	—
R&D Expenditures	3.2	3.2	3.2	3.2	—

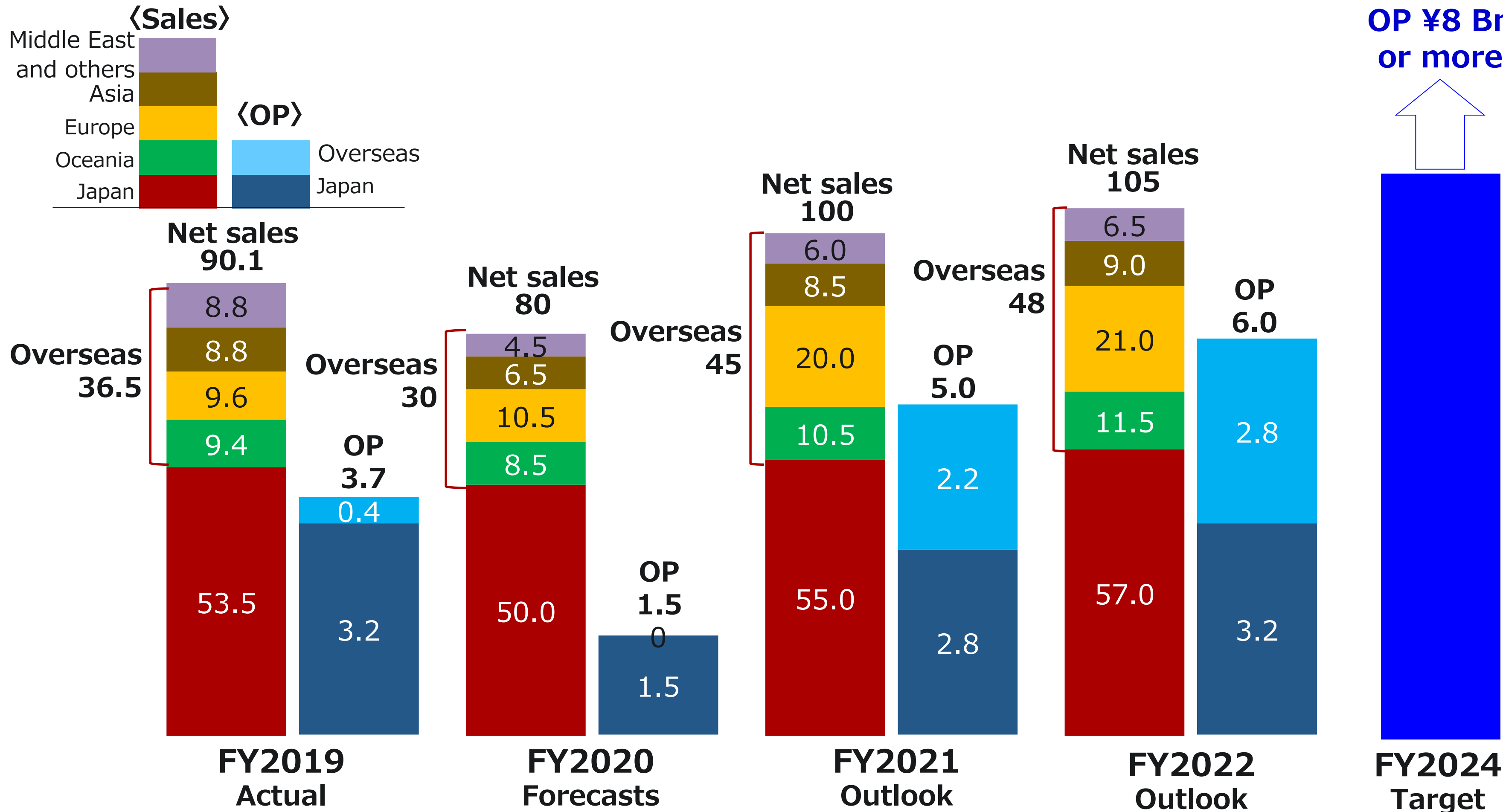
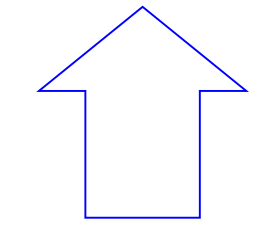


Mid-term Targets by Region

Announced on May 27th, 2020

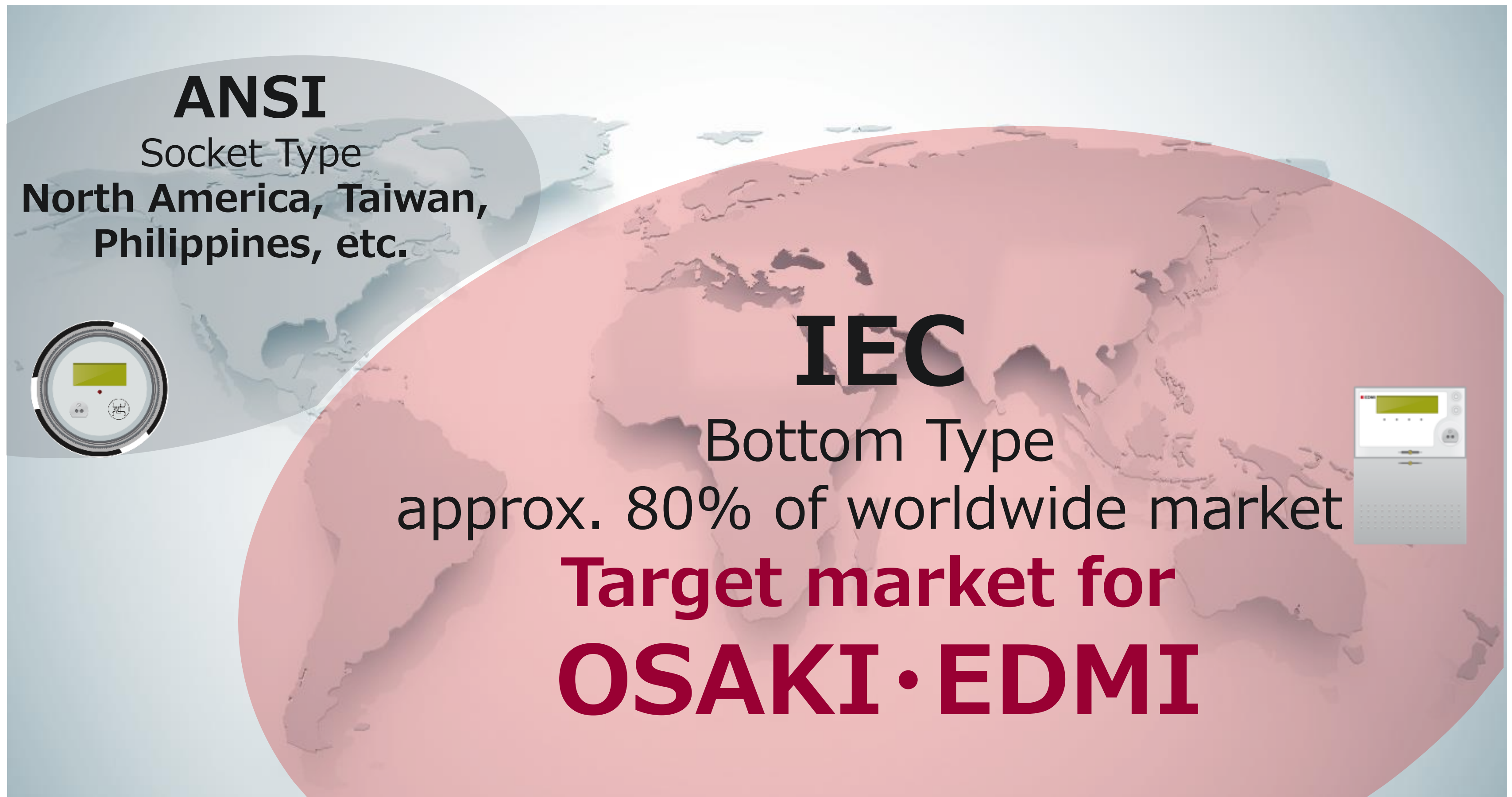
5th Year Target

**OP ¥8 Bn
or more**




	FY2019 actual	FY2020 forecasts	FY2021 outlook	FY2021 outlook
Overseas sales ratio	41%	38%	45%	46%
Overseas OP ratio	12%	0%	44%	47%

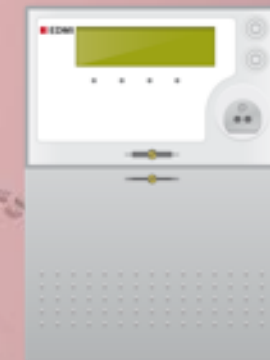
Types of electric meter standards



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



IEC
Bottom Type
approx. 80% of worldwide market
**Target market for
OSAKI · EDM1**



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%

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%

		FY2016	FY2017	FY2018	FY2019	FY2020 1H Results /Forecast
Dividend per share	Interim/ year-end (Yen)	8 / 12	10 / 10	10 / 10	10 / 10	10 / 10
	Annum	20	20	20	20	20
Total dividend paid	Annum	959 Mn	976 Mn	978 Mn	978 Mn	
Pay out ratio	Annum	24.8%	36.6%	54.1%	81.7%	980.4%
DOE	Annum	2.5%	2.3%	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

- Figures in the document are for reference and include unaudited figures.
- Forward-looking figures are based on data and information available up to the date of its announcement and may differ significantly from actual results.
- Please refrain from copying the data, contents and other information subjected to copy right.