

FY2020 Third Quarter
Summary of Consolidated Financial Results
(Nine Months ended December 2020)

- Consolidated sales were down by 19.0% year on year to ¥53.6 billion. Operating income declined by 49.9% to ¥1.7 billion. Profit attributable to owners of parent declined by 95.8% to ¥62 million.
- In Japan, in addition to being in the midst of the peak out period in demand, installation of smart meters was delayed due to the spread of COVID-19 virus, causing smart meter customers to postpone orders. As for energy management services, customers restrained from spending due to COVID-19. As a result, overall sales and profits in Japan decreased.
- In the overseas, likewise, installation of smart meters was stagnant due to lockdowns associated with the spread of COVID-19 virus. Shipments to Oceania, UK and Asia declined, while orders for Iraq (Kurdistan Regional Government) and Cambodia projects, which recorded a temporary increase in orders in the same period of the previous fiscal year, declined year on year. As a result, overall sales and profits in the overseas decreased.

1. Consolidated Financial Results

(Millions of yen)

	FY2019 3Q	FY2020 3Q	YoY Change	
			Amount	%
Net sales	66,200	53,597	(12,603)	(19.0)%
Smart meters & solutions in Japan	37,130	33,804	(3,326)	(9.0)%
Smart meters & solutions overseas	28,386	19,033	(9,352)	(32.9)%
Others	1,538	1,273	(265)	(17.2)%
Adjustment	(855)	(514)	340	—
Gross profit	15,183	12,494	(2,688)	(17.7)%
Ratio to sales	22.9%	23.3%		+0.4pt
SG & A expenses	11,869	10,834	(1,035)	(8.7)%
Ratio to sales	17.9%	20.2%		+2.3pt
Operating income	3,313	1,660	(1,653)	(49.9)%
Ratio to sales	5.0%	3.1%		(1.9)pt
Smart meters & solutions in Japan	2,310	1,835	(474)	(20.6)%
Smart meters & solutions overseas	813	(180)	(993)	—
Others	177	22	(155)	(87.3)%
Adjustment	11	(17)	(29)	—
Ordinary income	3,225	1,786	(1,438)	(44.6)%
Profit attributable to owners of parent	1,479	62	(1,417)	(95.8)%
Net income per share (yen)	30.24	1.27	(28.97)	(95.8)%

2. Consolidated Sales by Region (Excluding intercompany sales)

(Millions of yen)

	FY2019 3Q	FY2020 3Q	YoY Change		Full-year Revised Forecasts
			Amount	%	
Japan	38,449	35,049	(3,399)	(8.8)%	48,500
Overseas	27,751	18,547	(9,203)	(33.2)%	26,500
Oceania	7,363	6,201	(1,161)	(15.8)%	9,100
Europe	6,833	5,848	(984)	(14.4)%	8,900
Asia	6,835	3,264	(3,570)	(52.2)%	4,800
Middle East and others	6,718	3,232	(3,485)	(51.9)%	3,700
Total	66,200	53,597	(12,603)	(19.0)%	75,000

Average exchange rate	¥109.15/USD	¥107.55/USD	¥106.76/USD
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*Calculations are based on the annual securities report.

3. Sales by product and service (Excluding intercompany sales)

(1) Smart meters & solutions in Japan

(Millions of yen)

	FY2019 3Q	FY2020 3Q	YoY Change	
			Amount	%
Meters	19,369	16,759	(2,610)	(13.5)%
Monitor Control	1,885	2,691	806	+42.8%
Switchgears	4,960	4,781	(179)	(3.6)%
VCTs	3,462	3,090	(372)	(10.7)%
Others (including adjustments)	7,435	6,463	(972)	(13.1)%
Total	37,112	33,785	(3,327)	(9.0)%

*Referential figures based on managerial accounting

(2) Smart meters & solutions overseas

(Millions of yen)

	FY2019 3Q	FY2020 3Q	YoY Change	
			Amount	%
Meters	19,576	12,665	(6,911)	(35.3)%
Monitor Control	8,090	5,951	(2,139)	(26.4)%
Total	27,666	18,617	(9,049)	(32.7)%

*Referential figures based on managerial accounting

4. R&D expenditures, Depreciation, Capital expenditures

(Millions of yen)

	FY2019 3Q	FY2020 3Q	YoY Change		Full-year Revised Forecasts
			Amount	%	
R&D expenditures	2,368	2,227	(141)	(6.0)%	3,200
Depreciation	2,126	2,024	(101)	(4.8)%	2,700
Capital expenditures	1,564	1,164	(399)	(25.5)%	2,300

5. FY2020 Consolidated Forecast

The Company revised its full-year forecast for the fiscal year ending March 31, 2021 for the following reasons.

- Smart meters & solutions in Japan
Sales for smart meter are solid, whereas the energy management services are expected to fall short of the initial forecasts due to the more-than-expected impact from COVID-19 virus. Overall profits are estimated to exceed the initial forecasts, due to better profitability from increase in smart meter production and cost reduction in SG&A.
- Smart meters & solutions overseas
With the worldwide spread of COVID-19 virus, shipments mainly to UK and Asia are pushed back to the following years, causing sales to fall short of the initial forecasts. Despite cost reduction in SG&A, profits are expected to fall short of the initial forecasts due to aforementioned sales decrease and the recording of an inventory provision by a careful examination of expected future use of parts from lower production.
- As a result, Net Sales are revised downward, whereas Operating Income and Recurring Income are revised upward since upward revision in Smart meters & solutions in Japan exceeds the downward revision in Smart meters & solutions in overseas.

(Millions of yen)

	Full-year				
	FY2019 Results	FY2020 Initial Forecast (A)	FY2020 Revised Forecast (B)	Difference(B-A)	
				Amount	%
Net sales	90,069	80,000	75,000	(5,000)	(6.3)%
Operating income	3,691	1,500	2,000	500	+33.3%
Ordinary income	3,544	1,600	2,200	600	+37.5%
Profit attributable to owners of parent	1,197	100	100	—	—

Full-year forecast figures by segment

(Millions of yen)

	Initial Forecast	Revised Forecast	Difference
Net sales	80,000	75,000	(5,000)
Smart meters & solutions in Japan	48,200	47,000	(1,200)
Smart meters & solutions overseas	30,000	26,500	(3,500)
Others	1,800	1,500	(300)
Operating income	1,500	2,000	500
Smart meters & solutions in Japan	1,300	2,300	1,000
Smart meters & solutions overseas	0	(300)	(300)
Others	200	0	(200)
Estimated impact from the COVID-19 epidemic (Included in the table above of Fiscal 2020 Forecasts)			
Net sales	(12,000)	(17,000)	
Smart meters & solutions in Japan	(2,000)	(3,200)	
Smart meters & solutions overseas	(10,000)	(13,500)	
Others	0	(300)	
Operating income	(2,700)	(2,400)	
Smart meters & solutions in Japan	(700)	0	
Smart meters & solutions overseas	(2,000)	(2,300)	
Others	0	(100)	

- Forward-looking statements made in this material is based on management's estimates, assumptions and projections at the time of publication and do not represent a commitment that they will be achieved. A number of factors could cause actual results to differ materially from expectations.
- All amounts are in millions of yen rounded down unless otherwise stated.

Financial data (Excel/PDF) are available on our website (<https://www.osaki.co.jp/en/ir/finance/financialdata.html>).