

Financial Results for First Half FY2021

(Six months ended September 30, 2021)

November 18th, 2021

**Mitsuyasu Watanabe,
President and COO**

OSAKI ELECTRIC

1. 1H FY2021 Financial Results

| | Japan | Overseas | Consolidated |
|--------------------------------|--|---|--|
| YoY | <p>Decrease in sales and profits Sales of smart lock decreased YoY Raw material prices rose</p> | <p>Increase in sales and profits Shipments to Oceania and Europe increased</p> | <p>Sales increase and profit decrease</p> |
| Changes from Initial Forecasts | <p>Decrease in sales and profits Solution services were below expectation</p> | <p>Decrease in sales and profits Delay in manufacturing from electronic component shortage</p> | <p>Decrease in sales and profits</p> |

2. FY2021 Full-Year Forecasts

- Electronic component shortages have been hindering smart meter business, which is the main business both in Japan and overseas.
- Because it is difficult to reasonably accumulate the degree of financial impact at the moment, the Company decided to forego the disclosure of financial forecasts for the FY2021.

3. Progress on Mid-term Management Plan

- No changes in mid-term demands in Japan nor overseas, while electronic component shortage remains pressing issue.
- Overseas: Demand in developed countries is strong, while spread of COVID-19 has pushed projects behind schedule in developing regions.
- Japan: Strengthen solution businesses in fast-growing carbon neutral industry.

Agenda

- 1. 1H FY2021 Financial Results**
- 2. Progress on Mid-term Management Plan**
- 3. Topics**

1. 1H FY2021 Financial Results

1-1 Sales and Profits

1-2 Balance Sheets

1-3 Cash Flows

YoY

- Sales: Overall increase YoY from expanded sales in overseas (Oceania and Europe) despite decrease in smart lock sales in Japan.
- Operating income: Overall decrease from lower profitability of smart meters in Japan due to severe price competition and higher material costs, despite improved overseas profits.

Reasons for Changes from Initial Forecasts

- Both sales and profits were below the initial forecasts. Smart lock business and solution services were slower in Japan. Manufacturing overseas was impacted from a delay in procuring electronic components.

FY2021 Full-Year Forecasts

- Because it is difficult to reasonably accumulate the degree of financial impact from electronic component shortages at the moment, the Company decided to forego the disclosure of FY2021 full-year forecasts.

(¥Mn)

| | FY2020 1H Actual | FY2021 1H Initial Forecasts | FY2021 1H Actual | YoY | Changes from Initial Forecasts | FY2021 Forecasts |
|--|---------------------|--------------------------------|---------------------|------|-----------------------------------|---------------------|
| Net Sales | 35,734 | 39,000 | 36,087 | 353 | -2,913 | - |
| Operating Income | 767 | 800 | 461 | -306 | -339 | - |
| Ordinary Income | 744 | 700 | 531 | -213 | -169 | - |
| Profit attributable to owners of parent | -202 | 100 | -236 | -34 | -336 | - |

1-1-2 Results by Segments

(¥Mn)

| | FY2020 1H Results | FY2021 1H Actual | YoY |
|-----------------------------------|----------------------|---------------------|-------|
| Net Sales | 35,734 | 36,087 | 353 |
| Smart meters & solutions in Japan | 22,308 | 21,405 | -903 |
| Smart meters & solutions overseas | 12,916 | 14,613 | 1,697 |
| Production equipment | 627 | 337 | -290 |
| Real estate | 275 | 277 | 1 |
| Adjustments | -393 | -546 | -152 |
| Operating income | 767 | 461 | -306 |
| Smart meters & solutions in Japan | 948 | 366 | -581 |
| Smart meters & solutions overseas | -224 | 118 | 343 |
| Production equipment | -94 | -162 | -67 |
| Real estate | 138 | 139 | 0 |
| Adjustments | 0 | -0 | -1 |

1-2 Balance Sheets

- Accounts receivable decreased due to a decline in sales and collections of receivables, and account payable decreased from payment of payables.
- Inventories increased due to upcoming shipments of switchgear in Japan.
- Net Cash: ¥9.5 billion Capital Adequacy Ratio : 52.3%

(¥Mn)

| | March 31st, 2021 | September 30th, 2021 | Changes | Factors |
|------------------------|------------------|----------------------|---------|--|
| Assets | 90,989 | 89,087 | -1,901 | |
| Current Assets | 53,090 | 50,069 | -3,020 | Accounts Receivable -3,503 Inventory +835 |
| Fixed Assets | 37,898 | 39,017 | +1,118 | |
| Liabilities | 32,101 | 30,586 | -1,514 | |
| Current Liabilities | 18,962 | 23,362 | +4,400 | Accounts payable -1,156 |
| Fixed Liabilities | 13,139 | 7,224 | -5,914 | |
| Equity | 58,887 | 58,500 | -387 | |
| Capital | 46,614 | 46,597 | -16 | |
| Non-controlling | 11,764 | 11,393 | -370 | |
| Others | 509 | 509 | - | |
| Capital Adequacy Ratio | 51.2% | 52.3% | +1.1% | |

1-3 Cash Flows

- Even in a difficult business environment, operating cash flow is 2.6 billion yen and free cash flow is 1.6 billion yen.

(¥Mn)

| | FY2021 1H |
|--|--------------|
| Income before income taxes and minority interests | 531 |
| (Increase) decrease in notes and accounts receivable | 4,013 |
| (Increase) decrease in inventories | -305 |
| Increase (decrease) in notes and accounts payable | -1,376 |
| Others | -228 |
| Operating activities | 2,633 |
| Investing activities | -1,033 |
| Increase (decrease) in short-term debts | -548 |
| Increase (decrease) in long-term debts | -9 |
| Others | -1,302 |
| Financing activities | -1,860 |
| Effect of exchange rate changes on cash and cash equivalents | 197 |
| Cash and cash equivalents at beginning of year | 14,654 |
| Cash and cash equivalents at end of 1H | 14,590 |

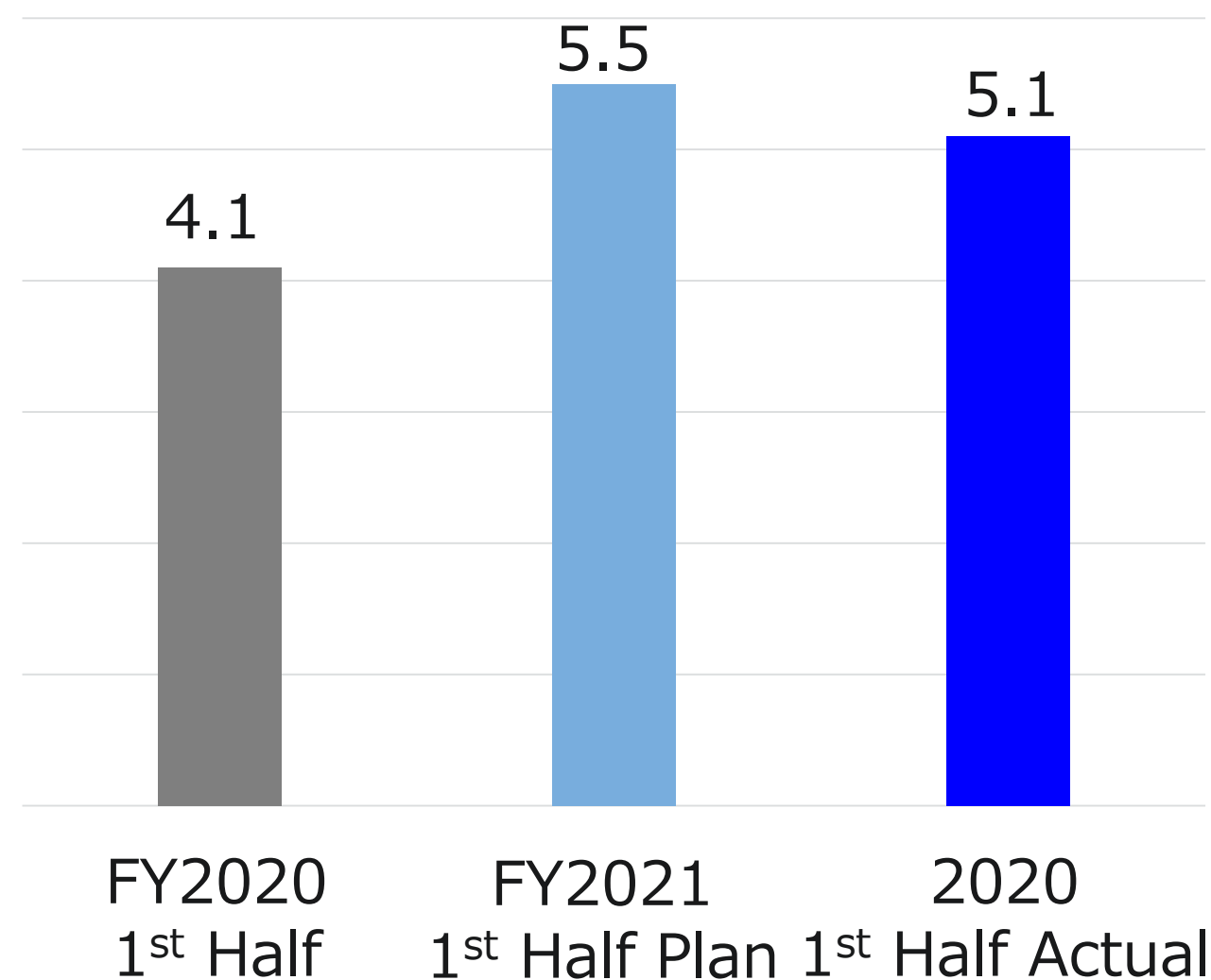
2. Progress on Mid-term Management Plan

2-1 Overseas Business

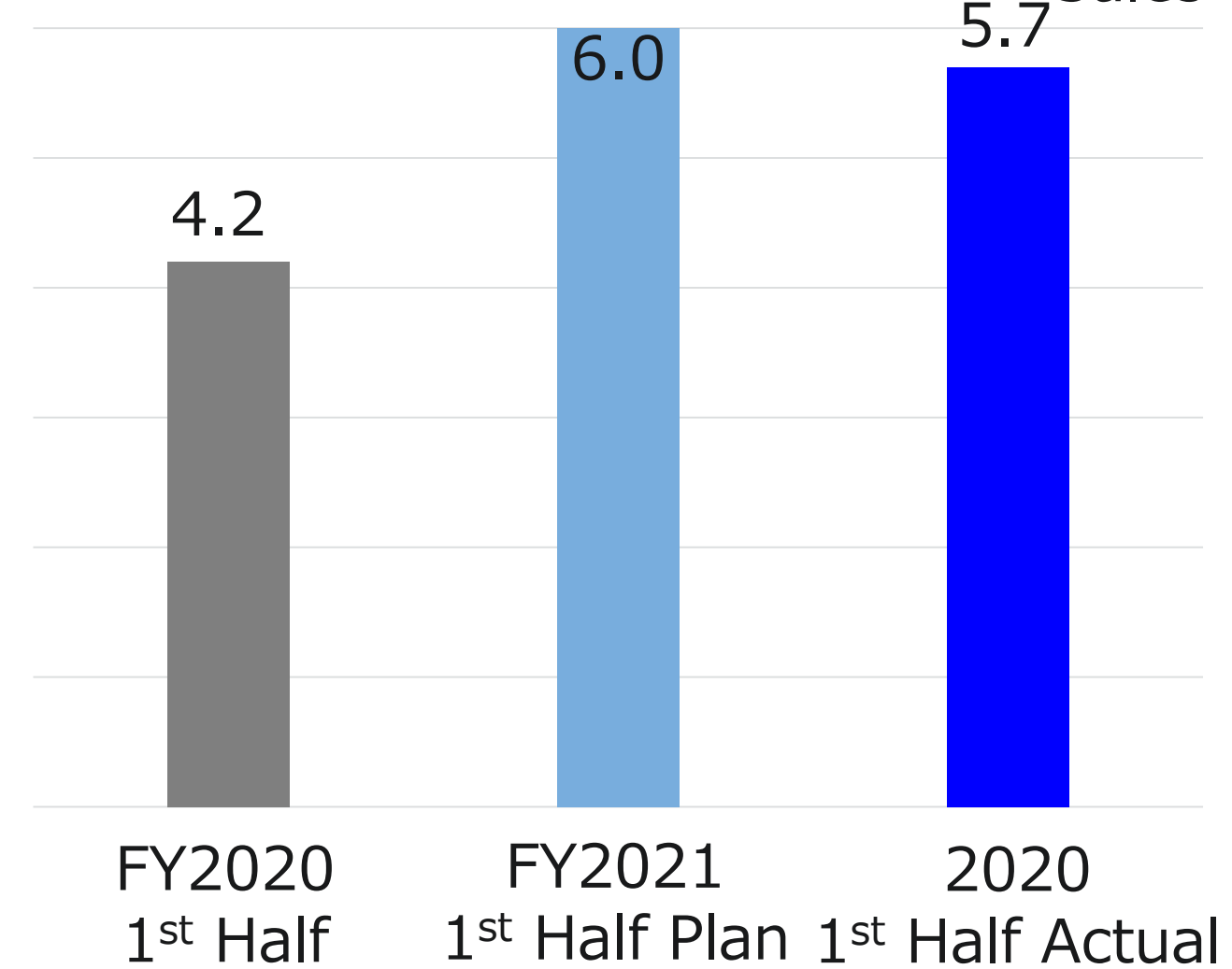
2-2 Japanese Business

2-1-1 Overseas Business

Oceania Sales (Bn yen)



Europe (UK) Sales (Bn yen)



1H analysis

- Increased from previous year where installment of smart meters were delayed from city lockdowns (Oceania +1.0 Bn, Europe +1.5 Bn).
- Installment of smart meters in Oceania (Eastern Australia and New Zealand) and UK project are in good progress.
- Lower than initial forecast due to delay in manufacturing from electronic component shortage.

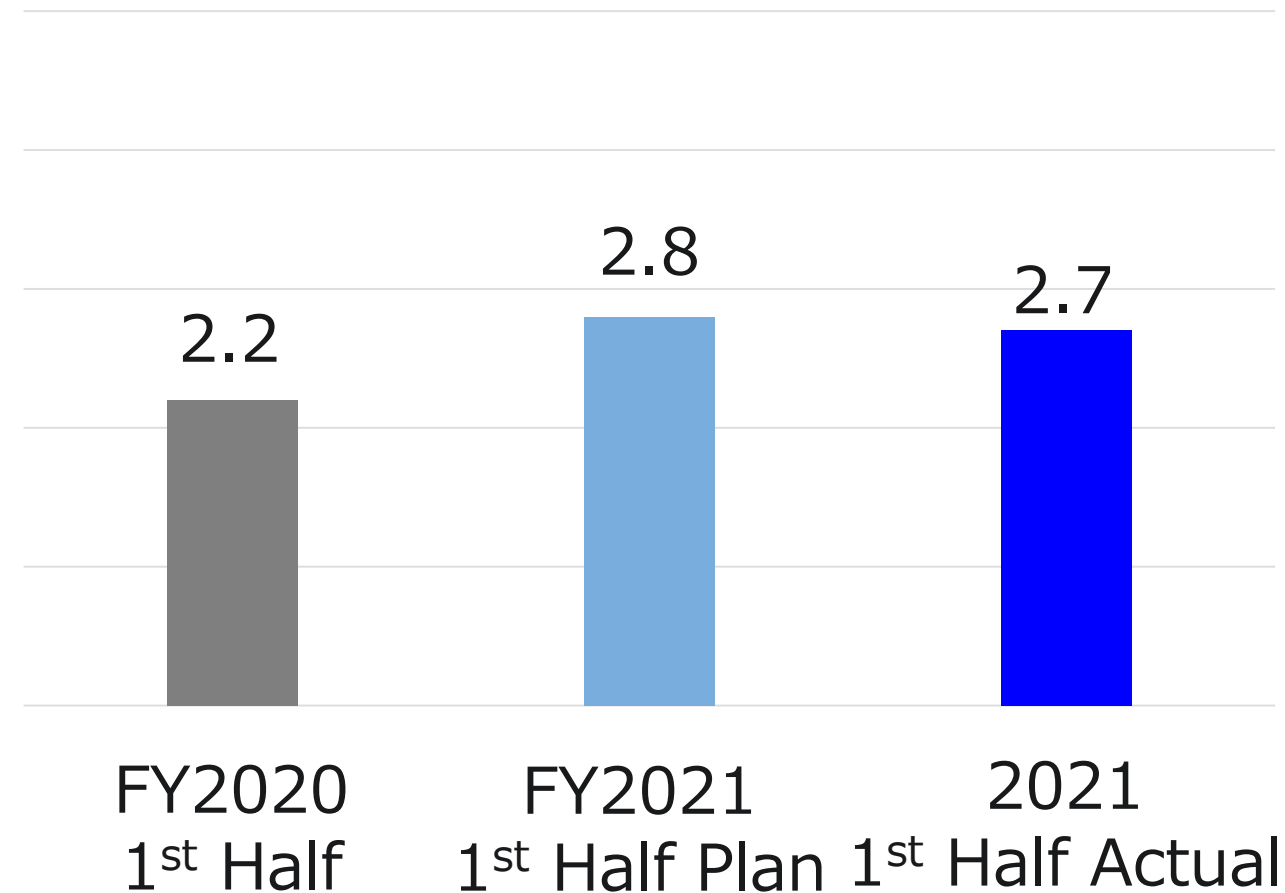
FY2021 Outlook

- Expect to see stable demand.
- Challenges remain to secure electronic components.

2-1-2 Overseas Business

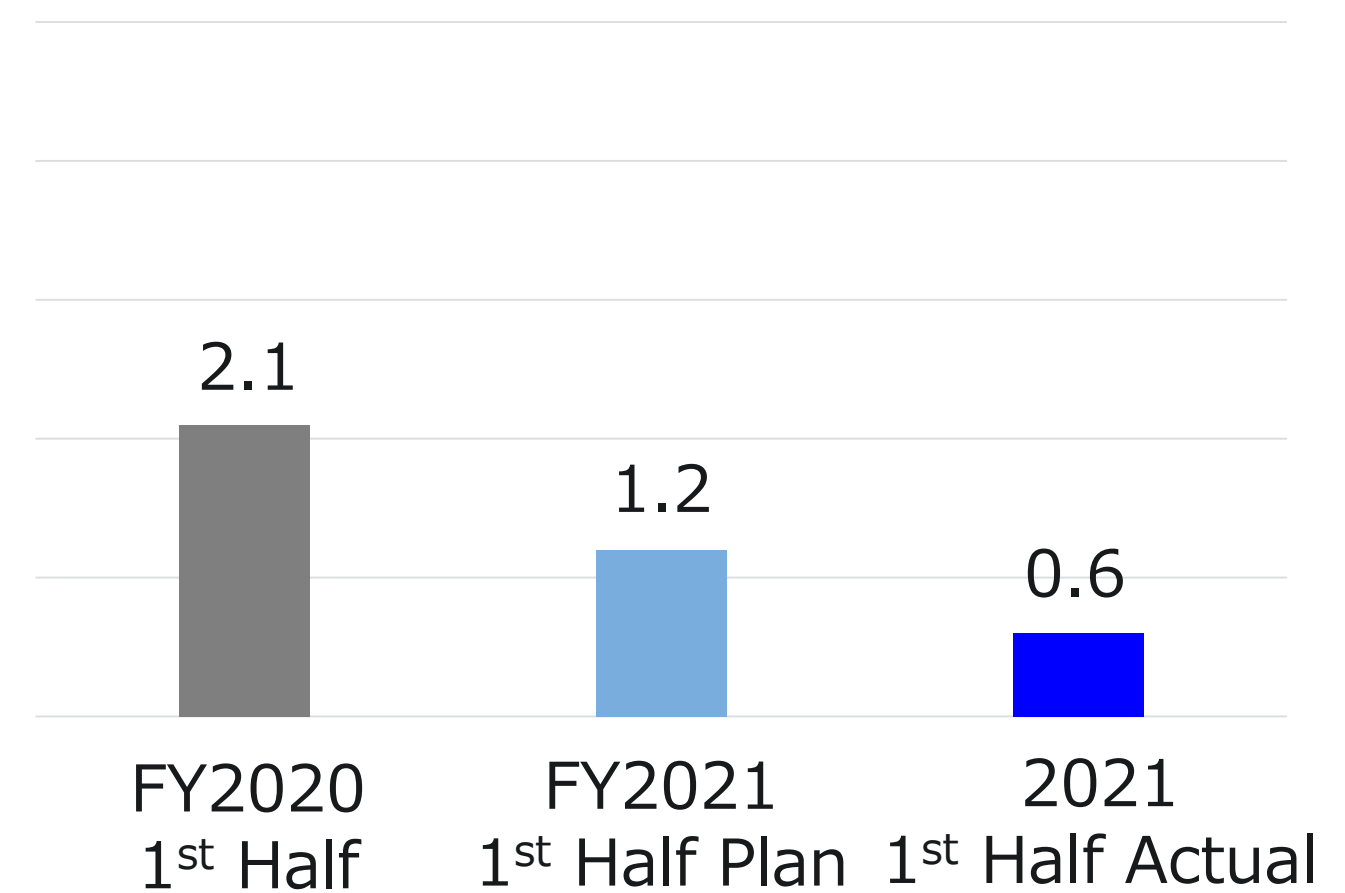
Asia

Sales (Bn yen)



Middle East and others

Sales (Bn yen)



1H analysis

- Profits in Asia increased from previous year where impact of COVID-19 was significant. The results were inline with the initial conservative forecast.
- Profits in Middle East and others were lower compared with previous year and the initial forecast. Contributions from the Iraq (Kurdistan Regional Government) project has subsided while no additional projects complemented for the drop.

FY2021 Outlook

- Impact of COVID-19 has delayed projects in Asia, Middle East and other regions, and business outlook remains severe.
- Challenges remain to secure electronic components.

■ Smart meters business

- Business environment remains severe with demand peak-out and price competition. Preparing for FY2024 renewal demand for next-generation smart meters.
- Challenges remain to secure electronic components.

■ Energy management systems

- Slow investments by customers in 1st half due to spread of COVID-19, resulting in stagnant sales growth.
- Aim to expand profits by providing services in growing areas of energy management market, such as supporting customers to achieve decarbonization measures.

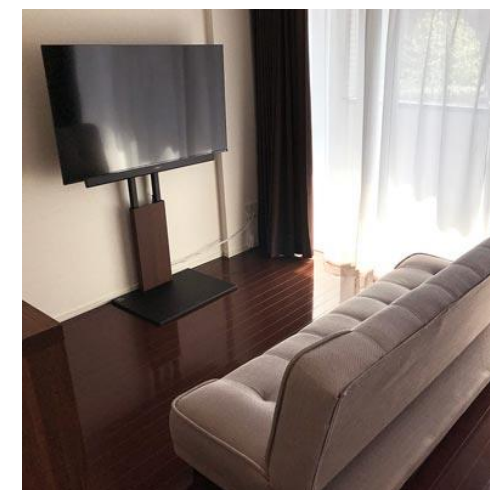
■ Smart locks

- Delayed installation in 1st half due to the spread of COVID-19 despite high demand for tools to enable “non-contact” or “non-face-to-face” services.
- Expanding customers and industries, including new partners in developers to pursue digitalization at construction sites.



New platform “OPELO COMMONS®”

- For common areas
- Not limited to the real estate management industry, it is widely provided as a service for corporations and individuals.



For common areas of company housing and buildings



Entry/exit management at construction sites, etc.

Support for TCFD

November 2nd, 2021 – OSAKI declared its support for the Task Force on Climate-related Financial Disclosures (TCFD).

- Osaki recognizes risks related to climate change and its impact on our society and environment as material issues to the Company, and has worked to minimize the risks by providing energy management solutions.
- Osaki will strengthen organizational framework to disclose in accordance with the TCFD guidance.

SDGs promotion project

Launched a group-wide project in July 2021 to promote and enforce sustainability management, including supporting the TCFD guidance.

Selection of “Prime Market”

Resolved on November 2nd, 2021 to select the “Prime Market” of the Tokyo Stock Exchange which will launch on April 4th, 2022.



Global Energy Solution Leader

Providing tomorrow's energy solution for a better society

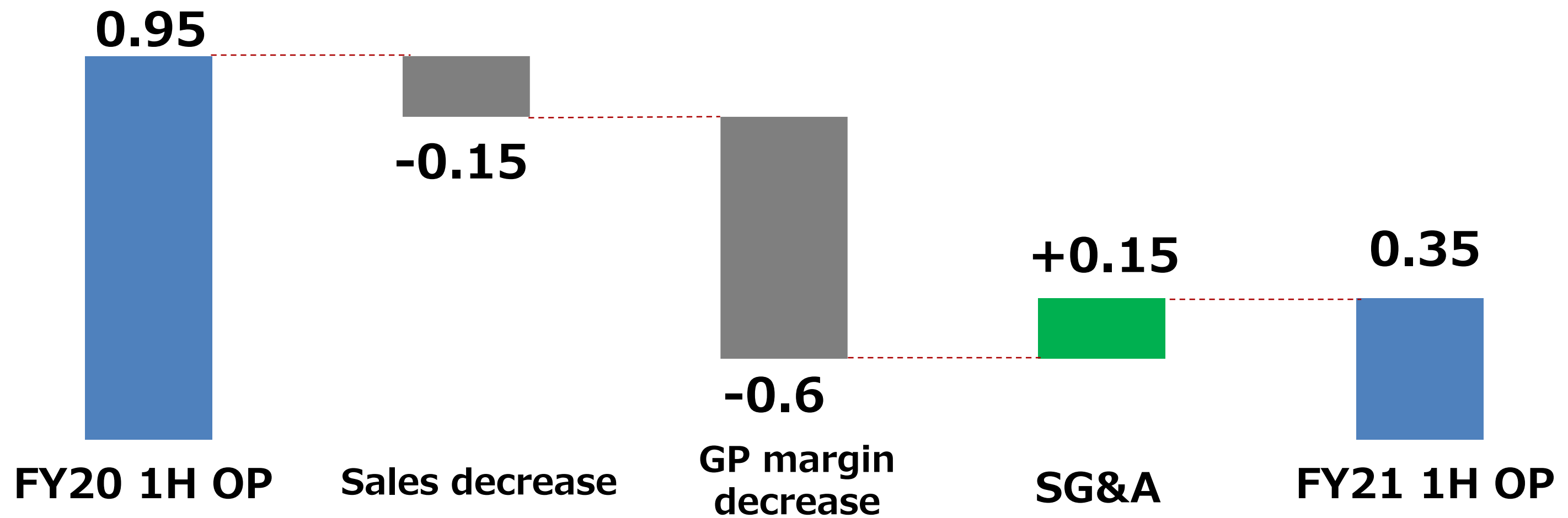
Appendix

- Financial data
- Sustainability management
- Shareholders Return Policy

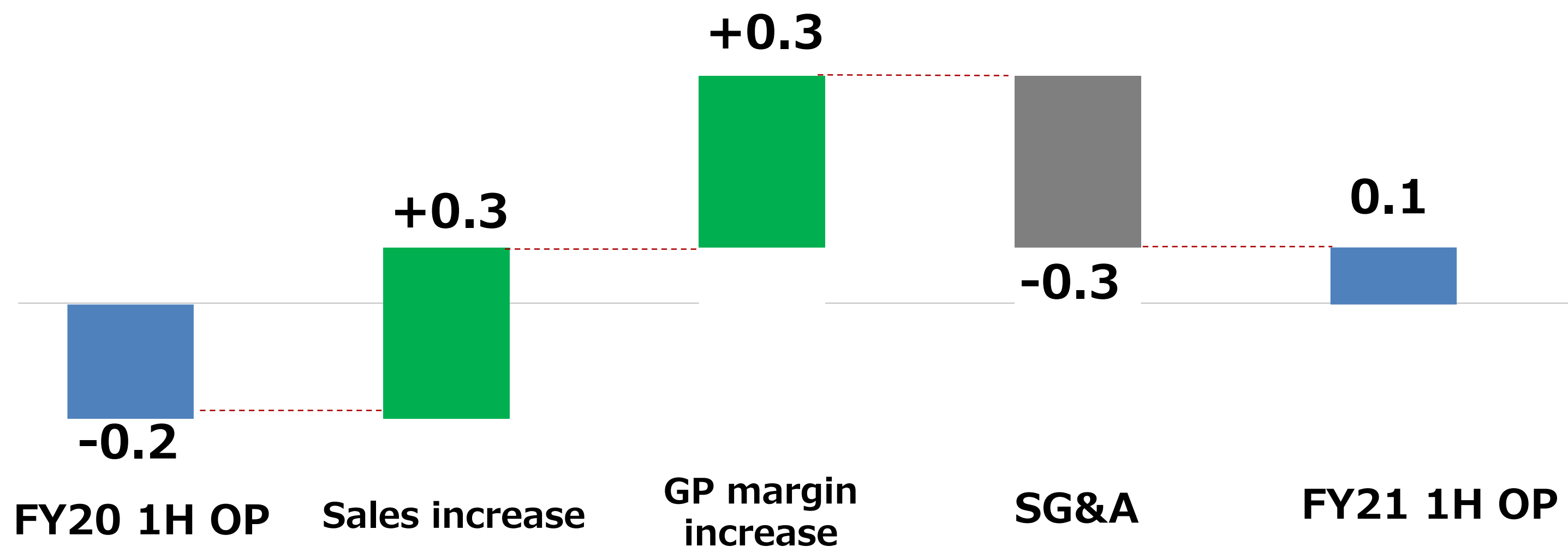
1H FY2021 Operating Profit Change (YoY)

Smart meters & solutions in Japan

(¥Bn)



Smart meters & solutions overseas



Sales by Region (Excluding intercompany sales)

(¥Mn)

| | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 1Q | FY2020 2Q | FY2020 3Q | FY2020 | FY2021 1Q | FY2021 2Q |
|------------------------|--------|--------|--------|--------|--------------|--------------|--------------|--------|--------------|--------------|
| Consolidated Net Sales | 86,159 | 78,780 | 82,089 | 90,069 | 19,347 | 35,734 | 53,597 | 76,255 | 17,720 | 36,087 |
| Japan | 63,236 | 59,927 | 57,735 | 53,475 | 11,643 | 23,130 | 35,049 | 49,641 | 10,776 | 21,927 |
| Overseas | 22,923 | 18,852 | 24,353 | 36,593 | 7,703 | 12,603 | 18,547 | 26,614 | 6,943 | 14,159 |
| Oceania | 9,110 | 7,807 | 9,522 | 9,422 | 2,211 | 4,116 | 6,201 | 9,154 | 2,186 | 5,093 |
| Europe | 5,248 | 3,858 | 4,449 | 9,558 | 2,375 | 4,181 | 5,848 | 8,952 | 3,167 | 5,750 |
| Asia | 7,431 | 6,168 | 7,086 | 8,841 | 1,336 | 2,164 | 3,264 | 4,803 | 1,306 | 2,737 |
| Middle East, Others | 1,133 | 1,017 | 3,295 | 8,770 | 1,780 | 2,141 | 3,232 | 3,703 | 282 | 578 |
| Overseas Sales Ratio | 26.6% | 23.9% | 29.7% | 40.6% | 39.8% | 35.3% | 34.6% | 34.9% | 39.2% | 39.2% |

*1 Figures base on Annual Report.

*2 Electronic component shortages have been hindering smart meter business, which is the main business both in Japan and overseas. Because it is difficult to reasonably accumulate the degree of financial impact at the moment, the Company regrets to forego the notice of revised financial forecasts for the FY2021.

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 |

*1 Referential figures based on managerial accounting

*2 Monitor Control: Energy management systems, smart locks, etc.

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 |

*1 Referential figures based on managerial accounting

*2 Monitor Control: Meter related systems, communication hubs, etc.

To strengthen sustainability management

Strengthening the Sustainability Management by the Groupwide SDGs Project

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

Elevate corporate value and minimize risks

Governance

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%.

| | | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 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 | 976 Mn | 978 Mn | 978 Mn | 980 Mn | |
| Pay out ratio | Annum | 36.6% | 54.1% | 81.7% | 203.3% | |
| DOE | Annum | 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

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