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Consolidated Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP]

November 8, 2022

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

Phone: 03-3443-7171

Scheduled date of filing quarterly securities report: November 14, 2022

Scheduled date of commencing dividend payments: December 5, 2022

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes (for Institutional Investors and Analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (April 1, 2022 to September 30, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2022	39,562	9.6	535	16.0	348	(34.4)	1,041	-
September 30, 2021	36,087	1.0	461	(39.9)	531	(28.7)	(236)	-

(Note) Comprehensive income: Six months ended September 30, 2022: ¥ 2,051 million [188.9%]
Six months ended September 30, 2021: ¥ 710 million [296.1%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2022	21.83	21.47
September 30, 2021	(4.83)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
September 30, 2022	84,967	58,182	54.2
March 31, 2022	91,222	57,611	49.6

(Reference) Equity: As of September 30, 2022: ¥ 46,088 million
As of March 31, 2022: ¥ 45,236 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, 2022	-	10.00	-	10.00	20.00
Fiscal year ending March 31, 2023	-	10.00			
Fiscal year ending March 31, 2023 (Forecast)			-	10.00	20.00

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

3. Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2023(April 1, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	80,000	5.0	1,000	(21.7)	1,100	(7.5)	920	-	19.60

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2022

(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):

September 30, 2022: 49,267,180 shares

March 31, 2022: 49,267,180 shares

2) Total number of treasury shares at the end of the period:

September 30, 2022: 1,829,545 shares

March 31, 2022: 968,247 shares

3) Average number of shares during the period:

Six months ended September 30, 2022: 47,728,621 shares

Six months ended September 30, 2021: 49,079,375 shares

* Quarterly financial results are exempt from the audit conducted by certificated public accountants or an auditing 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 (Six Months ended September 30, 2022)

1.1 Highlight of Operating Results of Six Months ended September 30, 2022

- Consolidated sales increased by 9.6% in the amount of 39.6 billion yen from the previous fiscal year. Operating income was 0.54 billion yen which increased by 16.0%. Net income attributable to owners of parent was 1.04 billion yen compared to a loss of 0.24 billion yen in the previous fiscal year, including an extraordinary income for the sale of subsidiaries in Japan and overseas.
- In smart meters & solutions in Japan, sales of smart meters, solutions and switch gears increased and profits expanded accordingly.
- In smart meters & solutions overseas, while shipments to Oceania showed steady growth, shipments to UK decreased due to electronic component shortages, resulting in flat sales. Profits decreased due to a hike in material costs, marking an operating loss.

Summary of Consolidated Financial Results for the Six Months ended September 30, 2022

	(Millions of yen)			
	Six Months ended September '21	Six Months ended September '22	YoY change	
			Amount	%
Net sales	36,087	39,562	3,475	9.6%
Smart meters & solutions in Japan	21,405	24,276	2,871	13.4%
Smart meters & solutions overseas	14,613	14,647	33	0.2%
Production equipment	337	761	424	125.8%
Real estate	277	282	5	1.9%
Adjustment	(546)	(405)	140	-
Operating income	461	535	73	16.0%
Smart meters & solutions in Japan	366	1,163	796	217.4%
Smart meters & solutions overseas	118	(777)	(895)	-
Production equipment	(162)	9	171	-
Real estate	139	141	2	1.6%
Adjustment	(0)	(1)	(1)	-
Ordinary income	531	348	(182)	(34.4)%
Profit attributable to owners of parent	(236)	1,041	1,278	-

1.2 Consolidated Financial Condition

Total assets as of September 30, 2022 were 84,967 million yen, a 6,254 million yen decrease from March 31, 2022. This was mainly due to a decrease in notes and accounts receivable, and cash and deposits by 4,676 million yen and 2,398 million yen respectively, while inventory increased by 2,260 million yen.

Total liabilities were 26,785 million yen, a 6,825 million yen decrease from March 31, 2022. This was mainly due to a decrease in notes and accounts payable and short to long term borrowings by 1,454 million yen and 4,163 million yen respectively.

Net assets were 58,182 million yen, a 570 million yen increase from March 31, 2022. This was mainly due to an increase in capital surplus and foreign currency translation adjustment by 567 million yen and 794 million yen respectively, while treasury shares deducted from equity increased by 434 million yen.

1.3 Statements for Financial Forecasts and Business Outlook

There are no changes made to the financial forecasts, which were previously announced on August 25, 2022.

2 Consolidated Financial Statements

2.1 Consolidated Balance Sheets

(Million yen)

	As of March 31,2022	As of September 30,2022
Assets		
Current assets		
Cash and deposits	11,857	9,458
Deposits paid	3,546	4,584
Notes and accounts receivable - trade, and contract assets	17,436	12,759
Merchandise and finished goods	6,031	7,093
Work in process	3,165	3,248
Raw materials and supplies	6,911	8,027
Other	3,234	3,585
Allowance for doubtful accounts	(530)	(536)
Total current assets	51,653	48,221
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,880	8,548
Land	12,830	12,099
Other, net	6,059	5,457
Total property, plant and equipment	27,770	26,105
Intangible assets	868	776
Investments and other assets		
Investment securities	5,229	5,204
Retirement benefit asset	1,525	1,512
Other	4,178	3,150
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	10,930	9,864
Total non-current assets	39,568	36,746
Total assets	91,222	84,967

(Million yen)

	As of March 31,2022	As of September 30,2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,324	5,869
Electronically recorded obligations - operating	2,965	2,908
Short-term borrowings	6,926	29
Income taxes payable	502	381
Provision for bonuses	1,656	1,482
Provision for bonuses for directors (and other officers)	48	33
Provision for product warranties	473	400
Other	6,604	5,746
Total current liabilities	26,502	16,853
Non-current liabilities		
Long-term borrowings	-	2,733
Provision for retirement benefits for directors (and other officers)	42	45
Provision for repairs	21	24
Retirement benefit liability	2,479	2,480
Deferred tax liabilities	2,154	2,203
Other	2,410	2,444
Total non-current liabilities	7,108	9,931
Total liabilities	33,610	26,785
Net assets		
Shareholders' equity		
Share capital	7,965	7,965
Capital surplus	8,750	8,750
Retained earnings	25,670	26,238
Treasury shares	(487)	(921)
Total shareholders' equity	41,900	42,033
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,119	1,095
Foreign currency translation adjustment	1,667	2,461
Remeasurements of defined benefit plans	549	497
Total accumulated other comprehensive income	3,336	4,054
Share acquisition rights	509	466
Non-controlling interests	11,865	11,626
Total net assets	57,611	58,182
Total liabilities and net assets	91,222	84,967

2.2 Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income (For the six months)

(Million yen)

	For the six months ended September 30,2021	For the six months ended September 30,2022
Net sales	36,087	39,562
Cost of sales	28,208	31,318
Gross profit	7,878	8,244
Selling, general and administrative expenses	7,417	7,708
Operating profit	461	535
Non-operating income		
Interest income	10	10
Dividend income	99	129
Subsidy income	167	33
Other	69	52
Total non-operating income	347	226
Non-operating expenses		
Interest expenses	151	75
Foreign exchange losses	76	308
Other	50	29
Total non-operating expenses	277	413
Ordinary profit	531	348
Extraordinary income		
Gain on sale of non-current assets	-	306
Gain on sale of shares of subsidiaries and associates	-	1,830
Total extraordinary income	-	2,137
Extraordinary losses		
Loss on sale of shares of subsidiaries and associates	-	580
Total extraordinary losses	-	580
Profit before income taxes	531	1,905
Income taxes - current	349	469
Income taxes - deferred	131	103
Total income taxes	480	572
Profit	50	1,332
Profit attributable to non-controlling interests	287	290
Profit (loss) attributable to owners of parent	(236)	1,041

Consolidated Statements of Comprehensive Income (For the six months)

(Million yen)

	For the six months ended September 30,2021	For the six months ended September 30,2022
Profit	50	1,332
Other comprehensive income		
Valuation difference on available-for-sale securities	117	(24)
Foreign currency translation adjustment	583	794
Remeasurements of defined benefit plans, net of tax	(41)	(51)
Total other comprehensive income	659	718
Comprehensive income	710	2,051
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	422	1,760
Comprehensive income attributable to non-controlling interests	287	290

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 30 Sep 2021

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	21,393	14,149	319	224	36,087	—	36,087
Intersegment Sales	12	464	17	52	546	(546)	—
Total Sales	21,405	14,613	337	277	36,633	(546)	36,087
Operating Income	366	118	(162)	139	461	(0)	461

(Remark) 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 30 Sep 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	24,265	14,307	759	229	39,562	—	39,562
Intersegment Sales	11	339	1	52	405	(405)	—
Total Sales	24,276	14,647	761	282	39,968	(405)	39,562
Operating Income	1,163	(777)	9	141	537	(1)	535

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

2.Changes in Reporting Segments

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

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

There are no applicable matters.