

Financial Results for First Half FY2022

(Six months ended September 30, 2022)

December 5th, 2022

**Mitsuyasu Watanabe,
President and COO**

OSAKI ELECTRIC CO., LTD.

1. FY2022 2Q Results: Sales 39.6B yen, Operating Income 0.54B yen

	Japan	Overseas	Consolidated
YoY	Increased sales and profits Improved profits from larger sales	Flat sales, lower profits Component shortages High material costs, US dollar appreciation	Sales (+3.5B) OP (+0.07B)
Initial targets	Increased sales and profits Lower manufacturing costs	Short sales and profits High material costs, US dollar appreciation	Sales (+0.5B) OP (+0.73B)

2. FY2022 Forecasts : Sales 80.0B yen, Operating Income 1.0B yen

	Japan	Overseas	Consolidated
YoY	Increase in sales and profits Profits to improve from larger sales	Decrease in sales and profits Component shortages, High material and freight costs, Largely impacted from US dollar appreciation	Sales (+3.8B) OP (-0.28B)

3. FY2023 Outlook

- Overseas: Shortages of semiconductors are expected to resolve, and shipments to UK will recover. Material and freight costs remain high, but the business aims recover profits.
- Japan: Expand solutions business

Agenda

- 1. 1H FY2022 Financial Results**
- 2. FY2022 Forecasts**
- 3. FY2023 Outlook**

1. 1H FY2022 Financial Results

1-1 Sales and Profits

1-2 Balance Sheets

1-3 Cash Flows

YoY

- Sales : Overall increase
 - Increased in Japan
 - Decreased overseas due to sales decrease for UK with component shortages, despite stable increase in Oceania
- Operating Income: Overall increase
 - Decreased in overseas due to high material costs but increased in Japan

Initial targets

- Exceeded in Japan
- Short in sales and profits overseas due to component shortages and high material costs

FY2022 Forecasts

- No change from the previous announcement (August 25)

	FY2021 1H Actual	FY2022 1H Initial Forecasts	FY2022 1H Actual	YoY	Changes from Initial Forecasts	FY2022 Forecasts
Net Sales	36,087	39,000	39,562	3,475	562	80,000
Operating Income	461	-200	535	73	735	1,000
Ordinary Income	531	-150	348	-182	498	1,100
Profit attributable to owners of parent	-236	1,300	1,041	1,278	-258	920

1-1-2 Results by Segments

(¥Mn)

	FY2021 1H Results	FY2022 1H Actual	YoY
Net Sales	36,087	39,562	3,475
Smart meters & solutions in Japan	21,405	24,276	2,871
Smart meters & solutions overseas	14,613	14,647	33
Production equipment	337	761	424
Real estate	277	282	5
Adjustments	-546	-405	140
Operating Income	461	535	73
Smart meters & solutions in Japan	366	1,163	796
Smart meters & solutions overseas	118	-777	-895
Production equipment	-162	9	171
Real estate	139	141	2
Adjustments	-0	-1	-1

1-2 Balance Sheets

- Decrease in Accounts Receivable: collected receivables in and out of Japan
- Increase in Inventory: increased overseas with yen depreciation
- Net Cash: 11.2B yen, Capital Adequacy Ratio: 54.2%

(¥Mn)

	March 31st, 2022	September 30th, 2022	Changes	Factors
Assets	91,222	84,967	-6,255	Accounts Receivable -4,676
Current Assets	51,653	48,221	-3,432	Cash -2,398
Fixed Assets	39,568	36,746	-2,822	Inventory +2,260
Liabilities	33,610	26,785	-6,825	Accounts payable -1,511
Current Liabilities	26,502	16,853	-9,649	Borrowings -4,163
Fixed Liabilities	7,108	9,931	+2,823	
Equity	57,611	58,182	+571	
Capital	45,236	46,088	+852	
Non-controlling	11,865	11,626	-239	
Others	509	466	-43	
Capital Adequacy Ratio	49.6%	54.2%	4.6%	

1-3 Cash Flows

- Operating cash flow 2.2B yen,
Free cash flow 3.5B yen

	(¥Mn)
	FY2022 1H
Income before income taxes and minority interests	1,905
(Increase) decrease in notes and accounts receivable	4,237
(Increase) decrease in inventories	-1,549
Increase (decrease) in notes and accounts payable	-1,248
Others	-1,162
Operating activities	2,181
Purchase of property, plant and equipment	-954
Proceeds from sales of shares of subsidiaries	3,481
Others	-1,251
Investing activities	1,275
Increase (decrease) in long-term debts	-4,925
Others	-1,674
Financing activities	-6,600
Effect of exchange rate changes on cash and cash equivalents	736
Cash and cash equivalents at beginning of year	15,335
Cash and cash equivalents at end of 1H	12,927

2. FY2022 Forecasts

2-1. FY2022 Forecasts

- No change made to FY2022 (ending March 31, 2023) forecasts from the previous announcement on August 25th, 2022

(¥Mn)

	FY2022 1H Actual	YoY	FY2022 2H Forecasts	YoY	FY2022 Forecasts	YoY
Net Sales	39,562	3,475	40,438	341	80,000	3,815
Operating Income	535	73	465	-351	1,000	-277
Ordinary Income	348	-182	752	94	1,100	-89
Profit attributable to owners of parent	1,041	1,278	-121	301	920	1,578

2-2. FY2022 forecasts by segment

While full-year forecasts were unchanged, [sales forecasts by segment have been revised](#)

- **YoY:** Japan sales and profits to increase mainly in smart meters
Overseas **decrease in profits largely due to high material costs mainly electronic components and high freight costs.** Oceania business is well underway.
- **Initial Forecasts:** Japan profits to exceed from better manufacturing efficiency and cutting SG&A expenses, although expecting additional raise in material costs in 2H.
Overseas on the way to recovery, however, expected to fall short of initial forecasts

	FY2021 1H Actual	FY2022 1H Actual	YoY	FY2021 Actual	FY2022 Initial Forecasts	FY2022 Forecasts	YoY	Changes from Initial Forecasts
Net Sales	36,087	39,562	3,475	76,184	80,000	80,000	3,815	—
Smart meters & solutions in Japan	21,405	24,276	2,871	46,006	50,000	49,000	2,993	-1,000
Smart meters & solutions overseas	14,613	14,647	33	30,068	29,000	30,800	731	1,800
Others	614	1,044	430	1,246	2,100	1,300	53	-800
Adjustments	-546	-405	140	-1,137	-1,100	-1,100	37	—
Operating Income	461	535	73	1,277	1,000	1,000	-277	—
Smart meters & solutions in Japan	366	1,163	796	1,225	1,500	1,800	574	300
Smart meters & solutions overseas	118	-777	-895	58	-700	-1,100	-1,158	-400
Others	-23	150	173	-11	200	300	311	100
Adjustments	-0	-1	-1	4	—	—	-4	—

* Announced on November 8th

3. FY2023 Outlook

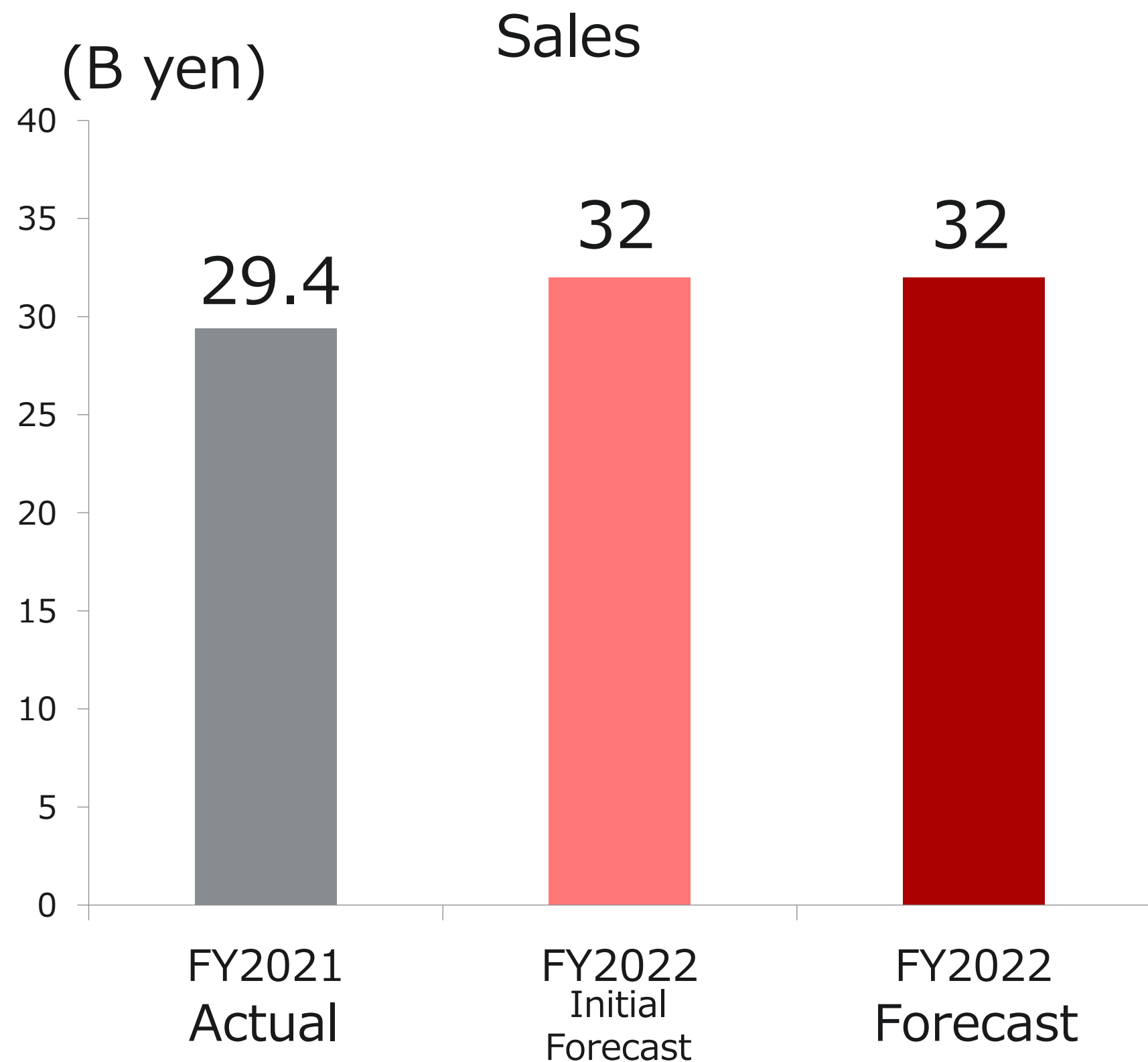
3-1 Japanese Business

3-2 Overseas Business

3-3 Strengthen Business Portfolio Management

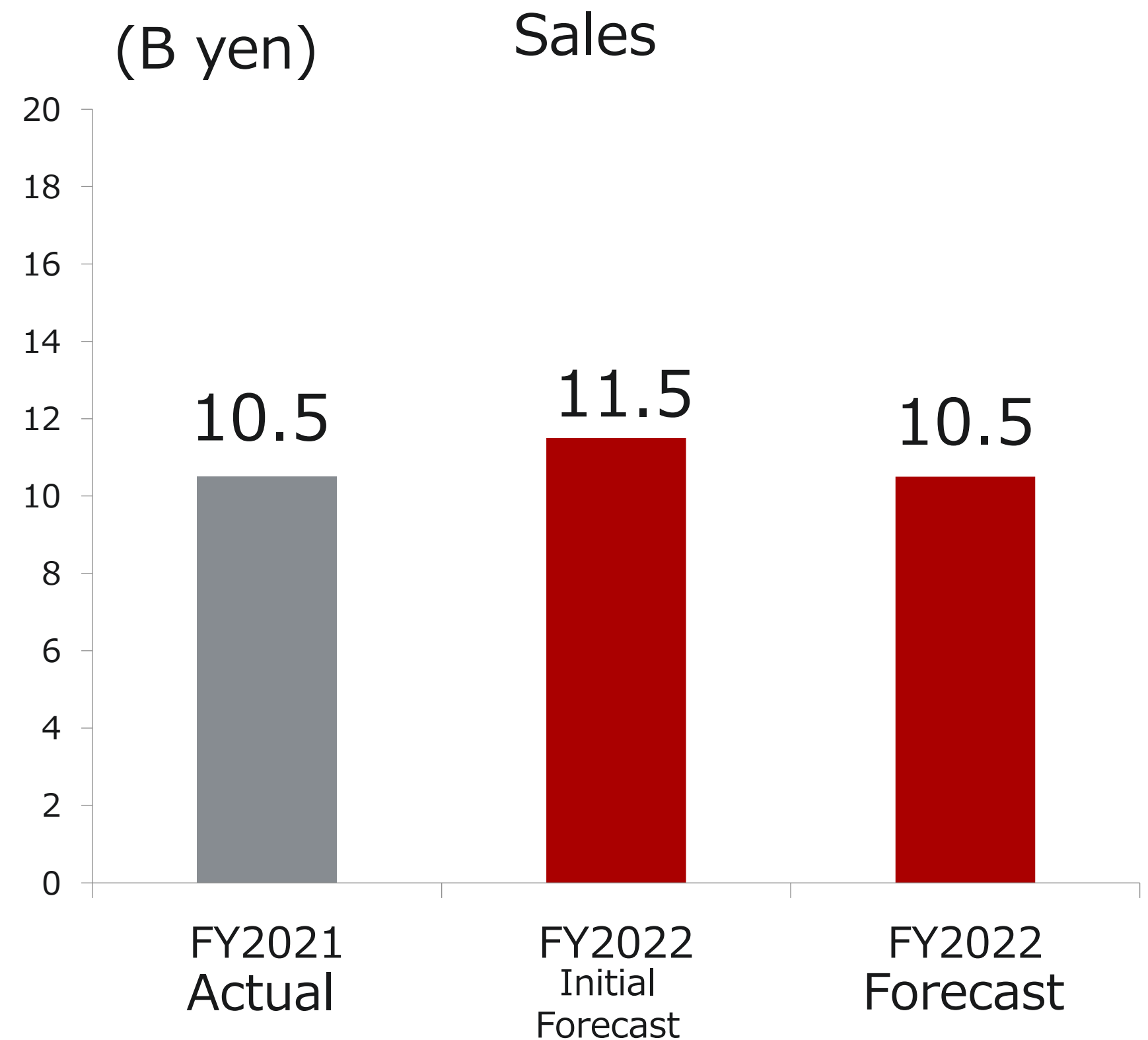
3-1 Japanese Business

Smart meter business



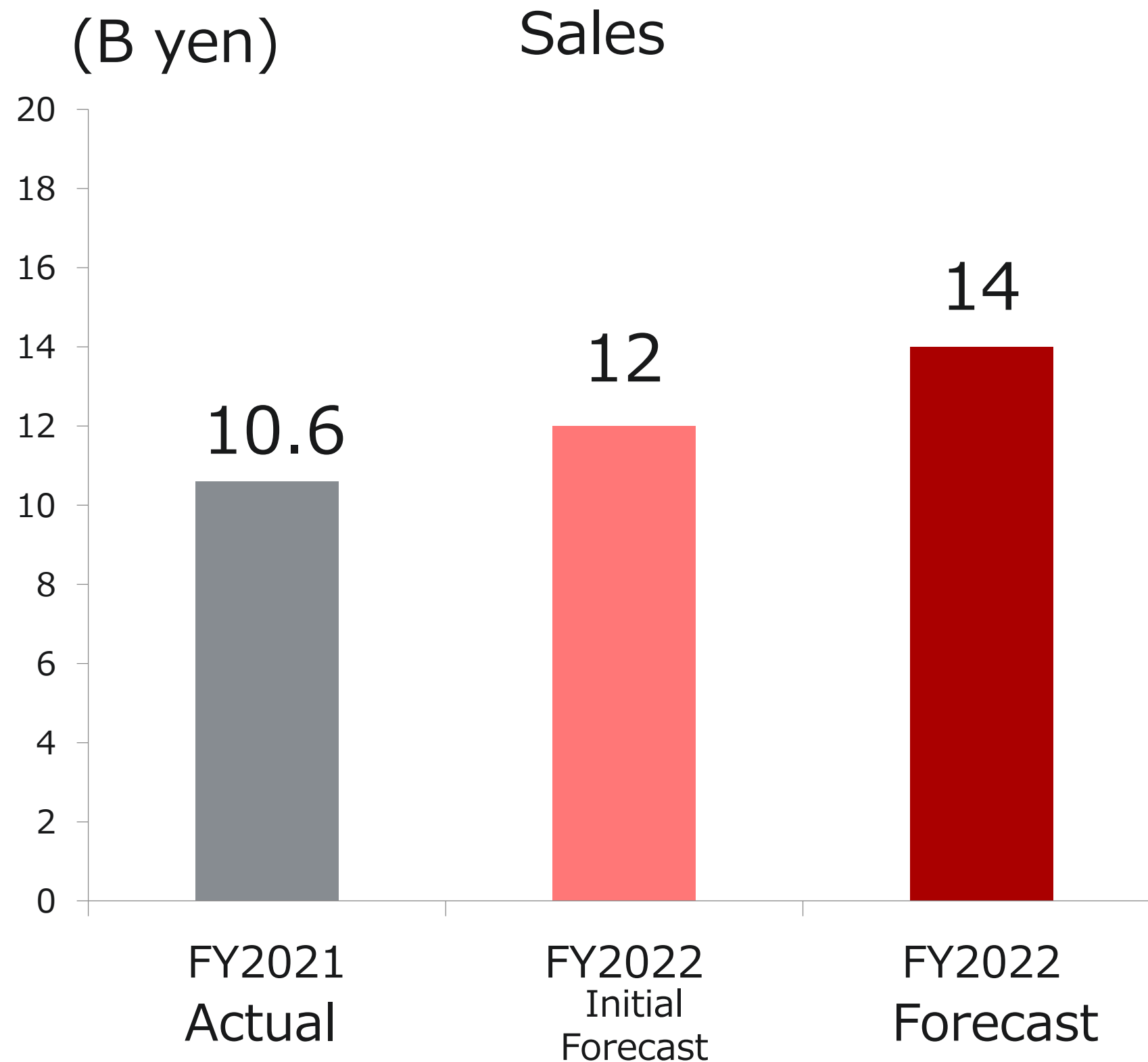
- YoY: increase by recovery
- Initial Forecasts: in line
- FY2023 Outlook: Establish strong development and manufacturing framework for the next-generation smart meters

Solution business



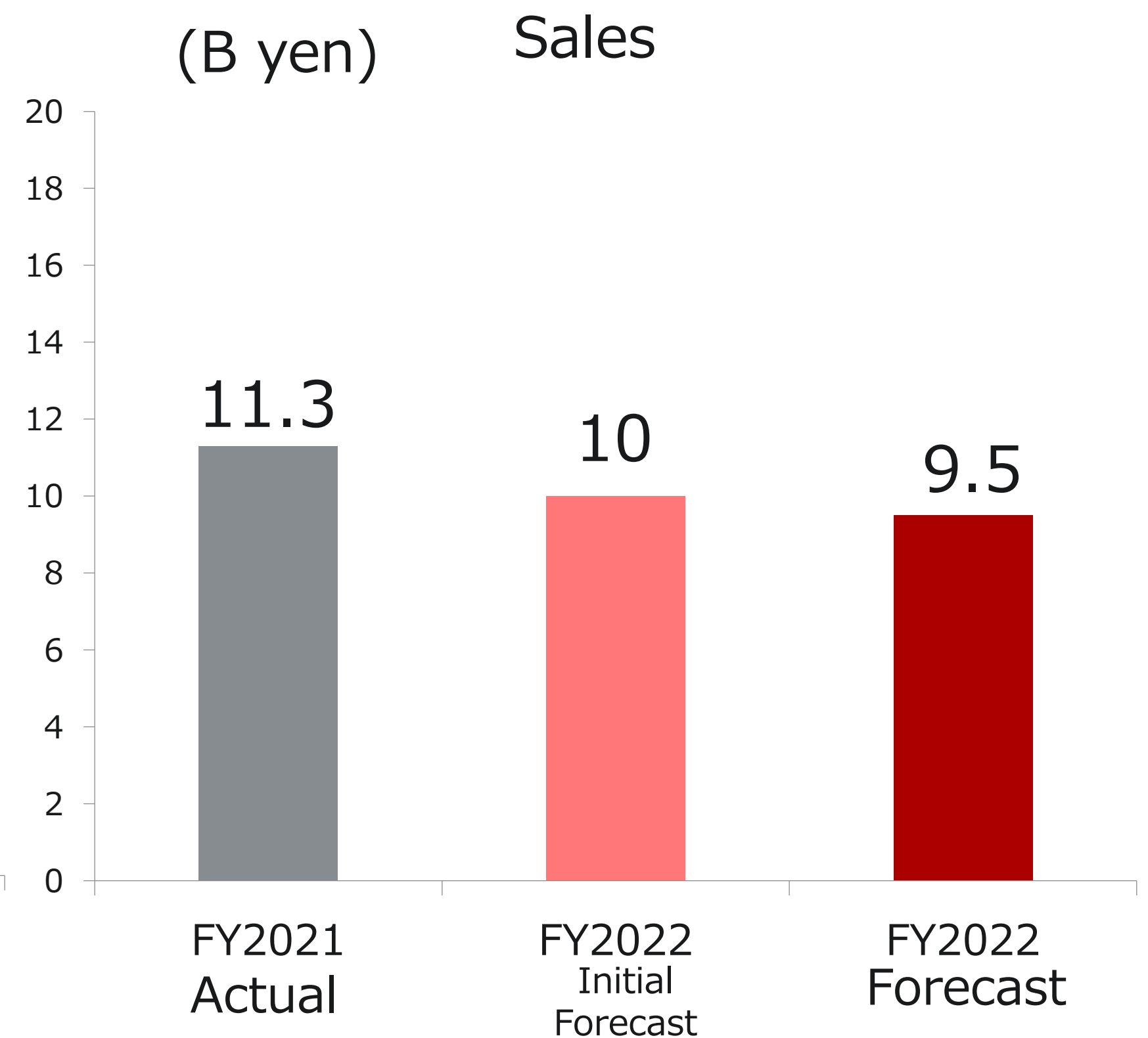
- YoY: smart locks increased, solutions decreased from component shortages
- Initial Forecasts: solutions fell short due to component shortages
- FY2023 Outlook: Expand energy solutions

Oceania



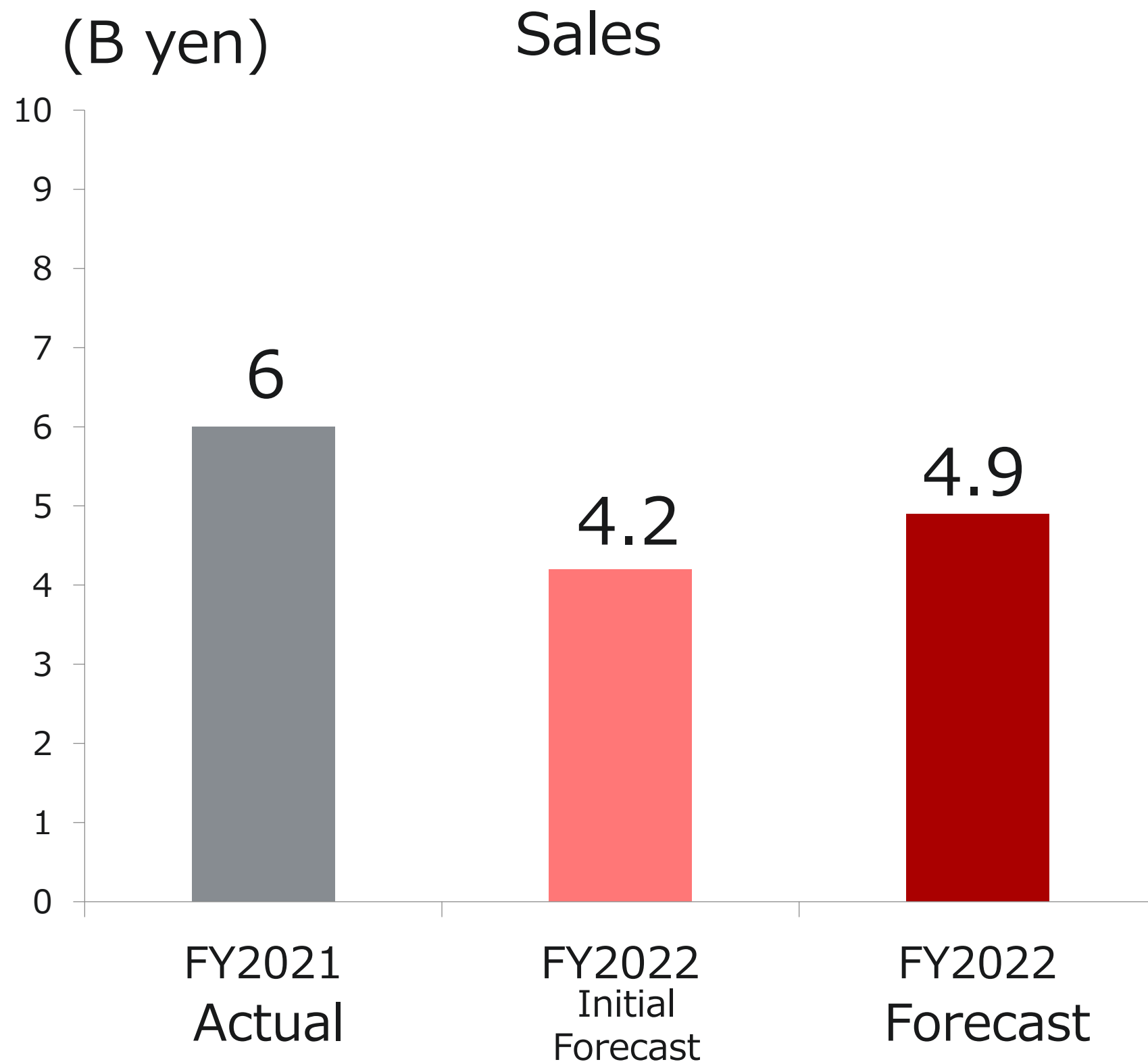
- YoY: steady shipments
- Initial Forecasts: exceeded expectations
- FY2023 Outlook: Stable but need to control component and freight costs

Europe (mainly UK)

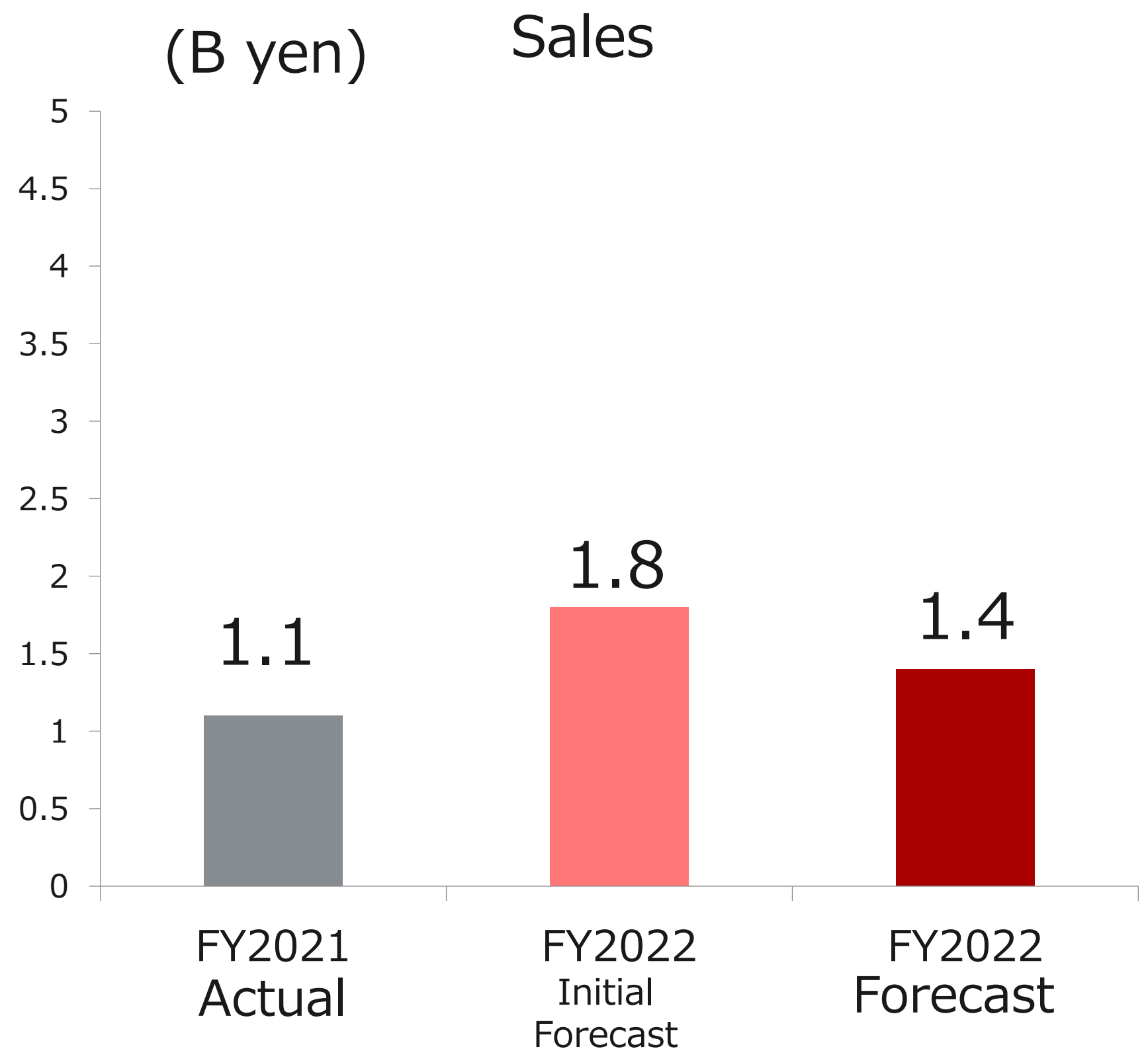


- YoY: decrease from electronic component shortages
- Initial Forecasts: short from electronic component shortages
- FY2023 Outlook: electronic component shortages to resolve

Asia



Middle East and others



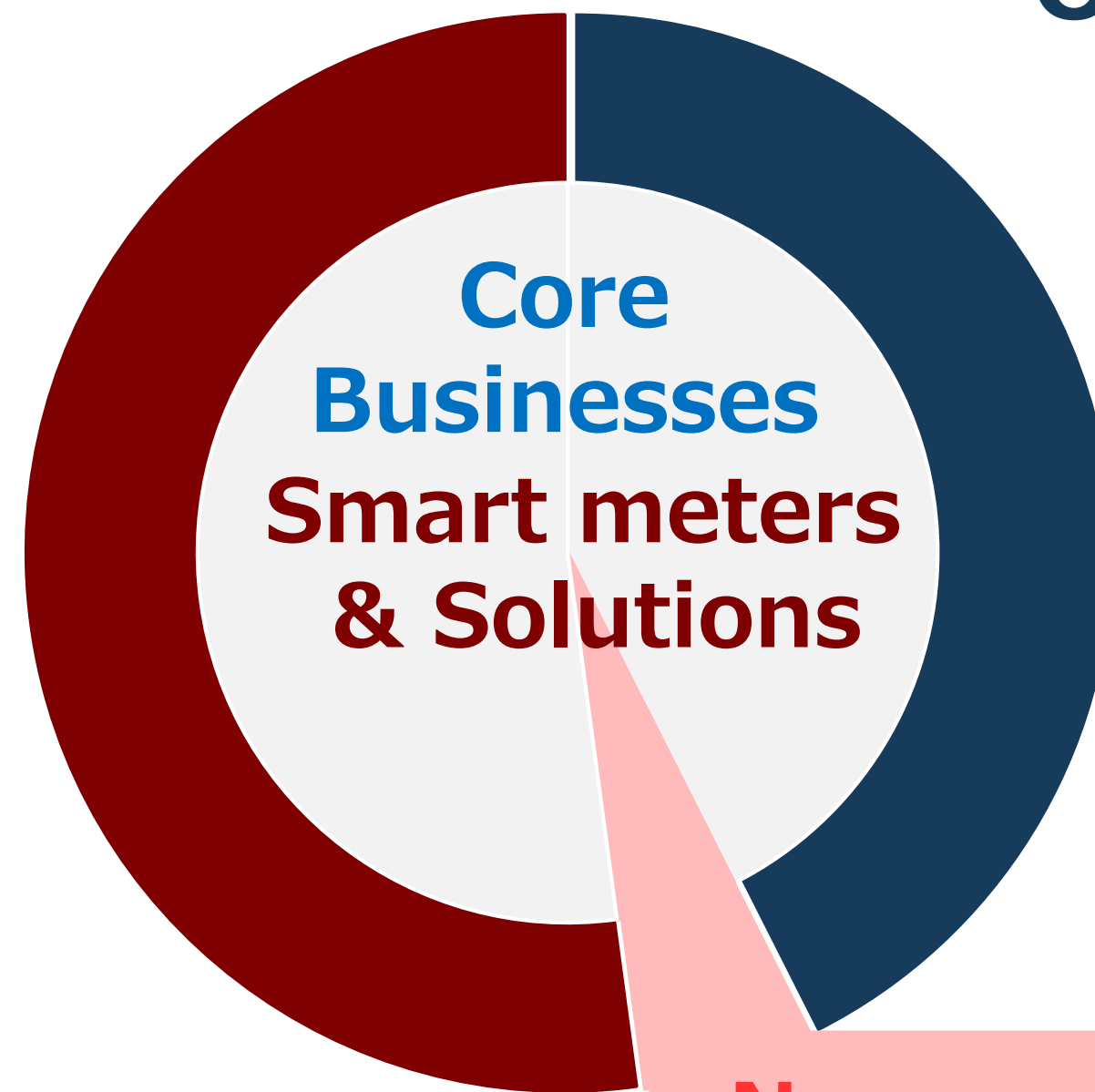
- YoY: decrease from sale of building control and maintenance business
- Initial Forecasts: recover from low demand during covid-19 restrictions
- FY2023 Outlook: selecting focused business to improve profitability

- YoY: impacted by component shortages
- Initial Forecasts: delay in some projects
- FY2023 Outlook: expecting market to grow, focus on profitability

- Focus management resources to the core businesses including smart meters & solutions in and out of Japan.
- Sold production equipment in non-core businesses

Japan

Overseas



▲ Smart meter business

- **Main business**
- Stable profits

▲ Oceania

- Sale of smart meter solutions
- **Stable profit growth**

▲ Solution business

- **Focus business**
- Provide low energy/ decarbonization solutions
- Contribute to **better profitability**

▲ Europe

- **Better profitability** in UK

▲ Asia, Middle East and others

- Selective businesses
- Improve profitability

▲ Switchgear business

- Respond to stable demand
- Maintain revenue and profit contribution

Non-core Businesses

Production equipment (sold Sept., 2022)
Real Estate

Sold building maintenance systems business (Mar., 2022)



Global Energy Solution Leader

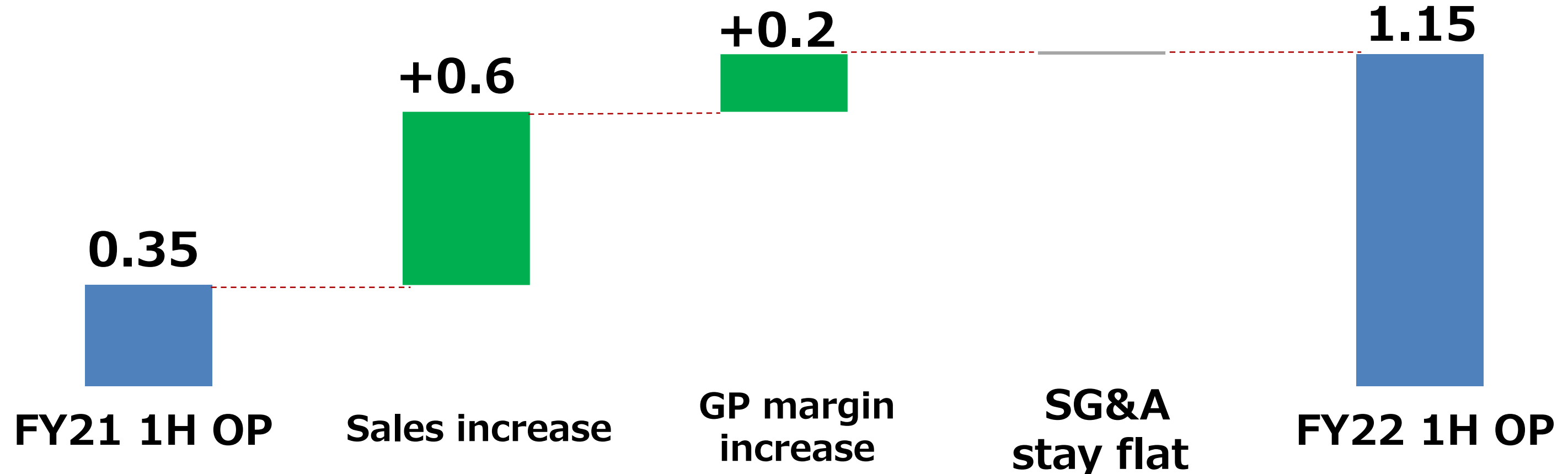
Providing tomorrow's energy solution for a better society

Appendix

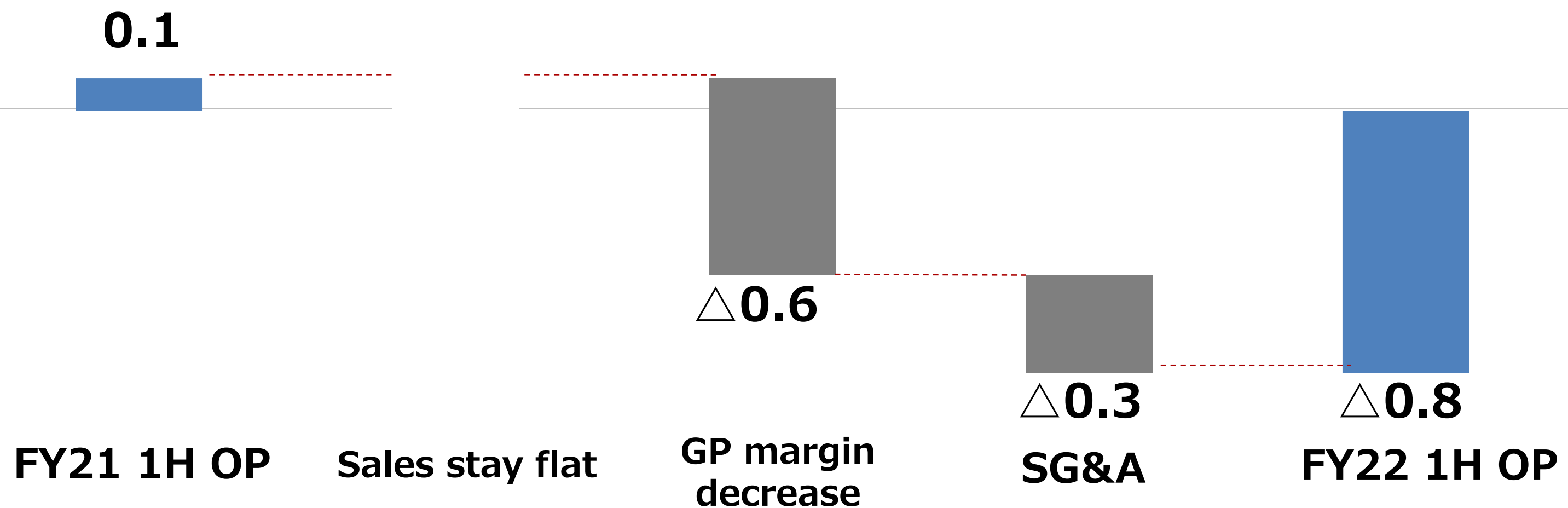
1H FY2022 Operating Profit Change (YoY)

Smart meters & solutions in Japan

(¥Bn)



Smart meters & solutions overseas



Sales by Business Portfolio

(Excluding intercompany sales)

Smart meters & solutions in Japan

(¥Mn)

	FY2018	FY2019	FY2020	FY2021	FY2022 1H
Smart meter business	41,274	35,886	32,016	29,425	16,132
Solution business	9,408	10,006	10,510	10,531	5,313
Switchgear business	5,568	5,926	5,641	6,025	2,818
Total	56,251	51,819	48,169	45,983	24,265

Smart meters & solutions overseas

(¥Mn)

	FY2018	FY2019	FY2020	FY2021	FY2022 1H
Oceania	9,522	9,422	9,154	10,642	6,002
Europe	4,422	9,544	8,938	11,339	4,688
Asia	6,713	8,753	4,882	6,041	2,822
Middle East and others	3,295	8,770	3,703	1,071	793
Total	23,952	36,490	26,678	29,095	14,307

Reinforce Business Portfolio

■ Smart meters & solutions in Japan: Monitored by products and services

Business Portfolio	Position and Basic Policy
Smart meter business	Drive as a core business and pursue stable profit contribution.
Solution business	As focus businesses in Japan, provide solutions for social issues such as energy saving and decarbonization by leveraging strong smart meter business. Aim to improve profitability in Japan.
Switchgear business	Provide to stable demand and maintain revenue and profit contributions.

■ Smart meters & solutions overseas: Monitored by regions

Business Portfolio	Position and Basic Policy
Oceania	Reinforce solution business by combining smart meters and head-end systems. Aim for stable profit growth.
Europe	Improve profitability in UK by improving product mix and reducing production costs.
Asia	Improve profitability by focusing on high margin products and services, such as solution services and commercial & industrial meters.
Middle East and others	

- Reinforce business portfolio management and focus management resource to core businesses
- Accordingly, carried out sale of subsidiaries

Sale of an overseas subsidiary

Company : Quantum Automation Pte Ltd (a wholly owned subsidiary of EDM I)

Business: Development, integration and maintenance of building automation systems mainly in Singapore

Sold at: Approx. 4.0 billion yen

Profit on sale: Approx. 2.1 billion yen

(Recorded as an extraordinary income in FY2022 Q1)

Execution date: March 30th, 2022

Sold to: Tottech Corporation

Sale of a subsidiary in Japan

Company: Osaki Engineering Co., Ltd. (a wholly owned subsidiary of OSAKI)

Business: Development, manufacture and sale of sensor device and other equipment

Sold at: 1.76 billion yen

Loss on sale: 0.58 billion yen

(Recorded as an extraordinary loss in FY2022 Q2)

Execution date: September 30, 2022

Sold to: Hagiwara Electric Holdings Co., Ltd.

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 solution 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

Set the committees for appointment and compensation

Appoint an outside board as Chairman in Feb. 2019.

Majority are outside members

➔ Attain fairness, objectivity and transparency

Introduction of executive officer system in June 2020

Ratio of Independent Directors: 1/3 after the General Meeting of Shareholders in June 2022

Supervision

Advisory committees
Executive officer system

Establishment of the Sustainability Promotion Committee

- Established the committee in April 2022, to promote group-wide sustainability activities.
- Appointed President & Representative Director as Chairman, and members of the committee are appointed by the Chairman.

Basic Sustainability Policy and Materiality Goals

- Based on the OSAKI Group Basic Sustainability Policy, set materiality activities and 2030 goals.

The OSAKI Group Materiality Goals

1. Minimizing Environmental Impact
2. Contributing to sustainable cities and communities
3. Respect for Human Rights
4. Creating a diversified workplace and fostering social issue-solving culture
5. Strengthening corporate governance

Reference URL:

Basic Sustainability Policy:

https://www.osaki.co.jp/en/notice/20211208_Basic_Sustainability_Policy_of_the_Osaki_Electric_Group/main/00/link/en%20sustainability%20policy.pdf

Materiality goals: https://www.osaki.co.jp/en/notice/Notice_Materiality_Goals/main/00/link/Sustainability%20goals%20EN.pdf

Disclosure based on TCFD* Recommendations

- Announced support for TCFD Recommendations and disclosed analysis on “Governance,” “Strategy,” “Risk management system,” and “Indicators and Targets” for 2030

*TCFD: Task Force on Climate-related Financial Disclosures

CDP Scoring

- Completed and provided CDP climate questionnaire in July 2022
- Expect to receive CDP scoring in December 2022

Integrated Report 2022

- OSAKI began publishing an Integrated Report from 2021
- The 2022 report is to be published in December 2022
(English version to be published in February 2023, in digital version only)

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%

		(Yen)	FY2018	FY2019	FY2020	FY2021	FY2022 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		978 Mn	978 Mn	980 Mn	974 Mn	
Payout ratio	Annum		54.1%	81.7%	203.3%	—	102.0%
DOE	Annum		2.2%	2.2%	2.2%	2.3%	2.3%

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

Repurchase of own shares

1. Overview of repurchase

- (1) Class of shares to be repurchased: Common shares
- (2) Total number of shares to be repurchased: 2.5 million shares (Maximum)
(5.09 % of outstanding shares (excluding treasury stock))
- (3) Total amount of repurchase price: 1.5 billion yen (Maximum)
- (4) Period of repurchase: From February 2, 2022 to February 1, 2023
- (5) Method of repurchase: Open market purchase on the Tokyo Stock Exchange

2. Status of cumulative share repurchased (as of November 30th, 2022)

- (1) Total number of shares repurchased: 2.2 million shares
- (2) Total amount of repurchase price: 1.09 billion yen

OSAKI ELECTRIC CO., LTD.

TSE Prime Market

Code: 6644

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