

FY2018 (Fiscal year ended March 31, 2019) Summary of Consolidated Financial Results

- Consolidated sales increased by 4.2% year-on-year to ¥82.1 billion. Operating income declined by 22.5% to ¥4.3 billion. Profit attributable to owners of parent decreased by 32.2% to ¥1.8 billion.
- Sales in Japan failed to reach the previous year's outstanding level, despite high demand for smart meters and the completion of inventory adjustment by electric power companies in the latter half of the fiscal year.
- Overseas sales increased mainly due to expanded smart meters sales in Australia, new projects in Middle East and an increase in the communications hubs sales in the United Kingdom.
- Consolidated profits declined due to a higher cost to sales ratio in overseas associated with delays in production caused by shortages of certain electronic components, as well as from changes in the product sales mix.
- Consolidated forecast for FY2019 is 92 billion yen (12.1% increase year on year) in net sales, 4.3 billion yen (0.0% increase year on year) in operating income, and 1.6 billion yen (11.4% decrease year on year) in profit attributable to owners of parent.
- The Company announced Mid-term Management Plan covering a five-year period through FY2019 to FY2023 to achieve minimum targets of an 8 billion in operating income and an 8% of ROE in FY2023.
- The Company plans to pay year-end dividend of 10 yen per share (annual dividends will be 20 yen per share, and consolidated payout ratio will be 54.1%). Dividends for the next fiscal year are expected to remain at 20 yen per share per annum.

1. Consolidated Financial Results

(Millions of yen)

	FY2017	FY2018	YoY Change	
			Amount	%
Net sales	78,780	82,089	3,308	+4.2%
Measurement and control equipment	76,947	80,239	3,291	+4.3%
Others	1,977	2,152	175	+8.9%
Adjustment	(144)	(302)	(157)	—
Gross profit	21,979	20,264	(1,715)	(7.8)%
Ratio to sales	27.9%	24.7%	—	(3.2)pt
SG & A expenses	16,435	15,965	(469)	(2.9)%
Ratio to sales	20.9%	19.4%	—	(1.5)pt
Operating income	5,544	4,299	(1,245)	(22.5)%
Ratio to sales	7.0%	5.2%	—	(1.8)pt
Measurement and control equipment	5,330	3,999	(1,331)	(25.0)%
Others	206	294	88	+42.7%
Adjustment	8	5	(2)	(28.6)%
Ordinary income	5,634	4,293	(1,341)	(23.8)%
Profit attributable to owners of parent	2,666	1,806	(859)	(32.2)%
Net income per share (yen)	54.63	36.95	(17.68)	(32.4)%
ROE	5.8%	3.8%	—	(2.0)pt

2. Consolidated Sales by Region (Excluding intercompany sales)

(Millions of yen)

	FY2017	FY2018	YoY Change		FY2019 Forecast	YoY Change	
			Amount	%		Amount	%
Japan	59,927	57,735	(2,192)	(3.7)%	55,000	(2,735)	(4.7)%
Overseas	18,852	24,353	5,501	+29.2%	37,000	12,646	+51.9%
Oceania	7,807	9,522	1,714	+22.0%	10,500	977	+10.3%
Europe	3,858	4,449	590	+15.3%	14,500	10,050	+225.9%
Asia	6,168	7,086	918	+14.9%	6,500	(586)	(8.3)%
Others	1,017	3,295	2,277	+223.8%	5,500	2,204	+66.9%
Total	78,780	82,089	3,308	+4.2%	92,000	9,910	+12.1%

Average exchange rate	¥81.26/SGD	¥110.43/USD
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¥110.43/USD(Exchange rate assumption)

3. R&D expenditures, Depreciation, Capital expenditures

(Millions of yen)

	FY2017	FY2018	YoY Change		FY2019 Forecast	YoY Change	
			Amount	%		Amount	%
R&D expenditures	3,398	3,059	(339)	(10.0)%	3,200	140	+4.6%
Depreciation	2,820	2,634	(185)	(6.6)%	3,400	765	+29.0%
Capital expenditures	3,030	2,208	(821)	(27.1)%	4,000	1,791	+81.1%

4. FY2019 Consolidated Forecast

(Millions of yen)

	1H		YoY Change		Full-year		YoY Change	
	FY2018	FY2019 Forecast	Amount	%	FY2018	FY2019 Forecast	Amount	%
Net sales	35,669	42,000	6,330	+17.7%	82,089	92,000	9,910	+12.1%
Operating income	1,536	1,500	(36)	(2.3)%	4,299	4,300	0	+0.0%
Ordinary income	1,667	1,300	(367)	(22.0)%	4,293	3,900	(393)	(9.2)%
Profit attributable to owners of parent	645	350	(295)	(45.7)%	1,806	1,600	(206)	(11.4)%

Japan

The installation of smart meters is expected to complete by FY2023, leading to a gradual decrease in demand for smart meter shipment over the next five years.

The Company expects a decrease in sales and profits in Japan due to a decline in smart meter demand and more competition. However, the Company plans to expand its solution businesses in Japan including energy management related products and services, Automated Meter Reading services, and smart locks for rental apartments.

Overseas

The business momentum is expected to be strong with a robust increase in smart meter demand mainly in Australasia, UK and the Middle East regions. The Company has concluded supply contracts with major customers, and expects an increase in sales and profits. OSAKI will reinforce its manufacturing framework, such as streamlining systems of group procurement, in response to the strong product demand.

5. FY2019-2023 Mid-term Management Plan

(Millions of yen)

	FY2019 Forecast	FY2020 Target	FY2021 Target		FY2023 Image
Net sales	92,000	100,000	105,000	▶	
Operating income	4,300	5,000	6,000		8,000 (minimum)
Profit attributable to owners of parent	1,600	2,000	3,000		
ROE	3.3%	4.0%	6.0%		8.0% (minimum)

Please refer to "OSAKI ELECTRIC establishes Mid-term Management Plan 2023" released today for details.

6. Shareholder Return

- The Company sets basic policy to carry out the continual distribution of a steady dividend to shareholders, while providing additional performance-based dividends.
- The basic policy states that the amount distributed will be based on higher of either a dividend payout ratio of 30% or 2% of DOE (dividend on equity).
- The year-end dividend outlook for the current year is 10 yen per share, and annual dividends of 20 yen. (Consolidated payout ratio will be 54.1%)
- For the next fiscal year, the Company plans to pay an interim dividend of 10 yen per share and 10 yen of year-end dividend, resulting in annual dividends of 20 yen, the same as the current year. (Consolidated payout ratio will be 61.1%)

	Dividend per share			Total amount of dividends	Consolidated payout ratio
	Interim	Year-end	Annual		
FY2017	10 yen	10 yen	20 yen	976 million yen	36.6%
FY2018	10 yen	10 yen	20 yen	978 million yen	54.1%
FY2019 Forecast	10 yen	10 yen	20 yen		61.1%

- 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/ja/ir/finance/financialdata.html>).