

Financial Results for FY2019

(12 months ended March 31, 2020) and

Mid-term Management Plan

June 8th , 2020

Mitsuyasu Watanabe
President and COO
OSAKI ELECTRIC CO., LTD.

1. FY2019 Financial Results

Higher sales but lower profits YoY Lower sales and profits against initial forecasts

- **Japan** : Sales and profits decreased YoY due to lower demand and pricing for smart meters
- **Overseas** : Sales and profits increased YoY from large projects in developing markets, **turning overseas business black**. Profits fell short against initial forecasts mainly due to a loss on valuation of inventories of materials

2. FY2020 Forecasts (Lower Sales and Profits YoY)

Net Sales ¥80Bn (COVID-19 impact : ¥-12Bn) OP ¥1.5Bn (COVID-19 impact : ¥-2.7Bn)

- **Japan** : Lower sales and profits from A) low demand and pricing for smart meters
B) slowdown in installation of our products and services from COVID-19 restrictions
- **Overseas** : Lower sales and profits from slowdown in installation of smart meters at cities under lockdowns

3. Mid-term Management Plan (Five years ending March 31, 2025)

- Pushed the initial management targets (announced in May 2019) by one year due to COVID-19 impact
- **Japan** : Explore business opportunities in post COVID-19 “contactless” lifestyle
- **Overseas** : Establish manufacturing and delivery framework responsive to demand recovery post COVID-19 lockdowns

Agenda

- 1. FY2019 Financial Results**
- 2. FY2020 Forecasts**
- 3. Mid-term Management Plan (FY2020-24)**

1 . FY2019 Financial Results

1-1 Sales and Profits

1-2 Balance Sheets

1-3 Cash Flows

YoY

- **Sales** : Increased from solid smart meters sales overseas

UK +5.1, Iraq (Kurdistan Regional Government) +5.4, Cambodia +2.0 (all in ¥Bn)

- **OP** : Decreased due to lower demand and pricing of smart meters in Japan, which the profit increase in overseas unable to compensate

Changes from initial forecasts

- **Sales** : Decreased from lower smart meter demand and delay in solutions business in Japan

- **OP** : Decreased from one-time costs including a loss on valuation of inventories of materials overseas and extraordinary air freight costs overseas, while cost reduction efforts and installation of smart meters in Japan recovered the sales loss

(¥Mn)

	FY2018	FY2019 Initial Forecasts	FY2019	YoY	Changes from Initial Forecasts
Net Sales (External)	82,089	92,000	90,069	7,980	-1,931
Japan	57,735	55,000	53,475	-4,260	-1,525
Overseas	24,353	37,000	36,593	12,240	-407
Operating Income	4,299	4,300	3,691	-607	-609
Japan	5,454	2,900	3,237	-2,216	337
Overseas	-1,148	1,400	440	1,588	-960
Adjustments	-7	0	13	-	-
Ordinary Income	4,293	3,900	3,544	-748	-356
Profit attributable to owners of parent	1,806	1,600	1,197	-609	-403

*Referential figures based on managerial accounting

1-2 Balance Sheets

- Cash levels lowered temporarily from global business expansion
- Elevate cash levels by maintaining healthy inventory levels and collecting receivables mainly in global businesses

(¥Mn)

	2018	2019	Increase/ Decrease	Factors
Assets	98,314	97,962	-351	Current assets : Increased in accounts receivable overseas, accordingly decreased cash Fixed assets : Decreased Leased assets (According to changes in IFRS accounting rule)
Current assets	57,923	56,980	-942	
Fixed assets	40,391	40,981	590	
Liabilities	39,432	39,324	-107	Current liabilities : Temporary decreased accounts payable Overseas : Refinance from Short-term debt to Long-term debt
Current liabilities	33,260	25,934	-7,325	
Fixed liabilities	6,172	13,390	7,217	
Equity	58,881	58,637	-244	
Capital	47,695	46,790	-905	
Non-controlling	10,710	11,303	592	
Others	474	544	69	
Capital Adequacy Ratio	48.5%	47.8%	-0.8%	

1-3 Cash Flow Statements

- FY2019 Operating Cash Flows were ¥-0.4Bn due to global business expansion and lower profitability in Japan
- FY2020 Operating Cash Flow is expected to turn around, even with the COVID-19 impact, due to collection of receivables and inventory control overseas

	FY2019	Increase/ Decrease in cash	
		Japan	Overseas
Income before income taxes and minority interests	3,474		
(Increase) decrease in notes and accounts receivable	-2,313	Increase	Decrease
(Increase) decrease in inventories	-968	Decrease	
Increase (decrease) in notes and accounts payable	-3,830	Decrease	Decrease
Others	3,243		
Operating activities	-394		
Investing activities	-4,120		
Increase (decrease) in short-term debts	-3,124		Decrease
Increase (decrease) in long-term debts	5,024		Increase
Others	-1,571		
Financing activities	328		
Effect of exchange rate changes on cash and cash equivalents	130		
Cash and cash equivalents at beginning of year	16,422		
Cash and cash equivalents at end of year	12,366		

2 . FY2020 Forecasts

2-1 Sales and profit forecasts

2-2 Sales and profit forecasts by region

*Including impact of COVID-19 on financial forecasts

2-1 Sales and profit forecasts

FY2020 Full-year Forecasts

■ Decrease in sales by ¥10 Bn, OP by ¥2.2 Bn YoY

Sales and profit growth in global markets are expected to slowdown by COVID-19

(¥Mn)

	FY2018 1H Actual	FY2020 1H Forecasts (*)	YoY	FY2019 Actual	FY2020 Forecasts (*)	YoY
Net Sales	43,580	35,000 (-6,500)	-8,580	90,069	80,000 (-12,000)	-10,069
Operating Income	2,033	-500 (-1,500)	-2,533	3,691	1,500 (-2,700)	-2,191
Ordinary Income	1,946	-700 (-1,200)	-2,646	3,544	1,600 (-2,200)	-1,944
Profit attributable to owners of	845	-1,200 (-1,000)	-2,045	1,197	100 (-1,800)	-1,097

*Within parenthesis is estimated impact of the COVID-19 on Forecast.

2-2 Sales and profit forecasts by region

YoY

- **Japan** : Decrease in sales and profits
 - Expected decrease in demand and pricing for smart meters and additional decrease by the COVID-19 impact
 - Solution services and new businesses are expected to grow from FY2021
- **Global** : Decrease in sales and profits
 - Originally expected growth in UK and Oceania based on contracting projects, but city lockdowns by COVID-19 in main markets brought down the growth outlook

(¥Mn)

	FY2019 1H Actual	2020 1H Forecasts	YoY	Estimated impact from COVID-19	FY2019 Actual	2020 Forecasts	YOY	Estimated impact from COVID-19
Net Sales (External)	43,580	35,000	-8,580	-6,500	90,069	80,000	-10,069	-12,000
Japan	24,915	23,000	-1,915	-1,500	53,475	50,000	-3,475	-2,000
Overseas	18,665	12,000	-6,665	-5,000	36,593	30,000	-6,593	-10,000
Operating Income	2,033	-500	-2,533	-1,500	3,691	1,500	-2,191	-2,700
Japan	1,474	100	-1,374	-500	3,237	1,500	-1,737	-700
Overseas	561	-600	-1,161	-1,000	440	0	-440	-2,000
Adjustments	-3	-	-	-	13	-	-	-

*Referential figures based on managerial accounting.

3. Mid-term Management Plan

(FY2020-24)

3-1 Mid-term Targets

3-2 Global Business

3-3 Japanese Business

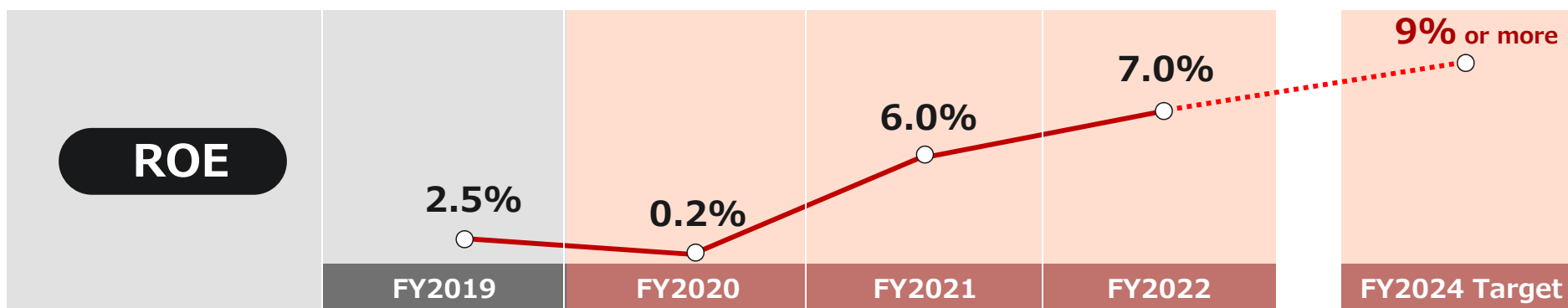
3-4 Group operational structure

* Forecasts for Fiscal 2020 include impact on business performance from the COVID-19 epidemic. Forecasts for Fiscal 2021 and 2022, Target for Fiscal 2024 do not include impact of the epidemic.

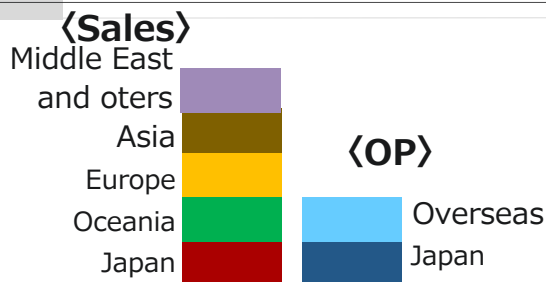
3-1 Mid-term Targets

(¥Bn)

	FY2019 Actual	FY2020 Forecasts	FY2021 Outlook	FY2022 Outlook	FY2024 Mid-term Target
Net Sales	90.0	80	100	105	—
Operating income	3.7	1.5	5.0	6.0	8.0 or more
OP margin	4.1%	1.9%	5.0%	5.7%	—
Ordinary income	3.5	1.6	4.7	5.7	—
Net income	1.2	0.1	3.0	3.5	—
NP margin	1.3%	0.1%	3.0%	3.3%	—
ROE	2.5%	0.2%	6.0%	7.0%	9% or more
CAPEX	2.3	2.8	2.5	2.5	—
Depreciation	2.9	2.7	2.6	2.6	—
R&D Expenditures	3.2	3.2	3.2	3.2	—

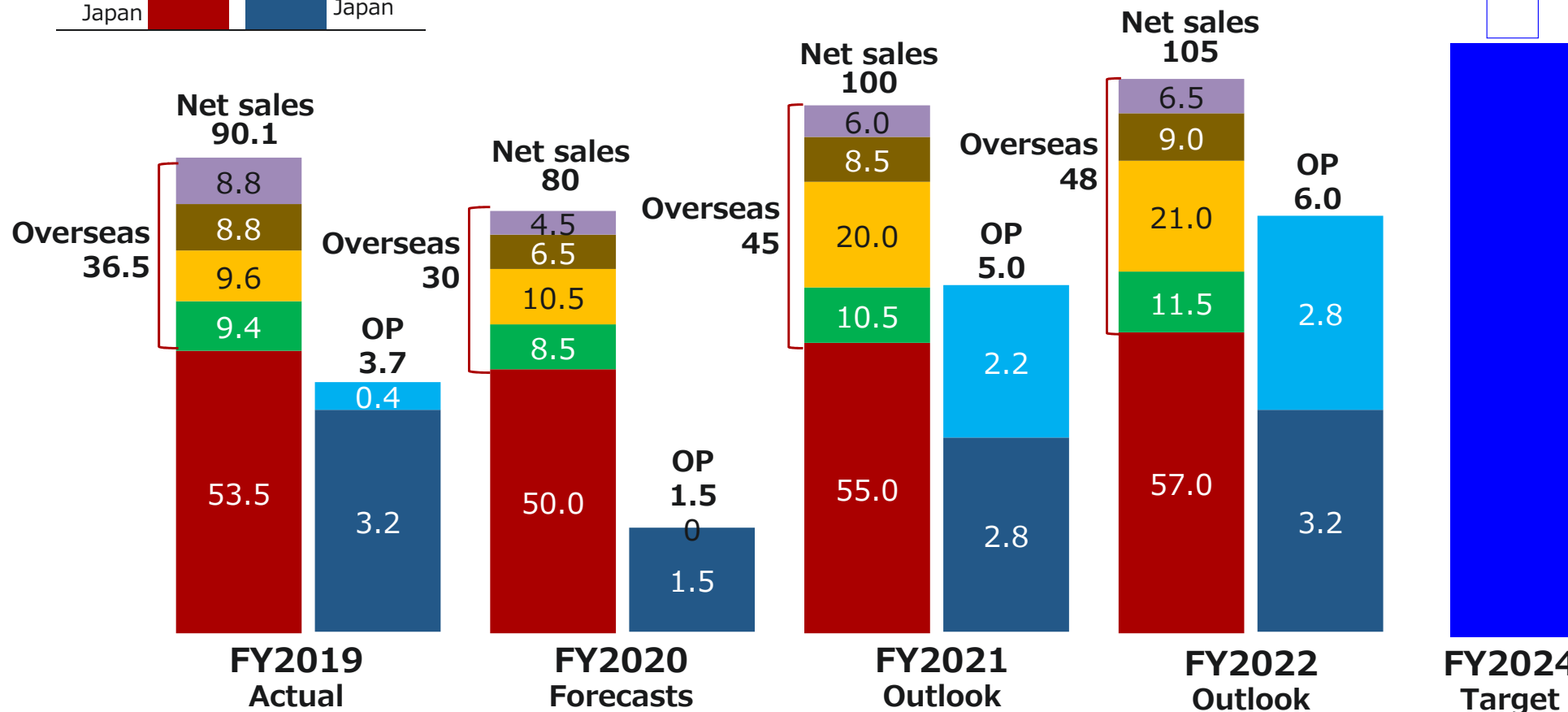


3-1-2 Mid-term Targets by Region



5th Year Target

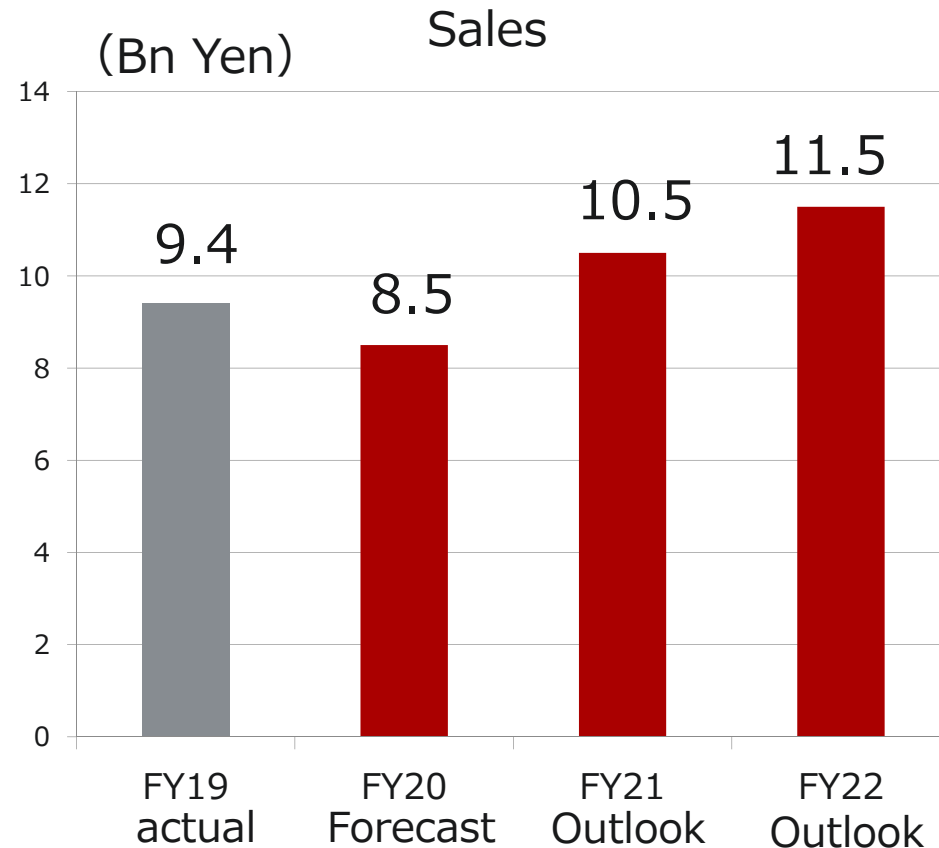
OP ¥8 Bn or more



	FY2019 actual	FY2020 forecasts	FY2021 outlook	FY2021 outlook
Overseas sales ratio	41%	38%	45%	46%
Overseas OP ratio	12%	0%	44%	47%

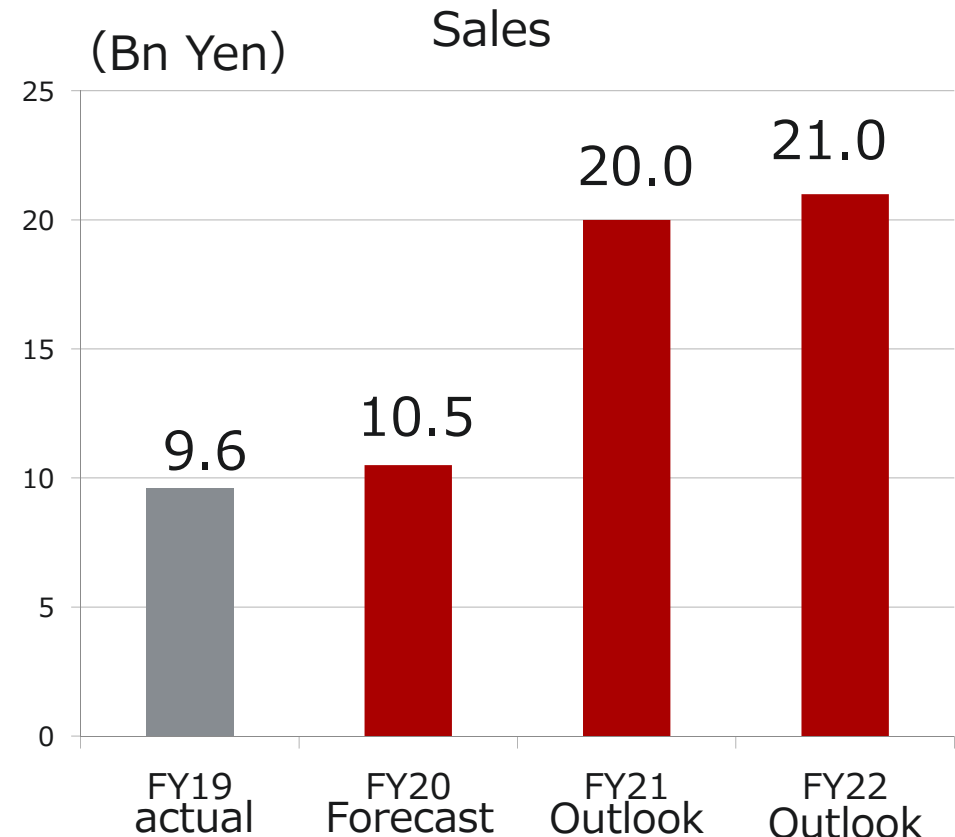
3-2 Global Businesses

Oceania



- FY19 : Fell short of original forecast due to a delay in some customer orders. Even so, maintained 75% market share
- FY20: Delay in smart meter installation due to lockdowns in some states. However, expected to see demand recover

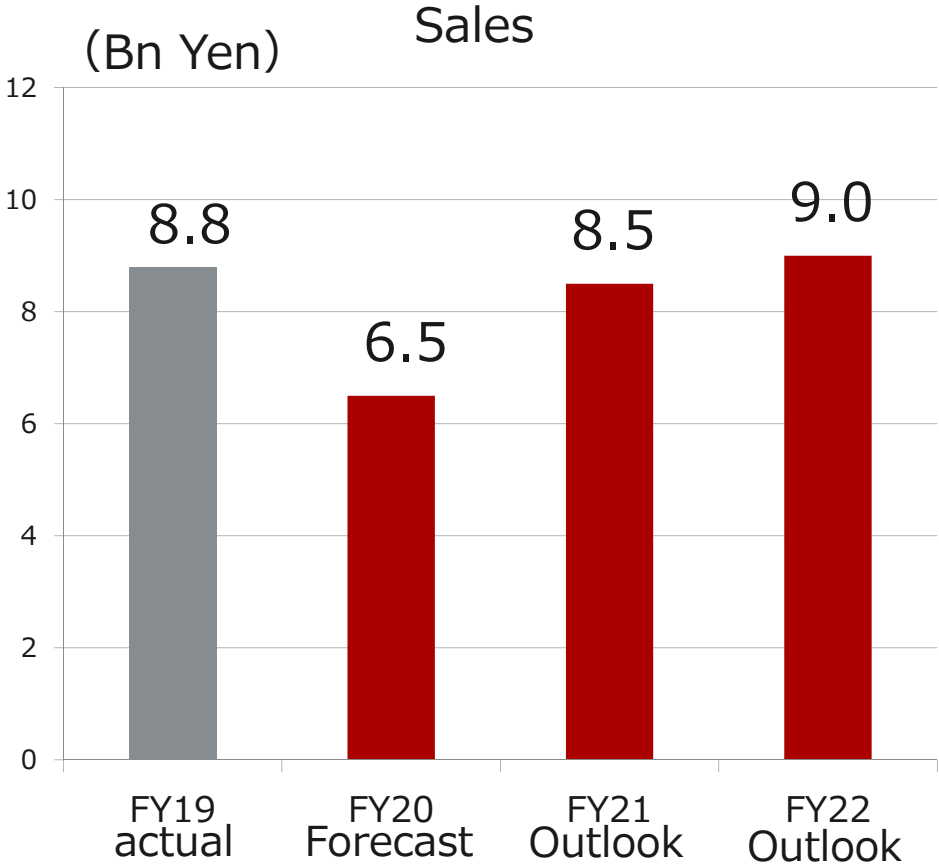
Europe (UK project)



- FY19: While overall sales fell short of original forecast due to extended project deadlines, 4Q sales started to increase
- FY20: Delay in smart meter installation due to lockdowns. However, demand remains strong, expecting to reach its peak in FY21

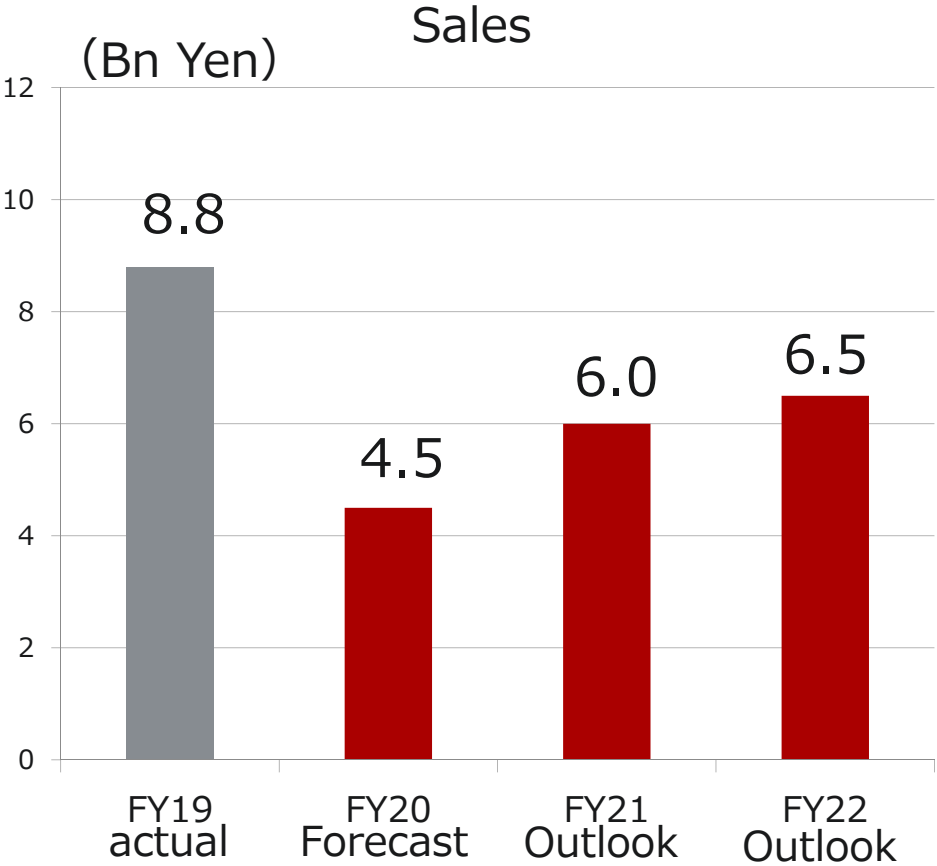
3-2-2 Global Businesses

Asia



- FY19: Sales ramp up in Cambodia (¥2.6Bn)
- FY20: Decrease from the sales ramp up in FY19 and from the COVID-19 impact, but steady growth expected over mid-term

Middle East and others



- FY19: Sales ramp up in Iraq (Kurdistan Regional Government) (¥7.4Bn)
- FY20: Decrease from the sales ramp up in FY19 and from the COVID-19 impact, but high potential in growth over mid-term

■ Pursuing business opportunities in the Post-COVID-19 “Contactless Lifestyle”

Smart solutions for “Contactless Lifestyle”

■ Security Solution

Smart key systems for **self-service property viewing** and **contactless doorstep delivery**



■ Smart Metering System

Remote Reading

meters for electricity, gas, water



■ IoT Solution

Remote Control

home appliances via sensors



home watch



store watch

■ Energy Management Systems

Remote Management

power consumption of equipment



Added Value Post COVID-19

Non face-to-face

Contactless

Remote

■ Smart key solution “OPELO”

- Launched in 2018, targeting rental property management companies
- Provide solutions to reduce work hours and man power relating to managing keys



OPELO

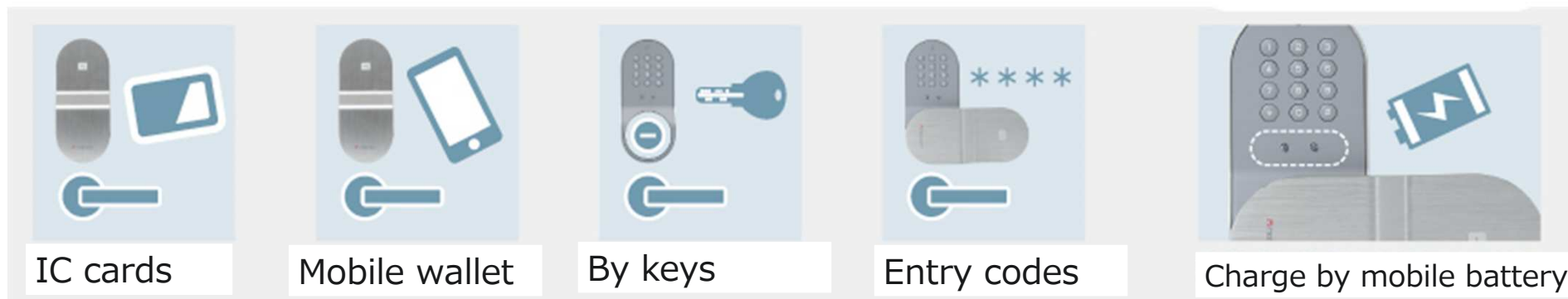
Feature 1: Vacant/Occupied status

- “Vacant” status allows multiple people to come in and out of property
- “Occupied” status allows occupants to set their entry codes

Feature 2: High Security

- No internet connection, no hacking
- Fixed to doors, hence no peeling off

Feature 3: Multiple ways to unlock



■ Applying “OPELO” to various scenes



■ Rental property

Installed at JA Amenity, Toyota Home and other property



■ Rental offices

Installed at rental offices managed by SPACEE



■ Renting Vacation housings by hour

Renting vacant rooms as workplace



■ Shared housing

Installed at KUROFUNE's shared houses



■ Class rooms for lessons and tutoring

- Installed at common facilities and vacant rooms at apartments and private housings
- Adopted by companies offering tutoring for school children



■ Self-service property viewing

Applicants enter vacant property at their requested date/time even when property agents are absent. Adopted at Taisei Housy's rental properties.



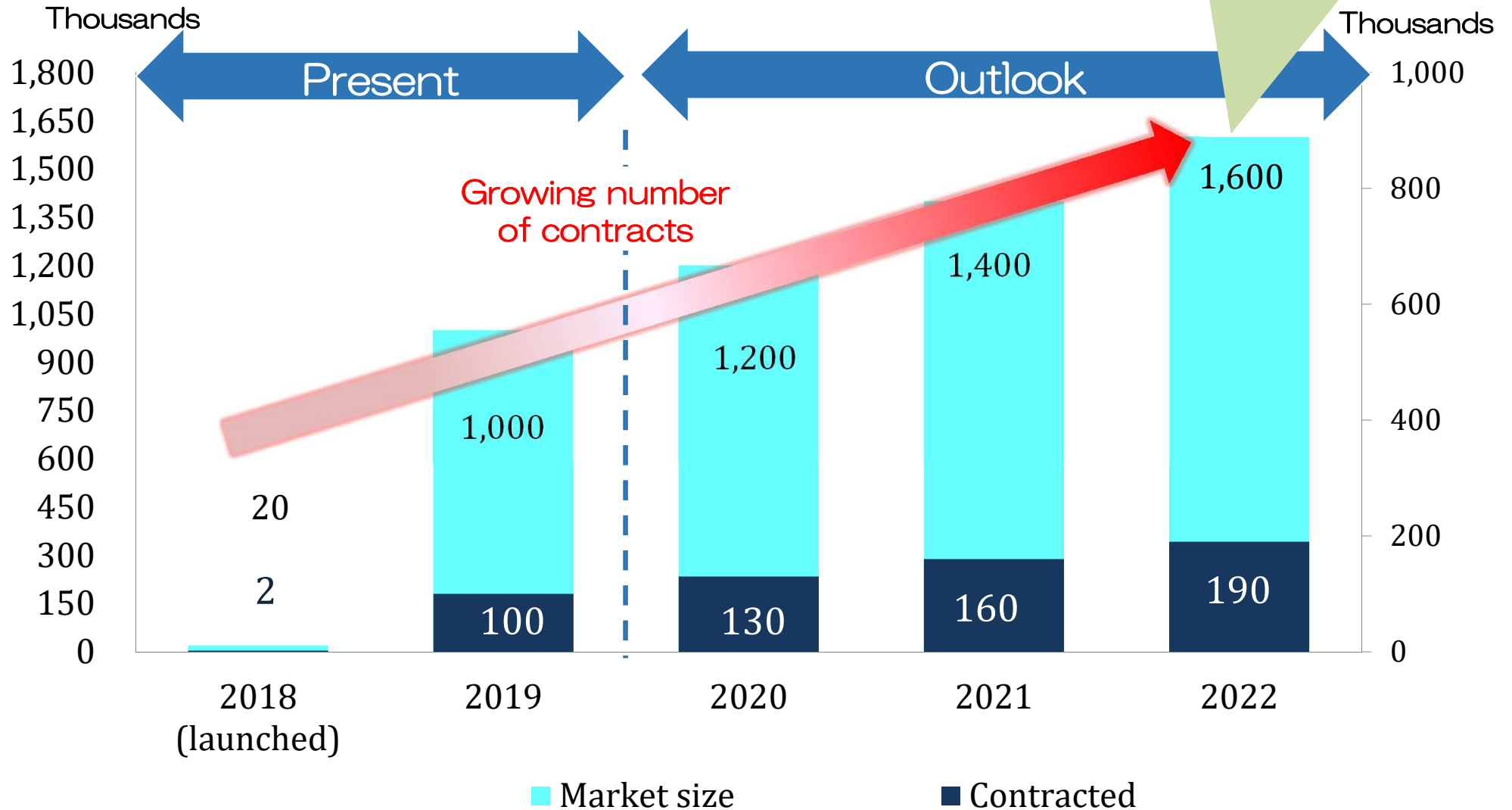
■ Contactless doorstep delivery

- Developing keyless entry systems for apartments with automatic entrance locks
- Delivery to the doorsteps even when absent

3-3-4 Japanese Business (achievements)

■ Number of smart locks contracted

Attain 10% share of potential properties by FY2022 of five major property management companies under contract



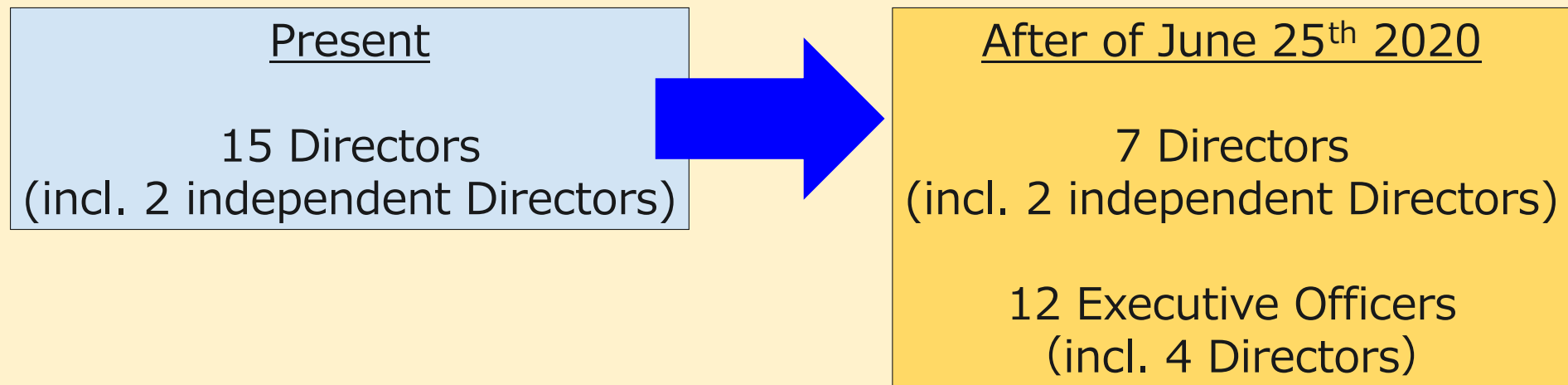
3-4 Group operational structure

Introducing Executive Officer System

Introduce executive officer system from June 25th 2020, for higher maneuverability in group management

Directors: Decision making and management of the entire group

Executive Officers: Execution of business operations with clear authority



Transition to a holdings company is temporarily postponed with the COVID-19 epidemic. However, the Company continues to consider the transition as one of the methods to reinforce group governance

A futuristic cityscape with a large, glowing blue sphere in the center, surrounded by colorful geometric shapes. The city is depicted with modern buildings, green spaces, and a bright, sunny atmosphere. The sphere is the central focus, with a bright white center and a blue outer ring. It is surrounded by numerous colorful, multi-faceted geometric shapes in shades of blue, green, yellow, and pink, scattered across the blue background. The cityscape is shown from a high-angle perspective, with buildings and trees visible on the left and right sides of the sphere.

Global Energy Solution Leader

Providing tomorrow's energy solution for a better society

Appendix

- Financial data
- Global market information
- ESG Measures
- Shareholders Return Policy

(¥Mn)

	FY2016	FY2017	FY2018	FY2019	FY2020 Forecasts
Net sales	86,159	78,780	82,089	90,069	80,000
Japan	63,448	60,158	57,735	53,475	50,000
Overseas	22,710	18,621	24,353	36,593	30,000
Operating Income	7,692	5,544	4,299	3,691	1,500
Japan	7,023	6,010	5,454	3,237	1,500
Overseas	670	-461	-1,148	440	0
Adjustments	-6	-4	-7	13	0
Forex	¥78.75/SGD	¥81.26/SGD	¥110.43/USD	¥109.05/USD	¥109.05/USD

* 1 Referential figures based on managerial accounting.

* 2 Forecasts for Fiscal 2020 include impact on business performance from the COVID-19 epidemic.

Sales by Region (Excluding intercompany sales)

(百万円)

	FY2016	FY2017	FY2018	FY2019	FY2020 Forecasts
Japan	63,236	59,927	57,735	53,475	50,000
Overseas	22,923	18,852	24,353	36,593	30,000
Oceania	9,110	7,807	9,522	9,422	8,500
Europe	5,248	3,858	4,449	9,558	10,500
Asia	7,431	6,168	7,086	8,841	6,500
Others	1,133	1,017	3,295	8,770	4,500
Total	86,159	78,780	82,089	90,069	80,000

* 1 Figures from Annual Reports

* 2 Forecasts for Fiscal 2020 include impact on business performance from the COVID-19 epidemic.

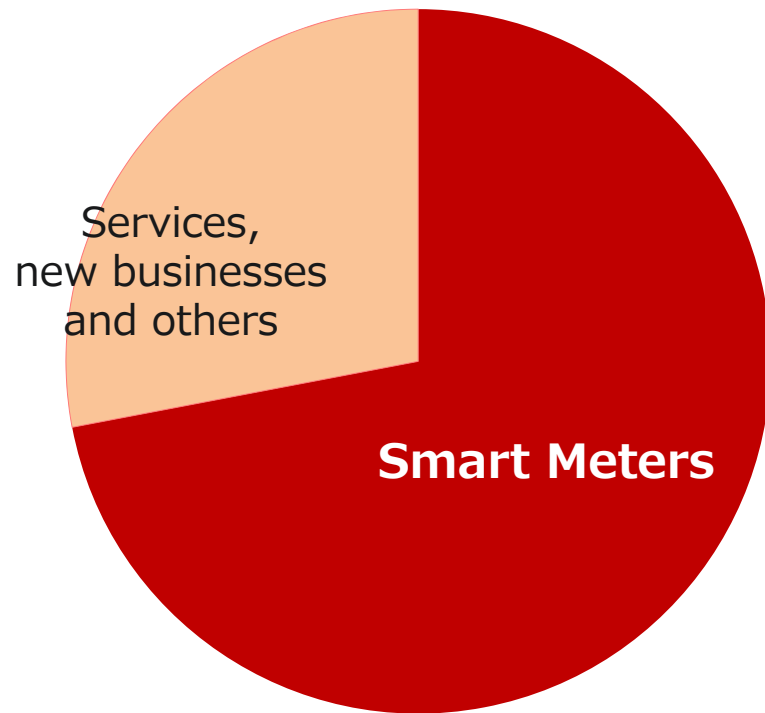
Measurement and Control Equipment Segment Sales

(¥Mn)

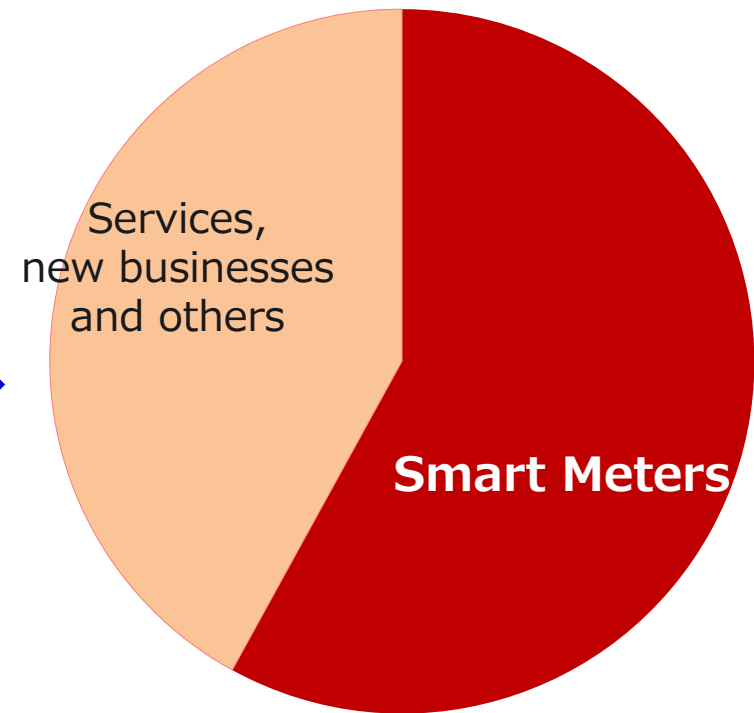
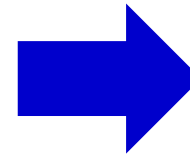
		FY2015	FY2016	FY2017	FY2018	FY2019
Meters		38,820	49,591	43,439	45,805	52,402
	Japan	25,557	34,973	31,947	31,149	27,136
	Smart meters	20,489	32,089	29,890	28,942	23,948
	Others	5067	2,884	2,057	2,207	3,188
	Overseas smart meters	13,263	14,618	11,492	14,655	25,266
Monitor Control	9,447	10,697	9,717	12,156	14,282	
Switchgears	8,208	8,066	7,144	7,097	7,847	
VCTs	3,965	4,400	4,925	4,772	4,767	
Others (including adjustments)	12,977	12,206	11,690	10,371	9,010	
Total		73,420	84,962	76,917	80,203	88,310

*Referential figures based on managerial accounting

Japan: Sales breakdown by products and services



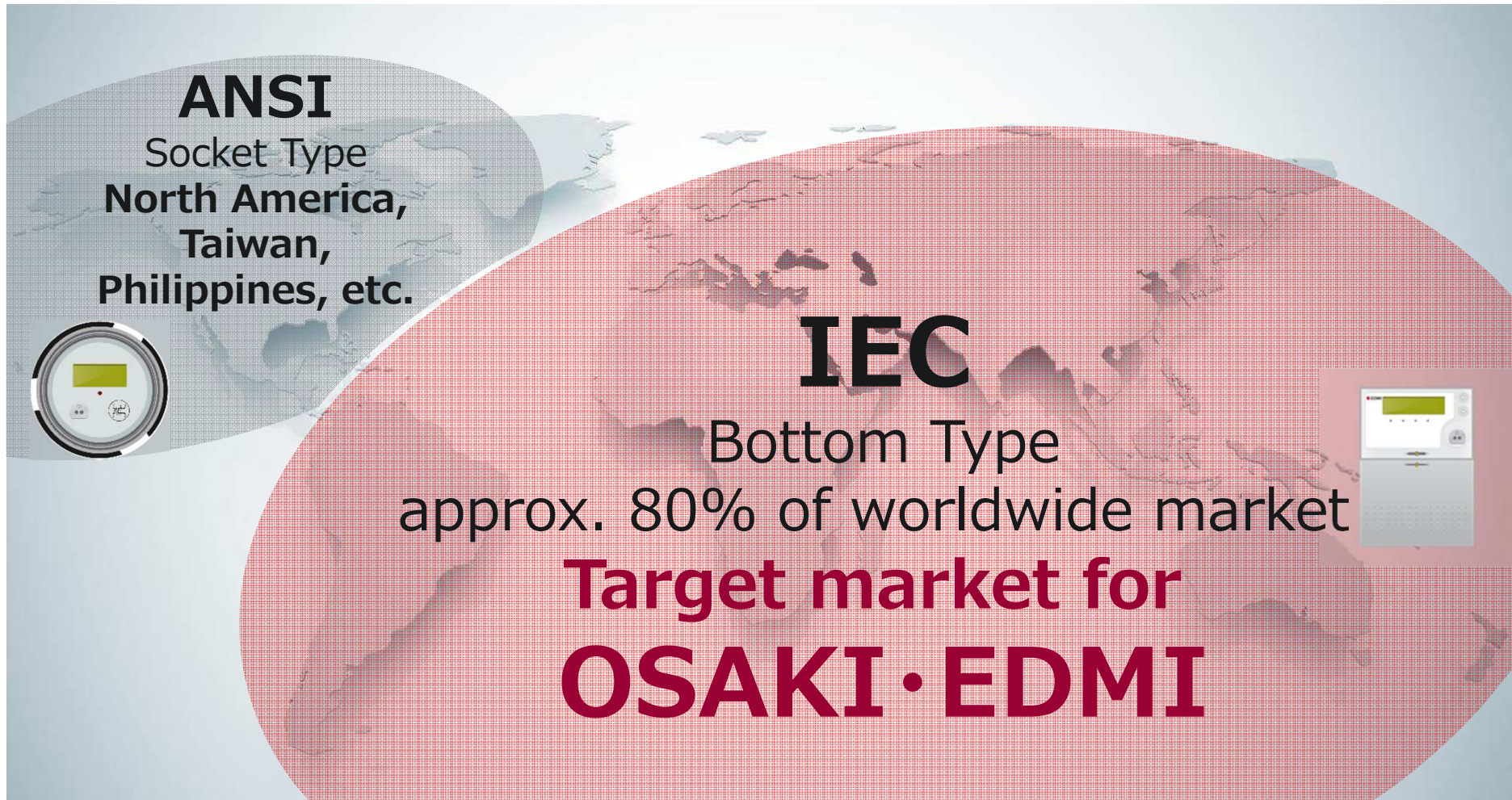
FY2019 Results: ¥53.5 Bn




FY2022 Target: ¥57.0 Bn

Global smart meter market


Types of electric meter standards



ANSI
Socket Type
North America,
Taiwan,
Philippines, etc.



IEC
Bottom Type
approx. 80% of worldwide market
**Target market for
OSAKI·EDMI**



City Lockdown Status (as of mid June)

* Main Countries of Businesses

Country	Government response
U.K.	A national lockdown since latter March was lifted, and restrictions being eased under a roadmap (announced on May 11)
Australia	A national lockdown since mid March was lifted, and restrictions being eased under a roadmap (announced on May 8)
New Zealand	A national lockdown since latter March was lifted with guided restrictions (announced on May 14)

* Global headquarters

Country	Government response	OSAKI response
Singapore headquarters	Circuit Breaker (from April 7 to June 1) is easing since June 2 *Travelling in/out of Singapore to China's restricted regions under official or business purposes are allowed since June 8.	Employees are restricted to work at home from April 7 70% of workforce are to work at home from June 1

* Manufacturing sites

Country	Government response	OSAKI response
Malaysia (EDMI)	A national lockdown since mid March (as of June 9) Plants are permitted to operate under social distance restrictions	Began operation from mid May under restrictions Gradually increasing manufacturing capacity
Shenzhen, China (EDMI)		Operation back to normal since mid February
Shandong, China: Outsource for UK electricity meters		Operation back to normal since mid February
Zhejiang, China: Outsource for UK gas meters		Operation back to normal since mid February
Indonesia (EDMI)	A national lockdown since mid April	Approved to operate back to normal
România: Outsource for UK communications hubs	A national lockdown from mid March to May 14 Restrictions are eased since May 15	Operation normal

* All countries place travel restrictions

ESG Measures

Environment

Environment-conscious operations

CO2 reduction Measures	Products and services for CO2 reduction
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Provide products and services for optimal energy management in and out of Japan

Environment-friendly Group	Waste reduction
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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
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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
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Create new values in collaboration with people across all borders of nationalities, organizations, etc.



Governance

Elevate corporate value and minimize risks

Management	Board effectiveness
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Supervision	Advisory committees
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Evaluate board effectiveness every year
➔ continual efforts to elevate governance

Set the committees for appointment and compensation in Feb. 2019.

Appoint an outside board as Chairman. Majority are outside members

➔ Attain fairness, objectivity and transparency

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)

		FY2016	FY2017	FY2018	FY2019	FY2020 Forecast
Dividend per share	Interim/year-end	8 / 12	10 / 10	10 / 10	10 / 10	10 / 10
	Annum	20	20	20	20	20
Total dividend paid	Annum	959 Mn	976 Mn	978 Mn	978 Mn	
Pay out ratio	Annum	24.8%	36.6%	54.1%	81.7%	980.4%
DOE	Annum	2.5%	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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