

FY2018 First Half Summary of Consolidated Financial Results

(Six Months ended September 2018)

- Consolidated sales decreased by 2.4% year-on-year to ¥35.7 billion. Operating income declined by 30.2% to ¥1.5 billion. Ordinary income dropped by 26.3% to ¥1.7 billion. Profit attributable to owners of parent decreased by 21.1% to ¥0.65 billion.
- Domestic demand for smart meters remains strong. However, sales volumes fell due to inventory adjustment by some electric power companies. In addition, revenue of distribution panels declined.
- Revenue from smart meters in Australia and communications hubs in the United Kingdom increased, but shipments to New Zealand and emerging countries dropped. As a result, overseas sales were almost flat compared with the previous corresponding period.
- Consolidated profits decreased due to the sales decrease as well as lower gross margin due to change in product sales mix overseas.
- We made downward revision to our consolidated financial forecast for the full year. We had projected the overseas sales to expand from the second half. However, the procurement of certain electronic components remains difficult, leading to delays in production and supply of products. The Group is working as a whole for in advance purchasing of the electronic components to improve product supply in overseas for the next fiscal year.
- Interim cash dividend is ¥10 per share, as originally planned, and the year-end cash dividend is planned to be ¥10 per share.

1. Consolidated Financial Results

		(Millions of yen)			
		FY2017 1H	FY2018 1H	YoY Change	
				Amount	%
Net sales		36,550	35,669	(881)	(2.4)%
	Measurement and control equipment	35,866	34,431	(1,435)	(4.0)%
	Others	758	1,308	549	+72.5%
	Adjustment	(74)	(70)	4	—
Gross profit		10,247	9,441	(805)	(7.9)%
	Ratio to sales	28.0%	26.5%		(1.5)pt
SG & A expenses		8,045	7,905	(139)	(1.7)%
	Ratio to sales	22.0%	22.2%		+0.2pt
Operating income		2,201	1,536	(665)	(30.2)%
	Ratio to sales	6.0%	4.3%		(1.7)pt
	Measurement and control equipment	2,212	1,344	(867)	(39.2)%
	Others	(14)	188	203	—
	Adjustment	4	2	(1)	(28.6)%
Ordinary income		2,263	1,667	(596)	(26.3)%
Profit attributable to owners of parent		817	645	(172)	(21.1)%
	Net income per share (yen)	16.76	13.20	(3.56)	(21.1)%

2. Consolidated Sales by Region (Excluding intercompany sales)

(Millions of yen)

	FY2017 1H	FY2018 1H	YoY Change	
			Amount	%
Japan	28,132	27,214	(918)	(3.3)%
Overseas	8,417	8,454	37	+0.4%
Oceania	3,410	3,361	(48)	(1.4)%
Europe	1,610	1,820	210	+13.0%
Asia	2,881	2,901	20	+0.7%
Others	515	371	(144)	(28.0)%
Total	36,550	35,669	(881)	(2.4)%

3. R&D expenditures, Depreciation, Capital expenditures

(Millions of yen)

	FY2017 1H	FY2018 1H	YoY Change		FY2018 Revised full-year forecast
			Amount	%	
R&D expenditures	1,615	1,526	(89)	(5.5)%	3,500
Depreciation	1,332	1,266	(66)	(5.0)%	3,000
Capital expenditures	1,481	856	(625)	(42.2)%	3,000

4. Revision of FY2018 Consolidated Full-year Forecast

We have made downward revision to the full-year forecast for the fiscal year ending March 31, 2019. Domestic performance is expected to be solid with strong demand for smart meters to remain. However, overseas sales for the second half are projected to be lower than initial forecast. This is mainly from delays in production and supply of products due to the difficulty in purchasing some electronic components amid the tight global demand.

In response, the Group is working on in advance purchasing of electronic components to improve overseas product supply in the next fiscal year.

(Millions of yen)

	FY2018 Initial forecast (A)	FY2018 Revised forecast (B)	Difference (B-A)		FY2017 Results (C)	Difference (B-C)	
			Amount	%		Amount	%
Net sales	86,000	80,000	(6,000)	(7.0)%	78,780	1,219	+1.5%
Operating income	6,000	3,500	(2,500)	(41.7)%	5,544	(2,044)	(36.9)%
Ordinary income	6,000	3,400	(2,600)	(43.3)%	5,634	(2,234)	(39.7)%
Profit attributable to owners of parent	3,300	1,200	(2,100)	(63.6)%	2,666	(1,466)	(55.0)%

(Reference) 1H FY2018 Consolidated Results Compared to the Forecast

(Millions of yen)

	Forecast	Results	Difference		Progress vs revised full-year forecast
			Amount	%	
Net sales	37,000	35,669	(1,330)	(3.6)%	44.6%
Operating income	1,600	1,536	(63)	(4.0)%	43.9%
Ordinary income	1,600	1,667	67	+4.2%	49.0%
Profit attributable to owners of parent	600	645	45	+7.5%	53.8%

- 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.