

Summary of FY2020 Consolidated Financial Results

(12 Months ended March 2021)

- Consolidated sales were down by 15.3% year on year to ¥76.3 billion. Operating income declined by 27.3% to ¥2.68 billion. Profit attributable to owners of parent declined by 59.7% to ¥0.48 billion.
- In Japan, sales declined mainly due to the expansion of COVID-19 virus infection in the midst of the peak out period in demand for smart meters. Sales of energy management systems declined from customers restraining investments largely due to the impact of COVID-19 virus infection. Profits, however, increased year on year, from cost reduction efforts.
- In the overseas, installation of smart meters was slower-than-expected due to lockdowns associated with the spread of COVID-19 virus. Orders for Iraq (Kurdistan Regional Government) and Cambodia projects, which recorded a temporary increase in orders in the same period of the previous fiscal year, declined year on year. As a result, sales and profits declined.

1. Consolidated Financial Results

	FY2019	FY2020	YoY Change	
			Amount	%
Net sales	90,069	76,255	(13,813)	(15.3)%
Smart meters & solutions in Japan	51,842	48,193	(3,648)	(7.0)%
Smart meters & solutions overseas	37,462	27,301	(10,160)	(27.1)%
Others	1,905	1,514	(391)	(20.6)%
Adjustment	(1,141)	(753)	387	—
Gross profit	19,677	17,342	(2,334)	(11.9)%
Ratio to sales	21.8%	22.7%		+0.9pt
SG & A expenses	15,986	14,657	(1,328)	(8.3)%
Ratio to sales	17.7%	19.2%		+1.5pt
Operating income	3,691	2,684	(1,006)	(27.3)%
Ratio to sales	4.1%	3.5%		(0.6)pt
Smart meters & solutions in Japan	3,013	3,136	122	+4.1%
Smart meters & solutions overseas	440	(467)	(907)	—
Others	210	6	(204)	(97.1)%
Adjustment	27	9	(17)	(63.8)%
Ordinary income	3,544	2,888	(656)	(18.5)%
Profit attributable to owners of parent	1,197	482	(714)	(59.7)%
Net income per share (yen)	24.47	9.84	(14.63)	(59.8)%
ROE	2.5%	1.0%	—	(1.5)pt

* Our estimates of impact from the COVID-19 epidemic to the Fiscal 2020 Results has not changed from the following forecasts announced on 2 February, 2021:

Net Sales: (17.0 billion)

Breakdown Japan: (3.2 billion), Overseas: (13.5 billion), Others: (0.3 billion)

Operating income: (2.4 billion)

Breakdown Japan: none, Overseas: (2.3 billion), Others: (0.1 billion)

2. Consolidated Sales by Region (Excluding intercompany sales)

(Millions of yen)

	FY2019	FY2020	YoY Change		FY2021 1H Forecast	FY2021 Full-year Forecast	Full-year Forecast YoY Change	
			Amount	%			Amount	%
Japan	53,475	49,641	(3,834)	(7.2)%	23,500	51,000	1,358	+2.7%
Overseas	36,593	26,614	(9,979)	(27.3)%	15,500	32,000	5,385	+20.2%
Oceania	9,422	9,154	(268)	(2.8)%	5,500	10,500	1,345	+14.7%
Europe	9,558	8,952	(605)	(6.3)%	6,000	13,500	4,547	+50.8%
Asia	8,841	4,803	(4,037)	(45.7)%	2,800	5,500	696	+14.5%
Middle East and others	8,770	3,703	(5,067)	(57.8)%	1,200	2,500	(1,203)	(32.5)%
Total	90,069	76,255	(13,813)	(15.3)%	39,000	83,000	6,744	+8.8%

Average exchange rate	¥109.05 /USD	¥106.76 /USD	¥106.76/USD (Exchange rate assumption)
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*Calculations are based on the annual securities report.

3. Sales by product and service (Excluding intercompany sales)

(1) Smart meters & solutions in Japan

	FY2019	FY2020	YoY Change		(Millions of yen)	
			Amount	%	Amount	%
Meters	27,136	22,811	(4,325)	(15.9)%	27,136	22,811
Monitor Control(**)	3,055	3,565	510	+16.7%	3,055	3,565
Switchgears	7,847	7,725	(122)	(1.6)%	7,847	7,725
VCTs	4,767	4,094	(673)	(14.1)%	4,767	4,094
Others (including adjustments)	9,012	9,972	960	+10.7%	9,012	9,972
Total	51,819	48,169	(3,650)	(7.0)%	51,819	48,169

*Referential figures based on managerial accounting

** Monitor Control: Energy management systems, smart locks, etc.

(2) Smart meters & solutions overseas

	FY2019	FY2020	YoY Change		(Millions of yen)	
			Amount	%	Amount	%
Meters	25,263	18,248	(7,015)	(27.8)%	25,263	18,248
Monitor Control(**)	11,226	8,429	(2,797)	(24.9)%	11,226	8,429
Total	36,490	26,678	(9,812)	(26.9)%	36,490	26,678

*Referential figures based on managerial accounting

** Monitor Control: Meter related systems, communication hubs, etc.

4. R&D expenditures, Depreciation, Capital expenditures

(Millions of yen)

	FY2019	FY2020	YoY Change		FY2021 Forecast	YoY Change	
			Amount	%		Amount	%
R&D expenditures	3,242	2,900	(342)	(10.6)%	3,400	499	+17.2%
Depreciation	2,905	2,749	(156)	(5.4)%	2,700	(49)	(1.8)%
Capital expenditures	2,341	2,012	(328)	(14.0)%	2,800	787	+39.1%

5. FY2021 Consolidated Forecast

	1H		YoY Change		Full-year		YoY Change	
	FY2020	FY2021 Forecast	Amount	%	FY2020	FY2021 Forecast	Amount	%
Net sales	35,734	39,000	3,265	+9.1%	76,255	83,000	6,744	+8.8%
Smart meters & solutions in Japan	22,308	22,800	491	+2.2%	48,193	49,700	1,506	+3.1%
Smart meters & solutions overseas	12,916	15,750	2,833	+21.9%	27,301	32,500	5,198	+19.0%
Others	903	750	(153)	(16.9)%	1,514	1,400	(114)	(7.5)%
Adjustment	(393)	(300)	93	—	(753)	(600)	153	—
Operating income	767	800	32	+4.2%	2,684	3,500	815	+30.4%
Smart meters & solutions in Japan	948	400	(548)	(57.8)%	3,136	2,500	(636)	(20.3)%
Smart meters & solutions overseas	(224)	400	624	—	(467)	1,000	1,467	—
Others	43	0	(43)	(100.0)%	6	0	(6)	(100.0)%
Adjustment	0	—	(0)	(100.0)%	9	—	(9)	(100.0)%
Ordinary income	744	700	(44)	(6.0)%	2,888	3,300	411	+14.3%
Profit attributable to owners of parent	(202)	100	302	—	482	3,000	2,517	+522.0%

- In Japan, smart meters business expects tough environment with low demand and severe price competition in the midst of the peak out period until demand picks up in Fiscal 2024. Products and services including energy management systems, smart locks for rental property are expected to see an increase in sales as the impact from COVID-19 is expected to decrease. Profits are expected to decline from lower utilization rates for smart meter production as well as an expected increase in SG&A expenses from FY2020, where costs were severely cut in the midst of COVID-19 pandemic.
- In the overseas, both sales and profit are expected to increase, mainly due to steady growth in Oceania by providing high profit solution services, and an increase in shipments for the UK project.
- Outlook for profit attributable to owners of parent includes extraordinary gain from the transfer of shares in a consolidated subsidiary.

6. FY2021-2025 Mid-term Management Plan

	FY2021 Forecast	FY2022 Outlook	FY2023 Outlook	(Millions of yen)
				FY2025 Mid-term Target
Net sales	83,000	85,000	88,000	
Japan (**)	51,000	51,000	52,000	
Overseas	32,000	34,000	36,000	
Operating income	3,500	5,000	5,500	8,000 (minimum)
Japan (**)	2,500	2,700	2,700	
Overseas	1,000	2,300	2,800	
Ordinary income	3,300	4,900	5,500	
Profit attributable to owners of parent	3,000	2,800	3,500	
ROE	6.5%	6.0%	7.0%	9.0% (minimum)

* Break down of Net Sales are external sales.

** Japan includes "Smart meters & solutions in Japan" and "Others".

7. 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.
- 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.

	Dividend per share			Total amount of dividends	Consolidated payout ratio
	Interim	Year-end	Annual		
FY2018	10 yen	10 yen	20 yen	978 million yen	81.7%
FY2019	10 yen	10 yen	20 yen	980 million yen	203.3%
FY2020 Forecast	10 yen	10 yen	20 yen		32.7%

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