

Financial Results for First Half FY2019

(Six months ended September 30, 2019)

December 2nd, 2019

Mitsuyasu Watanabe
President and COO

OSAKI ELECTRIC

Agenda

- 1. Summary of Financial Results for 1H FY2019**
- 2. Progress on Mid-term Management Plan (FY2019-23)**

* FY or the fiscal year refers to the year ended/ing March of the subsequent year

1 . Summary of Financial Results for 1H FY2019

YoY

- Net sales : 7.9 Bn yen increase
A decrease in Japanese sales due to weak demand and pricing of smart meters was overcome by an increase in overseas sales
- Operating income: 0.5 Bn yen increase
An increase in overseas business

Differences from previous forecasts

- Sales : Better than expected in overseas business, mainly in the Middle East
- Operating Income: Better than expected from overall sales increase as well as from cost reductions in Japan

(¥Mn)

	FY2018 1H Actual	FY2019 1H Previous Forecasts	FY2019 1H Actual	YoY	Differences from previous forecasts (August 7th, 2019)
Net Sales	35,669	42,000	43,580	+7,911	+1,580
Operating Income	1,536	1,500	2,033	+496	+533
Ordinary Income	1,667	1,300	1,946	+278	+646
Profit attributable to owners of parent	645	600	845	+200	+245

1H FY2019 Results by Region

YoY

- Japan : Sales -2.3 Bn yen, Operating income -0.9 Bn yen
 - Overseas : Sales +10.2 Bn yen, Operating income +1.4 Bn yen
- By region : Oceania +1.7 Bn yen, Europe +2.6 Bn yen,
Iraq (Kurdistan Regional Government) +3.2 Bn yen,
Cambodia +1.1 Bn yen

(¥Mn)

	FY2018	FY2019			YoY
	1H Results	Q1	Q2	1H Results	
Net Sales (External)	35,669	20,287	23,293	43,580	7,911
Japan	27,214	11,526	13,389	24,915	-2,299
Overseas	8,454	8,760	9,905	18,665	10,210
Operating Income	1,536	1,159	874	2,033	496
Japan	2,376	644	830	1,474	-902
Overseas	-834	519	42	561	1,395
Adjustments	-5	-4	1	-3	2

*Referential figures based on managerial accounting

- Increase in inventories to expand overseas production
- Increase in overseas debt for procurement costs

	As of Mar 31, 2018	As of Sep 30, 2019	Increase/ Decrease	Factors
Assets	98,314	101,540	+3,226	Notes and account receivable -914 Inventory +2,829
Current assets	57,923	59,684	+1,761	Right-of-use asset +1,206 (According to change in IFRS accounting rule)
Fixed assets	40,391	41,856	+1,465	
Liabilities	39,432	42,739	+3,306	Total debt +5,001 Lease obligations +1,176 (According to change in IFRS accounting rule)
Current liabilities	33,260	29,169	-4,090	
Fixed liabilities	6,172	13,569	+7,397	
Equity	58,881	58,801	-80	
Capital	47,695	47,549	-146	
Non-controlling	10,710	10,707	-3	
Others	474	544	+69	
Capital Adequacy Ratio	48.5%	46.8%	-1.7%	

- Increase in accounts payable and inventories due to global business expansion resulted in temporally negative operating cash flows.

(¥Mn)

	FY2019 Q2	Increase/Decrease in cash	
		Japan	Overseas
Income before income taxes and minority interests	1,946		
(Increase) decrease in notes and accounts receivable	649	Increase	Decrease
(Increase) decrease in inventories	-3,211	Decrease	Decrease
Increase (decrease) in notes and accounts payable	-2,192	Decrease	Decrease
Others	527		
Operating activities	-2,280		
Investing activities	-2,103		
Increase (decrease) in short-term debts	-381		
Increase (decrease) in long-term debts	5,815	Decrease	Increase
Others	-1,031		
Financing activities	4,401		
Effect of exchange rate changes on cash and cash equivalents	-67		
Cash and cash equivalents at beginning of year	16,422		
Cash and cash equivalents at end of year	16,371		

FY2020 forecasts

- No changes to the full-year forecasts

Better than expected results in 1H, while 2H expects tough market environment in Japan

(¥Mn)

	FY2017	FY2018	FY2019 Forecasts
Net Sales	78,780	82,089	92,000
Operating Income	5,544	4,299	4,300
Ordinary Income	5,634	4,293	3,900
Profit attributable to owners of parent	2,666	1,806	1,600

Risks for FY2020 forecasts

UK Project

- The UK government delayed the project deadline to 2024, which causes slower orders and expected sales to fall short of target.
- Possible provision pertaining to materials which are not useful after design changes in products during production ramp-up phase.

*The effect to FY2019 Forecasts is under evaluation and due to be announced when determined.

- While the project prolonged to FY2024, the company does not change its mid-term targets

2. Progress on Mid-term Management Plan (FY2019-23)

Expanding value-added smart meter businesses

Developing new products and services

Expanding profits in global businesses

Building resilient operational structure

Smart meters today

One-box Type

Unit Type

Previous Electric Meters



TEPCO and 7 other power companies



Kansai Electric Power, Kyushu Electric Power

Smart Meters



- Meter Reading every 30 min. (1,500 times / month)
- Remotely connect, shutdown smart meters

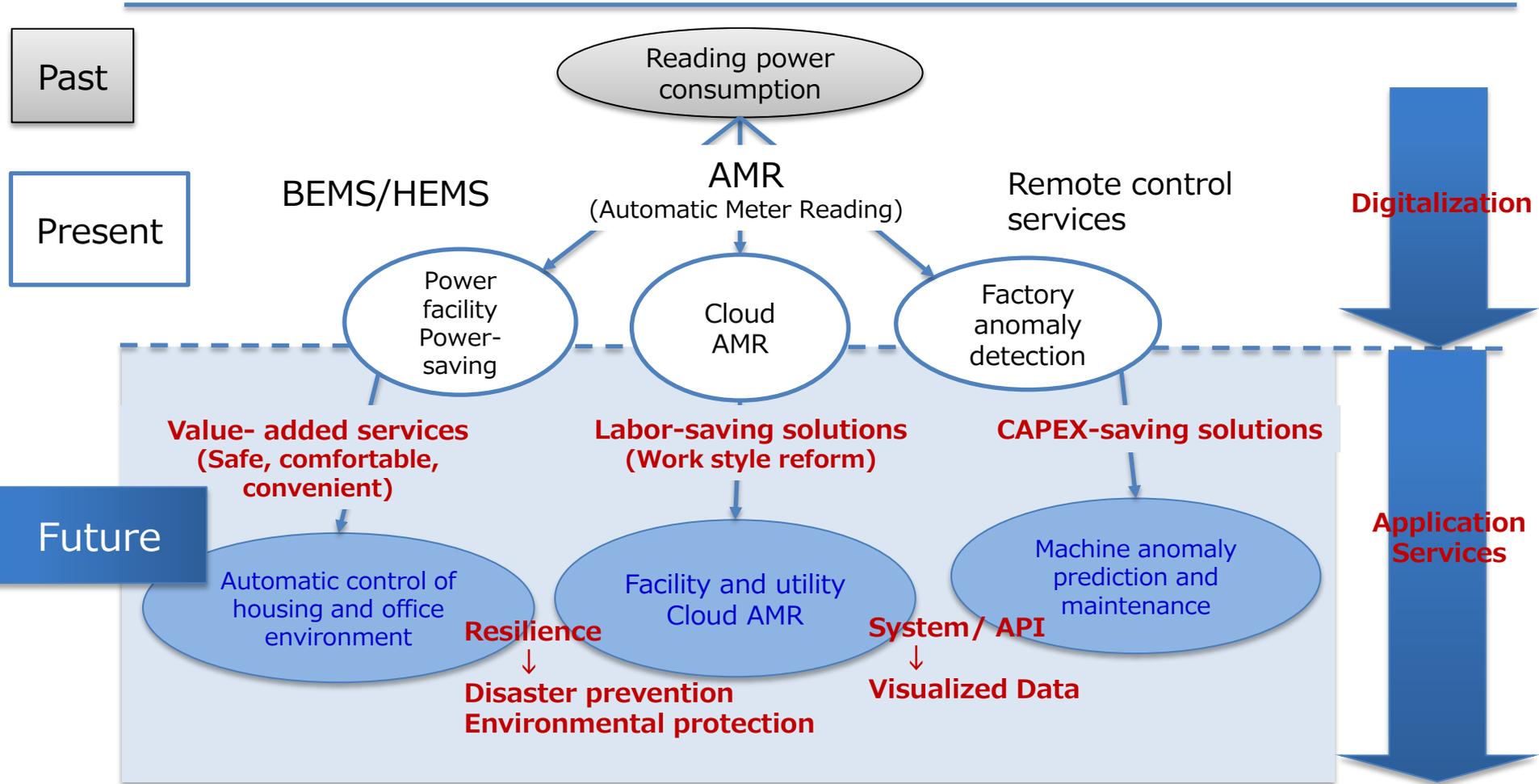
- To be installed to all households by FY2024
- Data collected via smart meters

OSAKI Group Including ENEGATE

Toshiba Toko Meter Systems
Fuji Electric
Mitsubishi Electric Others

Changing smart meters' roles in society

Smart meters' roles



Overview of services

Solution services



■ Energy Management Systems

- Remote control of AC equipment
- Data tracing power consumption



■ Smart Metering Systems

- AMR for power, gas and water
- Usage data by tenants

New Businesses

■ IoT Solution Services

- Data collection and analysis of IoT sensors
- Remote control of home appliances
- Labor-saving solutions
- Data collection of customers



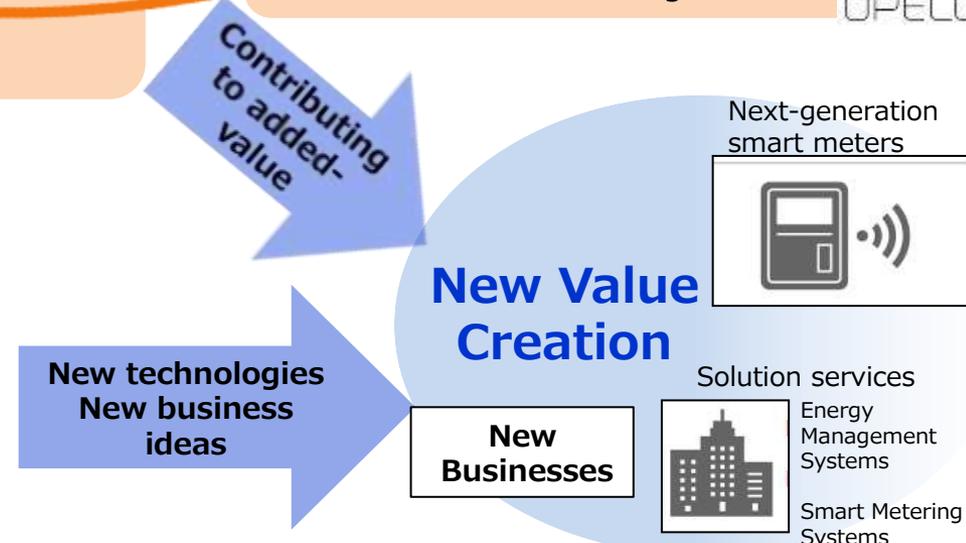
Providing combined services

■ Security Solution Services

- Smart locks for rental housings
- Smart locks for housing entrances



Collaboration at Laboratory



Global smart meter market

Types of electric meter standards



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

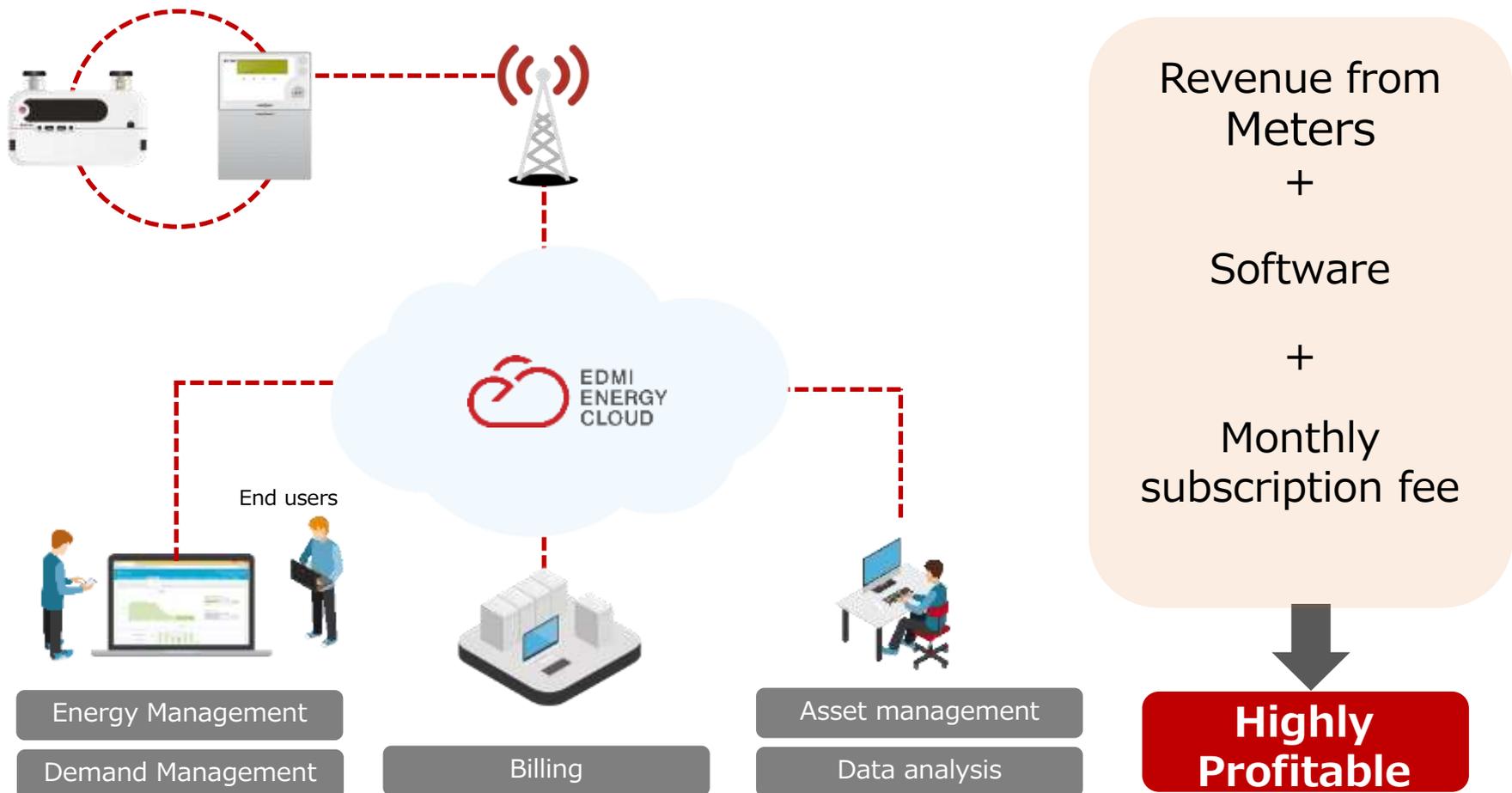


IEC
Bottom Type
approx. 80% of worldwide market
**Target market for
OSAKI·EDMI**



EDMI's strong position

Providing Meters + Software services via Cloud



EDMI's strong position

Strong Sales



Oceania: Merits of Founding ground to attain over 75% share



UK: One third of market share of comms hubs leading to orders for smart meters

Highly competent sales professionals have joined the Group, leading to winning a large-scale project at Iraqi (Kurdistan Regional Government)

Strong Development and Manufacturing



5

R&D sites

Singapore,
Australia, UK
And more



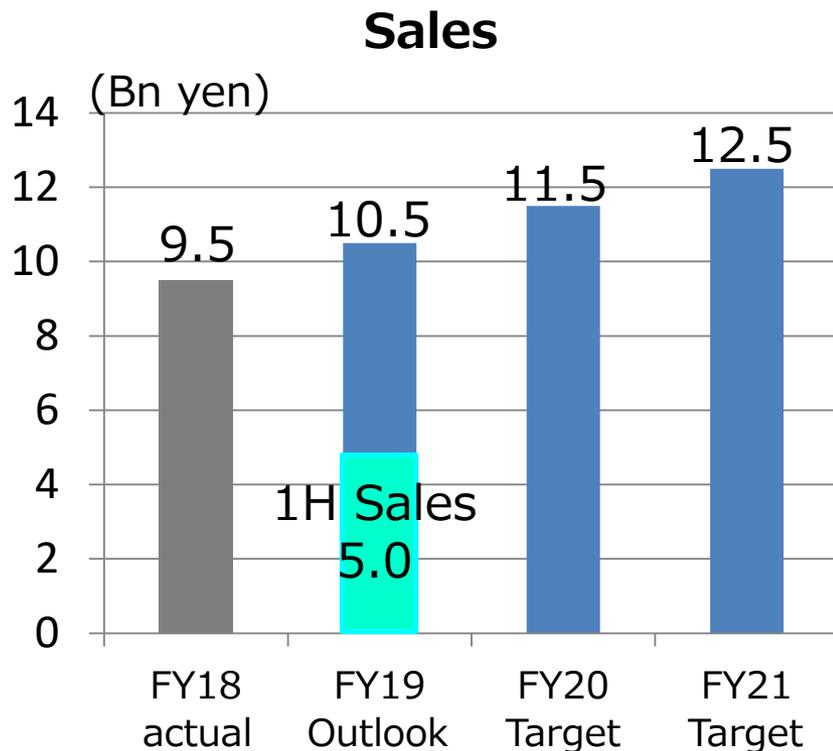
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Manufacturing sites

Malaysia
(for Oceania, UK)
China, Indonesia
(other regions)

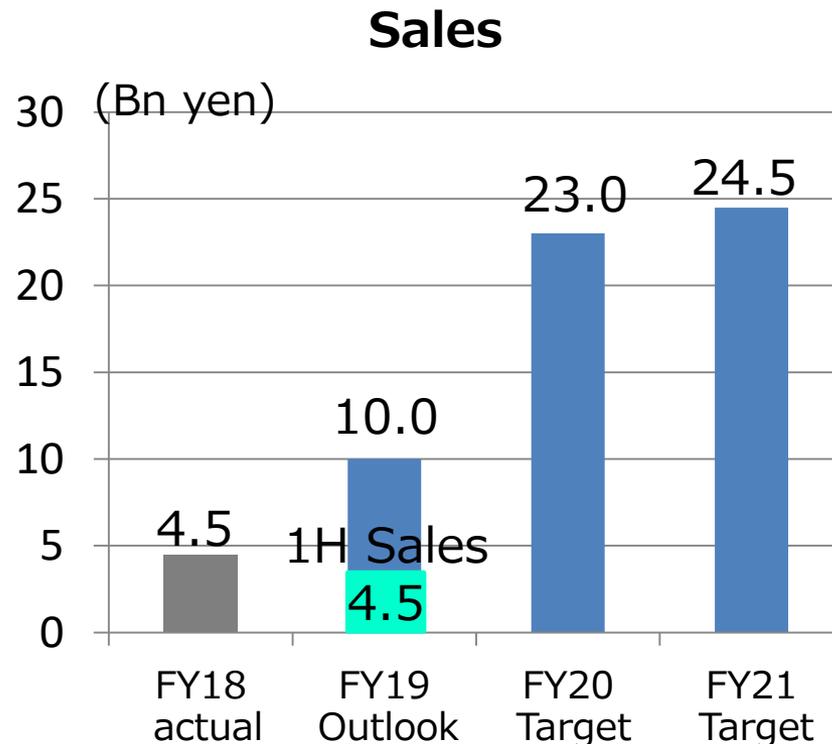
Supported by OSAKI engineers

Oceania



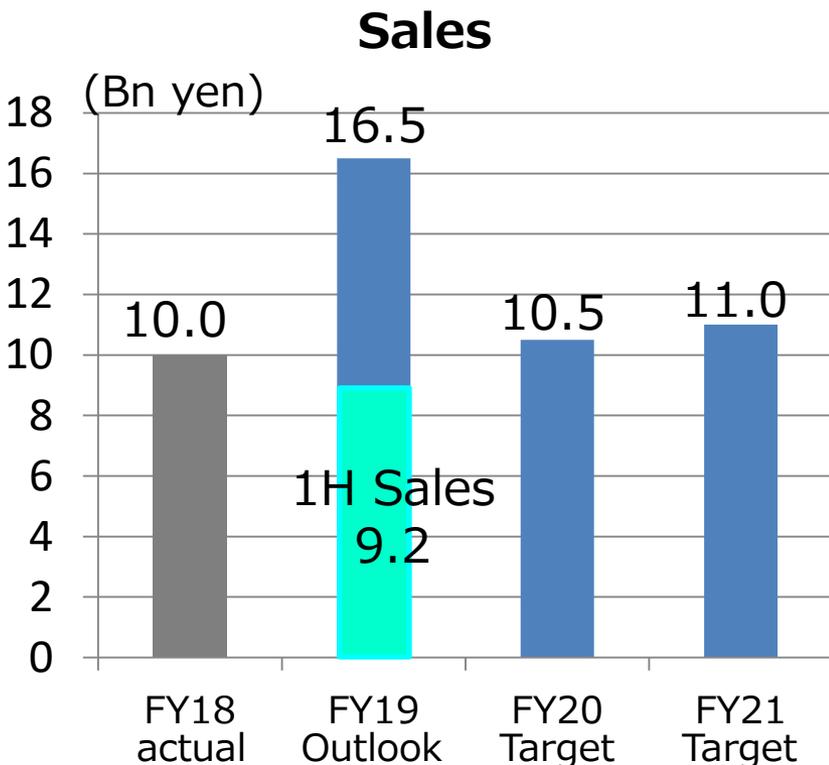
- Installation of smart meters became mandatory as of Dec. 2017 in Eastern region of Australia, driving demand
- Head-and-system and higher systems sales provide for higher profitability

Europe (UK project)

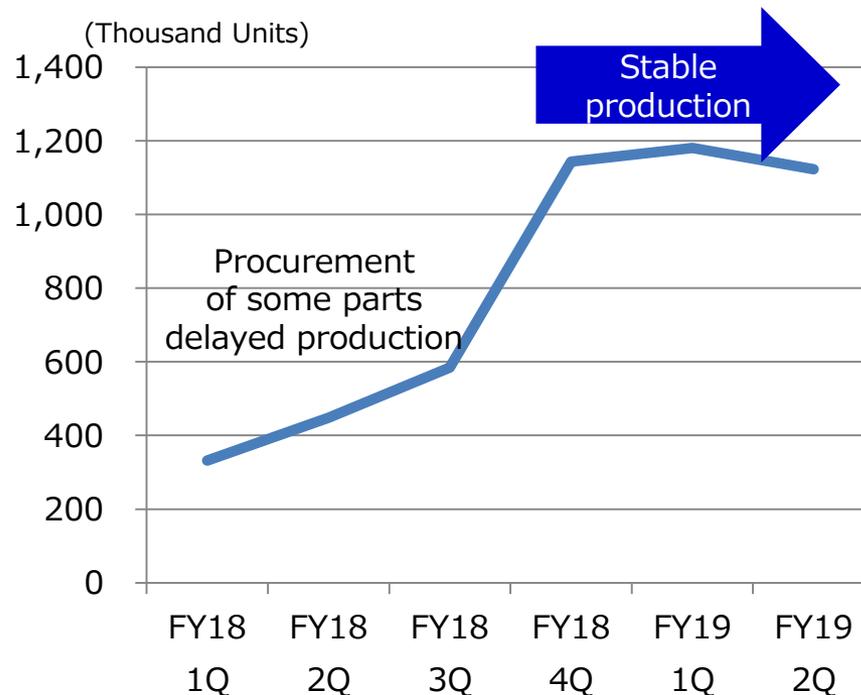


- Expected sales in FY2019 fall short of initial forecasts 14.5 Bn to 10.0 Bn yen due to delayed project deadline to 2024 by UK Government
- Re-evaluating FY2020 target while contributing to future profits

Others (includ., Middle East)



Overseas Manufacturing



- Sales to Iraqi (Kurdistan Regional Government) (FY19 sales estimate of over 7 Bn yen), Cambodia (FY19 sales estimate of slightly below 3 Bn yen) contributed to the overall sales growth
- Rolling Mid-term plan from FY2020 under evaluation

- Difficulties in procurement of some parts delayed production until Q3 of FY18, but resolved in the following Q4.
- Improve manufacturing capacity in mid-term

A vibrant, futuristic cityscape with a large, glowing blue sphere in the center, surrounded by colorful, floating geometric shapes. The scene is a 360-degree panoramic view of a modern city with tall buildings, green spaces, and a bright sun on the left side. The central sphere is a bright blue, glowing orb with a white ring around its equator. Numerous colorful, semi-transparent geometric shapes (spheres, cubes, pyramids) in various colors (red, yellow, green, blue, purple) are scattered around the sphere, appearing to float in the air. The overall atmosphere is bright and optimistic, suggesting a clean, sustainable future.

Global Energy Solution Leader

Providing tomorrow's energy solution for better tomorrow

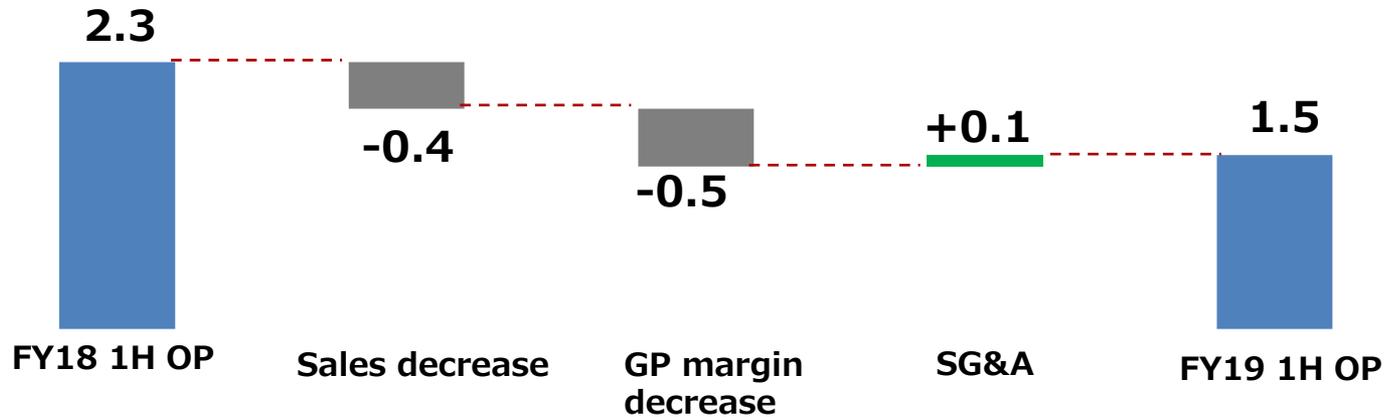
Appendix

- Financial data
- Mid-term Management Plan (FY2019-23)
- ESG
- Shareholder Return Policy

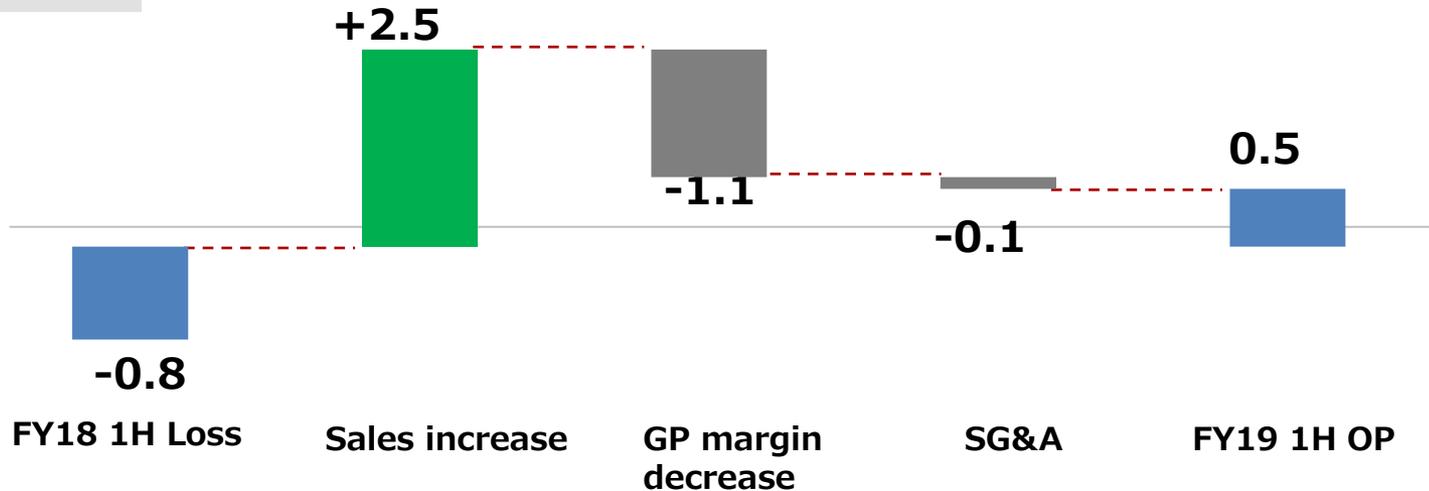
1H FY2019 Operating Profit Change (YoY)

Japan

(¥Bn)



Overseas



*Referential figures based on managerial accounting

(¥Mn)

Net sales	75,596	86,159	78,780	82,089	92,000
Japan	55,552	63,448	60,158	58,136	55,000
Overseas	20,044	22,710	18,621	23,952	37,000
Operating Income	3,738	7,692	5,544	4,299	4,300
Japan	4,923	7,023	6,010	5,454	2,900
Overseas	-1,184	670	-461	-1,148	1,400
Adjustments	0	-6	-4	-7	0
Forex	¥88.10/SGD	¥78.75/SGD	¥81.26/SGD	¥110.43/USD	¥110.43/USD

*Referential figures based on managerial accounting

Sales by Region (Excluding intercompany sales)

(¥Mn)

	FY2015	FY2016	FY2017	FY2018	FY2019 Forecasts
Japan	55,150	63,236	59,927	57,735	55,000
Overseas	20,445	22,923	18,852	24,353	37,000
Oceania	7,049	9,110	7,807	9,522	10,500
Europe	3,471	5,248	3,858	4,449	10,000
Asia	7,962	7,431	6,168	7,086	8,500
Others	1,962	1,133	1,017	3,295	8,000
Total	75,596	86,159	78,780	82,089	92,000

*Figures from Annual Report 2019

Measurement and Control Equipment Segment Sales



(Excluding intercompany sales)

(¥Mn)

	FY2015	FY2016	FY2017	FY2018	FY2019 Forecasts
Meters	38,820	49,591	43,439	45,805	53,800
Japan	25,557	34,973	31,947	31,149	26,740
Smart meters	20,489	32,089	29,890	28,942	24,540
Others	5,067	2,884	2,057	2,207	2,200
Overseas	13,263	14,618	11,492	14,655	27,060
Monitor Control	9,447	10,697	9,717	12,156	14,410
Switchgears	8,208	8,066	7,144	7,097	7,280
VCTs	3,965	4,400	4,925	4,772	4,370
Others (adjustments)	12,977	12,206	11,690	10,371	9,880
Total	73,420	84,962	76,917	80,203	89,740

*Referential figures based on managerial accounting

Mid-term Targets

	FY2018 Actual	FY2019 Forecasts	FY2020 Outlook	FY2021 Outlook	(¥Bn) FY2023 Mid-term Target
Net Sales	82.1	92	100	105	—
Operating income	4.3	4.3	5.0	6.0	8.0 or more
OP margin	5.2%	4.7%	5.0%	5.7%	—
Ordinary income	4.29	3.9	4.7	5.7	—
Net income	1.81	1.6	2.0	3.0	—
NP margin	2.2%	1.7%	2.0%	2.9%	—
ROE	3.8%	3.3%	4.0%	6.0%	8% or more
CAPEX	2.21	4.0	2.0	1.7	—
Depreciation	2.63	3.4	3.0	2.8	—
R&D Expenditures	3.06	3.2	3.5	3.5	—

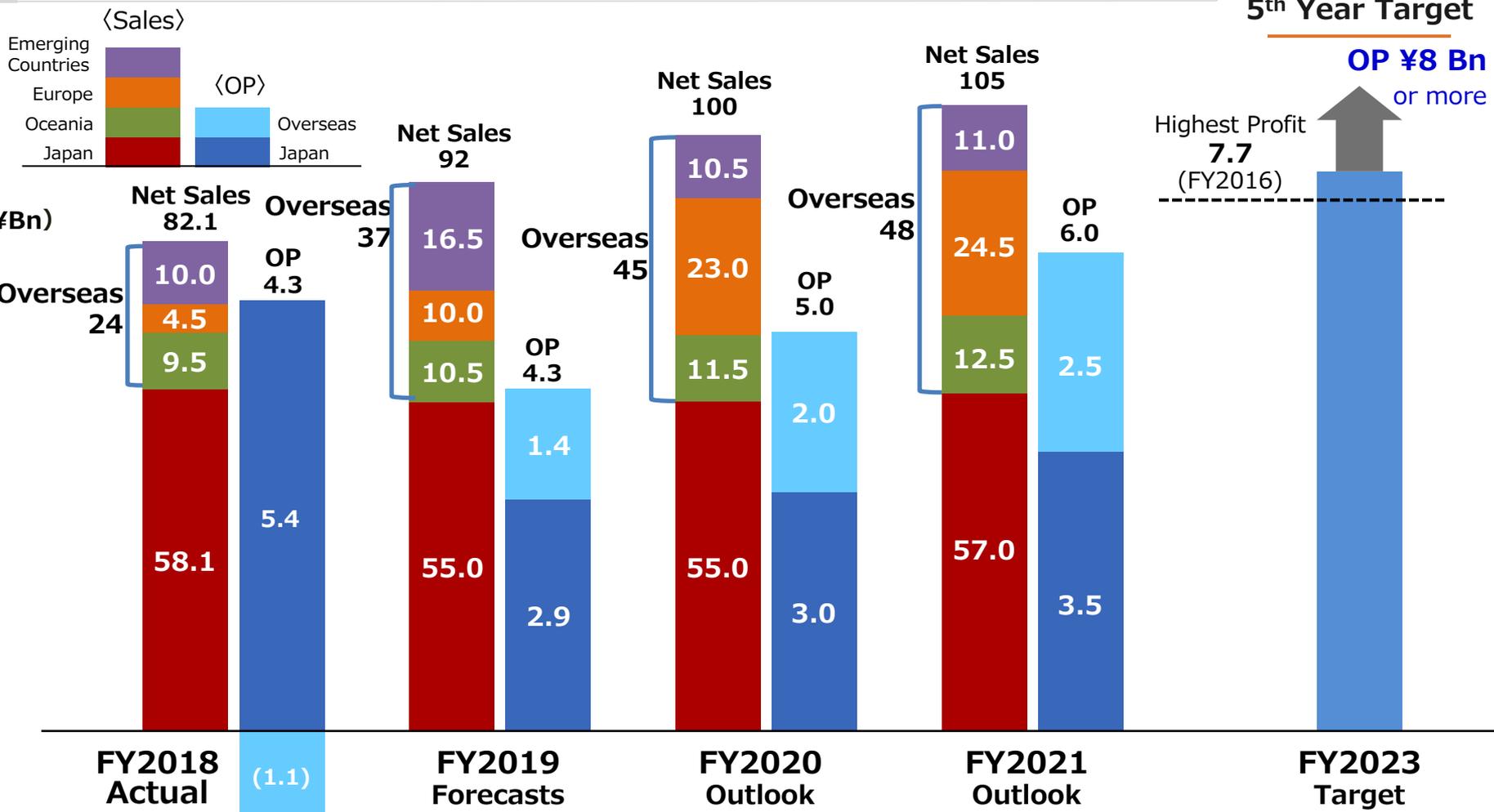


Mid-term Targets by Region

5th Year Target

OP ¥8 Bn
or more

Highest Profit
7.7
(FY2016)



	FY2018 actual	FY2019 forecasts	FY2020 Outlook	FY2021 Outlook
Overseas sales ratio	29%	40%	45%	46%
Overseas OP ratio	-	33%	40%	42%

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 solutions 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

Supervision

Advisory committees

Set the committees for appointment and compensation
Appoint an outside board as Chairman.
Majority are outside members
➔ Attain fairness, objectivity and transparency

Dividend Policy

- In principle, providing either the higher of DOE (Dividend on Equity Ratio) of 2% or Pay out ratio of 30%

		(Yen)	FY2015	FY2016	FY2017	FY2018	FY2019 Forecast
Dividend per share	Interim/ year-end		6 / 6	8 / 12	10 / 10	10 / 10	10 / 10
	Annum		12	20	20	20	20
Total dividend paid	Annum		537 Mn	959 Mn	976 Mn	978 Mn	
Pay out ratio	Annum		35.9%	24.8%	36.6%	54.1%	61.1%
DOE	Annum		1.5%	2.5%	2.3%	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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