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Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]

November 7, 2023

Company name: Osaki Electric Co., Ltd.

Stock exchange listing: Tokyo

Code number: 6644

URL: <https://www.osaki.co.jp>

Representative: Chairman and CEO

Yoshihide Watanabe

Director and Managing Executive Officer

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Scheduled date of filing quarterly securities report: November 14, 2023

Scheduled date of commencing dividend payments: December 5, 2023

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 2023)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2023	44,174	11.7	2,325	334.4	2,415	593.5	1,356	30.2
September 30, 2022	39,562	9.6	535	16.0	348	(34.4)	1,041	-

(Note) Comprehensive income: Six months ended September 30, 2023: ¥ 2,690 million [31.1%]
Six months ended September 30, 2022: ¥ 2,051 million [188.9%]

	Basic earnings per share	Diluted earnings per share
Six months ended September 30, 2023	Yen 28.97	Yen 28.51
September 30, 2022	21.83	21.47

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of September 30, 2023	Millions of yen 93,307	Millions of yen 60,295	% 51.3
March 31, 2023	93,268	58,629	49.2

(Reference) Equity: As of September 30, 2023: ¥ 47,894 million
As of March 31, 2023: ¥ 45,933 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	-	10.00	-	10.00	20.00
Fiscal year ending March 31, 2024	-	10.00			
Fiscal year ending March 31, 2024 (Forecast)			-	10.00	20.00

(Note) Revision to the forecast for dividends announced most recently: No

(Note) Breakdown of the 2nd quarter dividend for the fiscal year ending March 31, 2024 :

Commemorative dividend	- yen
Special dividend	- yen

3. Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2024(April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	93,500	4.8	4,300	93.1	4,200	122.8	1,900	44.0	40.57

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2023

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New	-	(Company name:)
Exclusion:	-	(Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2023: 49,267,180 shares

March 31, 2023: 49,267,180 shares

2) Number of treasury shares at the end of the period:

September 30, 2023: 2,353,382 shares

March 31, 2023: 2,464,755 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2023: 46,838,332 shares

Six months ended September 30, 2022: 47,728,621 shares

*Quarterly financial results are exempt from the audit conducted by certificated public accountants or an auditing firm.

*Proper use of business forecasts and other special notes.

The descriptions of the future such as business outlook made in this statement are based on the information we currently have and the certain assumptions that we consider reasonable. The actual performance may significantly vary due to the various factors. Regarding business forecasts, please refer to the page 5 “1.3 Statements for Financial Forecasts and Business Outlook”.

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1. Business Results (Six Months ended September 30, 2023)

1.1 Highlight of Operating Results of Six Months ended September 30, 2023

- Consolidated net sales: 44.2 billion yen (YoY +11.7%), Operating income: 2.3 billion yen (+334.4%), Profit attributable to owners of parent: 1.4 billion yen (+30.2%)
- Net sales for Smart meters & solutions in Japan increased year on year with higher sales in the Smart Meter Business. Operating income increased with temporary changes in the product mix, etc.
- For Smart meters & solutions overseas, sales increased year on year with an increase in shipments to UK enabled by an upturn in the electronic materials procurement environment and an increase in shipments to Oceania. Operating income increased with the higher sales and stabilization of electronic materials prices, which had soared during the procurement squeeze.

Summary of Consolidated Financial Results for the Six Months ended September 30, 2023

(Millions of yen)

	Six Months ended September '22	Six Months ended September '23	YoY change	
			Amount	%
Net sales	39,562	44,174	4,612	11.7%
Smart meters & solutions in Japan	24,276	25,022	745	3.1%
Smart meters & solutions overseas	14,647	19,559	4,912	33.5%
Production equipment	761	—	(761)	—
Real estate	282	287	5	1.8%
Adjustment	(405)	(695)	(289)	—
Operating income	535	2,325	1,790	334.4%
Smart meters & solutions in Japan	1,163	1,903	739	63.6%
Smart meters & solutions overseas	(777)	276	1,053	—
Production equipment	9	—	(9)	—
Real estate	141	157	16	11.5%
Adjustment	(1)	(10)	(9)	—
Ordinary income	348	2,415	2,067	593.5%
Profit attributable to owners of parent	1,041	1,356	315	30.2%

1.2 Consolidated Financial Condition

Total assets at September 30, 2023 were 93,307 million yen, a 39 million yen increase from March 31, 2023. This was mainly due to a increase in inventory and investment securities by 5,040 million yen and 1,233 million yen respectively, while cash and deposits, and notes and accounts receivable decreased by 2,699 million and 3,348 million yen respectively.

Total liabilities were 33,012 million yen, a 1,626 million yen decrease from March 31, 2023. This was mainly due to a decrease in notes and accounts payable - trade and electronically recorded obligations - operating and deferred tax liabilities by 1,384 million yen and 383 million yen respectively.

Net assets were 60,295 million yen, a 1,665 million yen increase from March 31, 2023. This was mainly due to a increase retained earnings and valuation difference on available-for-sale securities by 888 million yen and 894 million yen respectively.

1.3 Statements for Financial Forecasts and Business Outlook

The Company revised the forecast for the full-year for the fiscal year ending March 31, 2024, previously announced on August 1, 2023. Please refer to “Notice Concerning Difference between First Half Forecasts and Actual Financial Results, and Revision of Full Year Financial Results Forecasts” for more details.

2 Consolidated Financial Statements

2.1 Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	9,171	6,471
Deposits paid	4,611	3,342
Notes and accounts receivable - trade, and contract assets	20,495	17,147
Merchandise and finished goods	7,775	10,006
Work in process	2,673	3,277
Raw materials and supplies	8,626	10,833
Other	3,778	3,936
Allowance for doubtful accounts	(514)	(475)
Total current assets	56,618	54,538
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,339	8,188
Land	12,090	12,099
Other, net	5,072	5,008
Total property, plant and equipment	25,502	25,297
Intangible assets	735	682
Investments and other assets		
Investment securities	5,660	6,894
Retirement benefit asset	1,571	1,566
Other	3,183	4,331
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	10,412	12,788
Total non-current assets	36,649	38,769
Total assets	93,268	93,307

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,172	7,332
Electronically recorded obligations - operating	3,799	3,255
Short-term borrowings	2,864	2,394
Income taxes payable	904	520
Provision for bonuses	1,543	1,537
Provision for bonuses for directors (and other officers)	39	53
Provision for loss on liquidation of subsidiaries and associates	14	-
Provision for product warranties	576	441
Other	7,092	7,055
Total current liabilities	25,008	22,590
Non-current liabilities		
Long-term borrowings	2,642	2,886
Provision for retirement benefits for directors (and other officers)	47	50
Provision for repairs	28	31
Retirement benefit liability	2,404	2,406
Deferred tax liabilities	2,209	2,591
Other	2,298	2,455
Total non-current liabilities	9,630	10,421
Total liabilities	34,638	33,012
Net assets		
Shareholders' equity		
Share capital	7,965	7,965
Capital surplus	8,759	8,762
Retained earnings	26,033	26,922
Treasury shares	(1,254)	(1,198)
Total shareholders' equity	41,503	42,452
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,423	2,317
Foreign currency translation adjustment	2,510	2,673
Remeasurements of defined benefit plans	496	450
Total accumulated other comprehensive income	4,430	5,442
Share acquisition rights	466	466
Non-controlling interests	12,228	11,933
Total net assets	58,629	60,295
Total liabilities and net assets	93,268	93,307

2.2 Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income (For the six months)

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Net sales	39,562	44,174
Cost of sales	31,318	33,952
Gross profit	8,244	10,222
Selling, general and administrative expenses	7,708	7,896
Operating profit	535	2,325
Non-operating income		
Interest income	10	20
Dividend income	129	195
Other	86	87
Total non-operating income	226	303
Non-operating expenses		
Interest expenses	75	92
Foreign exchange losses	308	88
Other	29	31
Total non-operating expenses	413	213
Ordinary profit	348	2,415
Extraordinary income		
Gain on sale of non-current assets	306	-
Gain on sale of shares of subsidiaries and associates	1,830	-
Total extraordinary income	2,137	-
Extraordinary losses		
Loss on sale of shares of subsidiaries and associates	580	15
Total extraordinary losses	580	15
Profit before income taxes	1,905	2,400
Income taxes - current	469	686
Income taxes - deferred	103	35
Total income taxes	572	721
Profit	1,332	1,678
Profit attributable to non-controlling interests	290	321
Profit attributable to owners of parent	1,041	1,356

Consolidated Statements of Comprehensive Income (For the six months)

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Profit	1,332	1,678
Other comprehensive income		
Valuation difference on available-for-sale securities	(24)	894
Foreign currency translation adjustment	794	162
Remeasurements of defined benefit plans, net of tax	(51)	(45)
Total other comprehensive income	718	1,011
Comprehensive income	2,051	2,690
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,760	2,368
Comprehensive income attributable to non-controlling interests	290	321

2.3 Notes to Consolidated Financial Statements

(Notes Regarding Going Concern Assumption)

There are no applicable matters.

(Notes in the Event of Significant Changes in Shareholders' Capital)

There are no applicable matters.

(Business Segments)

I Fiscal year ended 30 Sep 2022

1. Sales, Profits or Losses by Reporting Segments

(Millions of yen)

	Reporting Segments					Adjustment (Remark)	Consolidated
	Smart meters & solutions in Japan	Smart meters & solutions overseas	Production equipment	Real estate	Total		
Sales to Customers	24,265	14,307	759	229	39,562	—	39,562
Intersegment Sales	11	339	1	52	405	(405)	—
Total Sales	24,276	14,647	761	282	39,968	(405)	39,562
Operating Income	1,163	(777)	9	141	537	(1)	535

(Remark) The operating income is adjusted by the elimination of the intersegment transactions.

2. Impairment loss of Fixed Asset and Goodwill by Reporting Segments

There are no applicable matters.

II Fiscal year ended 30 Sep 2023

1. Sales, Profits or Losses by Reporting Segments

(Millions of yen)

	Reporting Segments				Adjustment (Remark)	Consolidated
	Smart meters & solutions in Japan	Smart meters & solutions overseas	Real estate	Total		
Sales to Customers	25,012	18,927	235	44,174	—	44,174
Intersegment Sales	10	632	52	695	(695)	—
Total Sales	25,022	19,559	287	44,870	(695)	44,174
Operating Income	1,903	276	157	2,336	(10)	2,325

(Remark) The operating income is adjusted by the elimination of the intersegment transactions.

2. Changes in Reporting Segments

We have sold Osaki Engineering Co., Ltd. on 30 Sep 2022 that had been classified into the “Production equipment” of the Reporting Segments in the previous fiscal year and have excluded from the scope of consolidation.

As a result, we have discontinued the “Production equipment” from the fiscal year ended 30 Jun 2023.

3. Impairment loss of Fixed Asset and Goodwill by Reporting Segments

There are no applicable matters.