

# Financial Results for FY2022

(12 months ended March 31, 2023) and

## Mid-term Management Plan

May 23rd, 2023

Mitsuyasu Watanabe  
President and COO

**OSAKI ELECTRIC CO., LTD.**

## 1. FY2022 Results: Sales JPY 89.2 B, Operating Income JPY 2.2 B

	Japan	Overseas	Total
YoY	<b>Increase in sales and profit</b> Increased smart meter and solutions sales, leading to profit increase	<b>Increase in sales/Decrease in profits</b> Procurement difficulties, increased material costs, US dollar appreciation	Sales (+13 B yen) Profits (+0.9 B yen)
Vs. Initial forecasts	<b>Increase in sales and profit</b> Increased smart meter and solutions sales, leading to profit increase, Decreased SG&A costs	<b>Below profit targets</b> Procurement difficulties, increased material costs, US dollar appreciation	Sales (+9.2 B yen) Profits (+1.2 B yen)

## 2. FY2023 Forecasts: Sales JPY 88.0 B, Operating income JPY 2.8 B

	Japan	Overseas	Total
YoY	<b>Decrease in sales and profits</b> Decrease in smart meters due to low demand and high material costs.	<b>Increase in sales and profit</b> Improved procurement and manufacturing situations, shipment increase to UK	Sales (-1.2 B yen) Profits (+0.5 B yen)

## 3. Mid-term Management Plan (Five years ending March 2028)

- Japan: Strengthen R&D and manufacturing framework, expand GX solutions
- Overseas: Expand the set sale of smart meter and its HES(Head-end-system) solution and improve profitability by optimizing organizational functions and supply chain management

# Agenda

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- 1. FY2022 Financial Results**
- 2. FY2023 Forecasts**
- 3. Mid-term Management Plan (FY2023-27)**

# **1 . FY2022 Financial Results**

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**1-1 Sales and Profits**

**1-2 Balance Sheets**

**1-3 Cash Flows**

# 1-1 Sales and Profits

## YoY

- **Sales** : Increased in Japan (Smart meters and solutions etc). Increased in Oceania, decreased in UK due to component shortage. Overseas decreased on US dollar basis, but due to JPY depreciation, consolidated sales increased.
- **OP** : Profits declined overseas from high material costs, overall increased from Japan sales contribution.

## Changes from initial forecasts

- **Sales** : Increased in both Japan and overseas. (Overseas decreased on US dollar basis)
- **OP** : Overseas decreased from component shortage and high material costs, overall increase from Japan profit contribution.

	FY2021 Actual	FY2022 Initial Forecasts	FY2022 Actual	YoY	Vs. Initial Forecasts
Net Sales (outside)	76,184	80,000	89,253	13,069	9,253
Smart meters & solutions in Japan	45,983	50,000	54,406	8,423	4,406
Smart meters & solutions overseas	29,095	28,000	33,620	4,525	5,620
Others(*)	1,105	2,000	1,226	120	-773
Operating Income	1,277	1,000	2,226	949	1,226
Smart meters & solutions in Japan	1,225	1,500	3,816	2,590	2,316
Smart meters & solutions overseas	58	-700	-1,886	-1,944	-1,186
Others(*)	-11	200	304	315	104
Adjustments	4	-	-7	-12	-7
Ordinary Income	1,189	1,100	1,885	695	785
Profit attributable to owners of parent	-658	1,500	1,319	1,978	-180

\*Others include production equipment and real estate businesses

# 1-2 Balance Sheet

- Increase in accounts receivable in Japan and overseas at the end of FY2022.
- Increase in inventory overseas from JPY depreciation.
- Net cash of JPY 8.2 B, Capital adequacy ratio of 49.2%

(Millions of yen)

	2021	2022	Changes	Factors
Assets	91,222	93,268	+2,045	Account Receivable +3.1B Inventories + 3.0B
Current Assets	51,653	56,618	+4,964	
Fixed Assets	39,568	36,649	-2,918	
Liabilities	33,610	34,638	+1,028	Account Payable +1.7B Borrowings -1.4B
Current Liabilities	26,502	25,008	-1,493	
Fixed Liabilities	7,108	9,630	+2,521	
Equity	57,611	58,629	+1,017	
Capital	45,236	45,933	+697	
Non-controlling	11,865	12,228	+363	
Others	509	466	-42	
Capital Adequacy Ratio	49.6%	49.2%	-0.3%	

# 1-3 Cash Flow

- Secured operating and free cash flows of JPY 0.2 B and JPY 1.6B respectively, amid the severe business environment overseas.

(M yen)

	FY2022
Income before income taxes and minority interests	3,574
(Increase) decrease in notes and accounts receivable	-3,421
(Increase) decrease in inventories	-2,593
Increase (decrease) in notes and accounts payable	1,982
Others (Depretiation, etc.)	718
<b>Operating activities</b>	<b>260</b>
Purchase of property, plant and equipment	-1,443
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	3,638
Others	-845
<b>Investing activities</b>	<b>1,349</b>
Increase (decrease) in short and long-term debts	-2,464
Cash dividends paid	-1,486
Others	-1,121
<b>Financing activities</b>	<b>-5,072</b>
Effect of exchange rate changes on cash and cash equivalents	-2,616
Cash and cash equivalents at beginning of year	15,335
Cash and cash equivalents at end of year	12,718

## 2. FY2023 Forecasts

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## 2. FY2023 Forecasts

### Japan:

- Smart meter sales decrease until next generation smart meter introduction from 2025.
- High material cost causes limited profit increase.

### Overseas:

- Sales increase from high UK shipments due to the improvement electronic component shortage and stable business expected in Oceania.
- Profits increase due to the stable material cost fluctuations.

(Millions of yen)

	FY2022 2Q	FY2023 2 Q Forecasts	YoY	FY2022 Full year	FY2023~ Full year forecast	YoY
Net Sales (external)	39,562	43,000	3,437	89,253	88,000	-1,253
Smart meters & solutions in Japan	24,276	24,300	23	54,427	50,500	-3,927
Smart meters & solutions overseas	14,647	19,000	4,352	34,613	38,000	3,386
Others (*)	1,044	250	-794	1,333	600	-733
Adjustments	-405	-550	-144	-1,121	-1,100	21
Operating Income	535	900	364	2,226	2,800	573
Smart meters & solutions in Japan	1,163	550	-613	3,816	1,900	-1,916
Smart meters & solutions overseas	-777	200	977	-1,886	600	2,486
Others (*)	150	150	0	304	300	-4
Adjustments	-1	-	1	-7	-	7
Ordinary Income	348	700	351	1,885	2,400	514
Profit attributable to owners of parent	1,041	200	-841	1,319	1,000	-319

\*Others includes production equipment and real estate business

# **3. Mid-term Management Plan (FY2023-27)**

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**3-1 Business Environment**

**3-2 Japanese Business**

**3-3 Overseas Business**

**3-4 Building Resilient Group Operations**

## Japan

### Population Aging and Decline in Working-age Population

79.5 mil to 72 mil

Increase in Vacant Houses, Decrease in Housing development and Depopulation in Rural Areas

### Changes in Workstyle and Working Hours

1,710 hours to 1,612 hours

Development of shared work/ economy

### EV, P2P, Surplus Power Management

EV 59K (FY21)

(Shifting from Power Retail to event driven)

### Power Grid Systems

Increase use of renewal energy

JPY 2.7 trillion (FY2020) → JPY 13 trillion (FY2030)

Anticipated hike in power cost

Increase in power management demand

Energy Management to increase AAGR 12%

## Overseas

### Developed Countries(Oceania, Europe, etc.)

Population, economy to remain

### Emerging Countries (Asia, Middle East, Africa)

Population, economy to grow by 3.6% (GDP growth)

### CO2 Reduction

#### (The Paris Agreement)

- Electrification , Renewal energy
  - ZEH/ZEB housings
- Virtual Power Plant (VPP)

NET ZERO CARBON by

2050 (Australia, Japan)

### Development of Smart Grid defer by Countries and Regions

Projects canceled and delayed

USD 43.1B (2021) to USD 103.4B (2026)

### Consolidation of Energy Suppliers

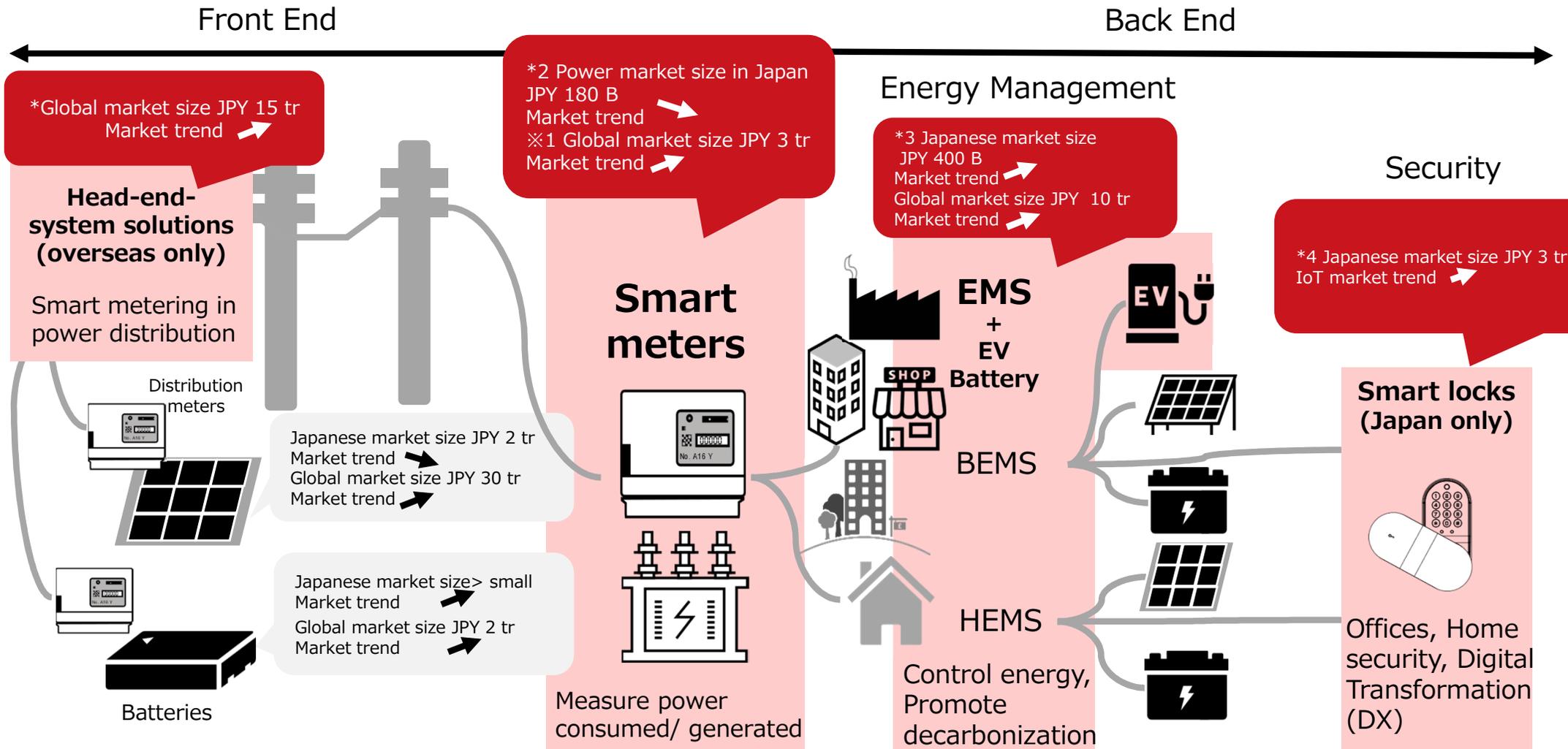
No business barrier between Electricity and Gas companies

### Development of Communication Technology

- Low Power RF technology (LTE-M, NB-IoT etc.)

# 3-1-2 Market Growth

...Target Market



\* Company estimate

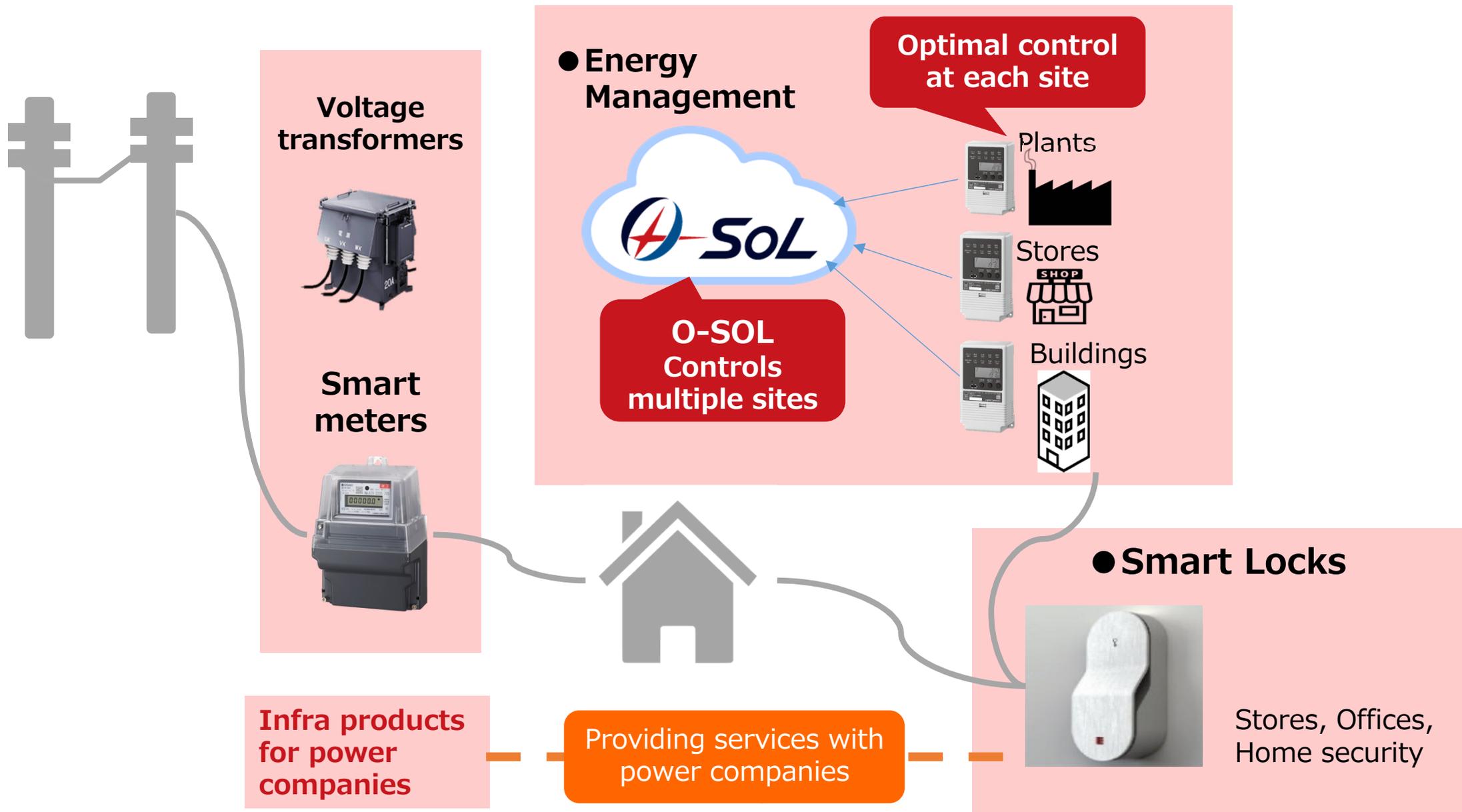
\*1 smart Meters Market - Global Market Analysis and Forecast 2019-2025

\*2 Ministry of Internal Affairs and Communications

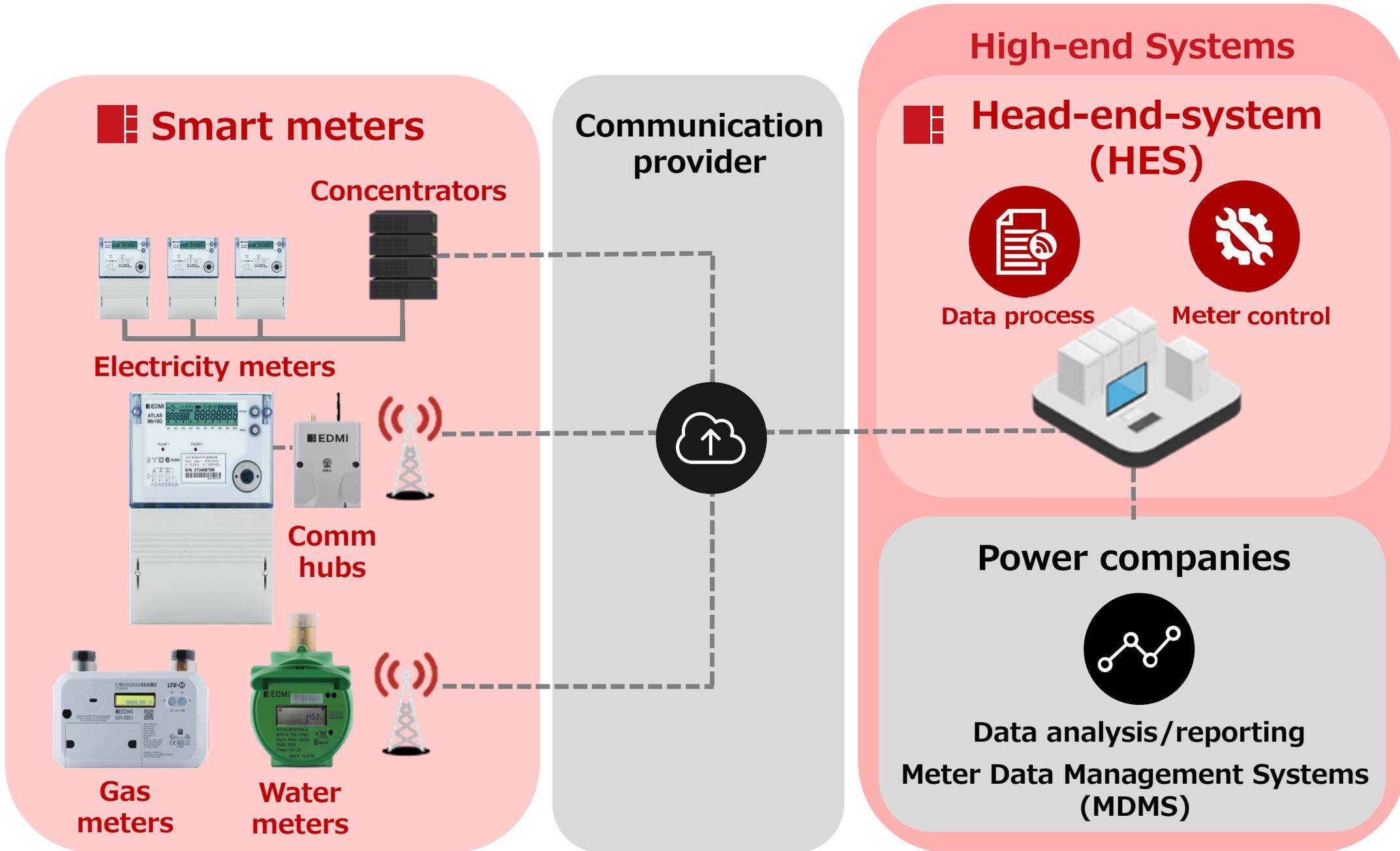
\*3 Yano Research Institute Ltd. (2019)

\*4 IDC Japan (2020)

# 3-1-3 Products and Services (in Japan)



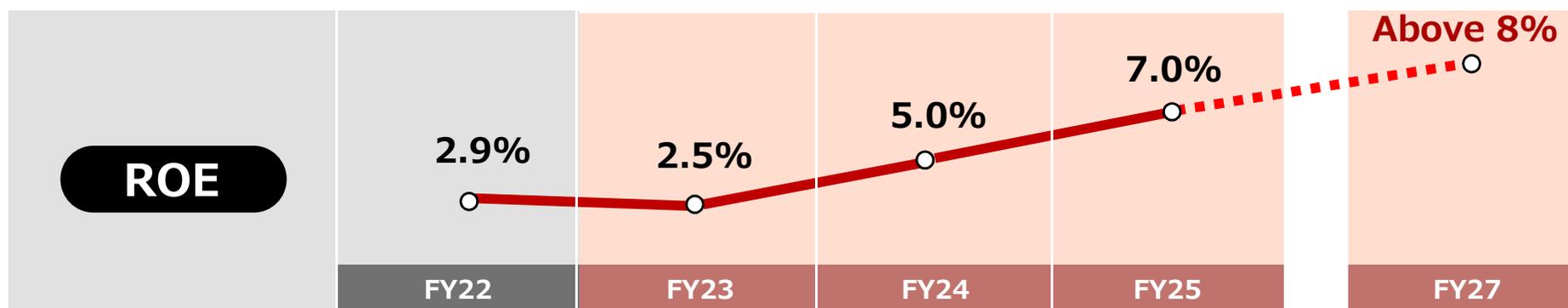
# 3-1-4 Products and Services (overseas)



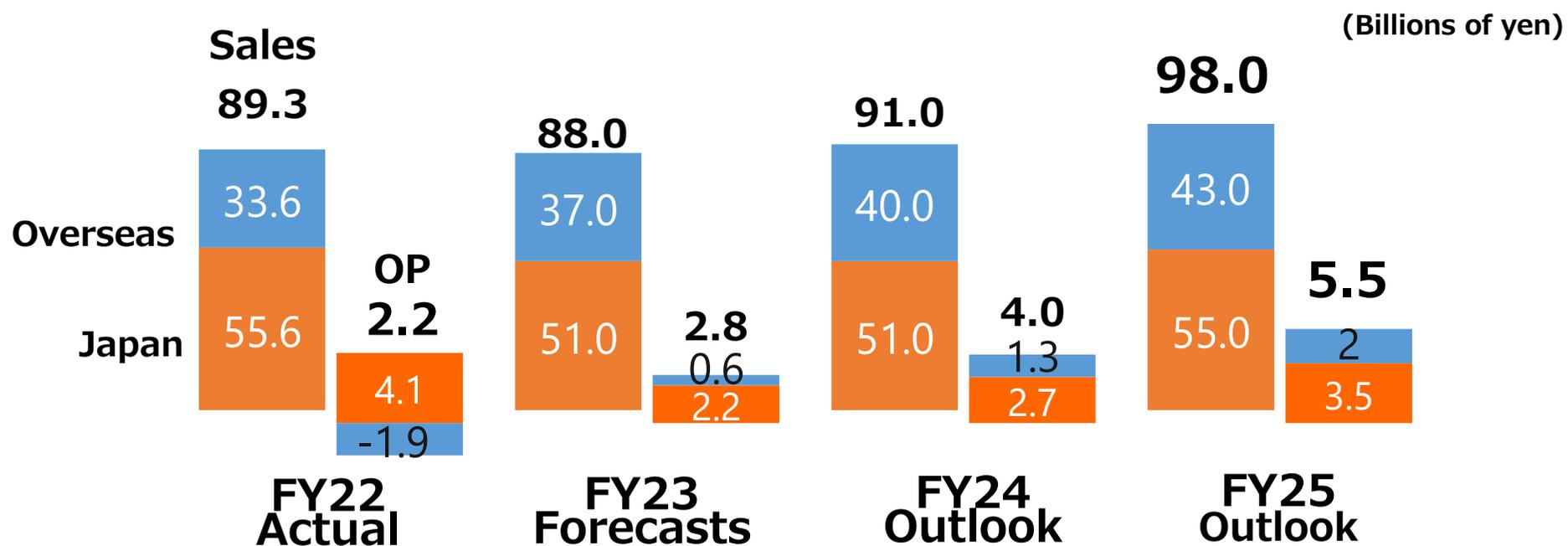
# 3-1-5 Mid-term Targets

(Billions of Yen)

	FY22 Actual	FY23 Forecasts	FY24 Outlook	FY25 Outlook	FY27 Mid-term Target
Net Sales	89.3	88.0	91.0	98.0	—
Operating Income	2.23	2.8	4.0	5.5	—
OP Margin	2.5%	3.2%	4.4%	5.6%	—
Ordinary Income	1.89	2.4	3.7	5.2	—
Net Income	1.32	1.0	2.2	3.3	—
NP Margin	1.5%	1.1%	2.4%	3.4%	—
ROE	2.9%	2.5%	5.0%	7.0%	Above 8%
CAPEX	1.9	3.3	3.5	3.3	—
Depreciation	2.6	2.2	2.3	3.4	—
R&D Expenditures	3.2	3.9	3.9	3.9	—



# 3-1-6 Mid-term Targets by Region



	FY22 Actual	FY23 Forecasts	FY24 Outlook	FY25 Outlook
Overseas sales ratio	38%	42%	44%	44%
Overseas profit ratio	--%	21%	33%	36%

# 3-1-7 Mid-term Targets by Business Portfolio

Sales by Business Portfolio

(Billions of yen)

	FY22	FY23	FY24	FY25
Smart meters & solutions in Japan	54.4	50.5	50.5	54.5
Smart meter business	34.9	30.5	29.0	30.0
Solution business	12.5	13.0	14.0	17.0
Switchgear business	7.0	7.0	7.5	7.5
Smart meters & solutions in Overseas	33.6	37.0	40.0	43.0
Oceania	15.6	16.5	17.0	18.0
Europe	10.1	15.5	16.0	16.5
Asia	5.8	3.0	3.0	4.0
Middle East and others	2.1	2.0	4.0	4.5
Others	1.2	0.5	0.5	0.5
Total	89.3	88.0	91.0	98.0

### **3. Mid-term Management Plan (FY2023-27)**

## **3-2 Business Strategy in Japan**

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## Summary

- **Sales outlook to remain flat, profits to remain flat or slight decrease, Solution business anticipated to expand**
- Decarbonization business to expand in response to market expansion
- Smart meters (present model) to decrease in demand, anticipate higher costs to develop and manufacture next generation smart meters

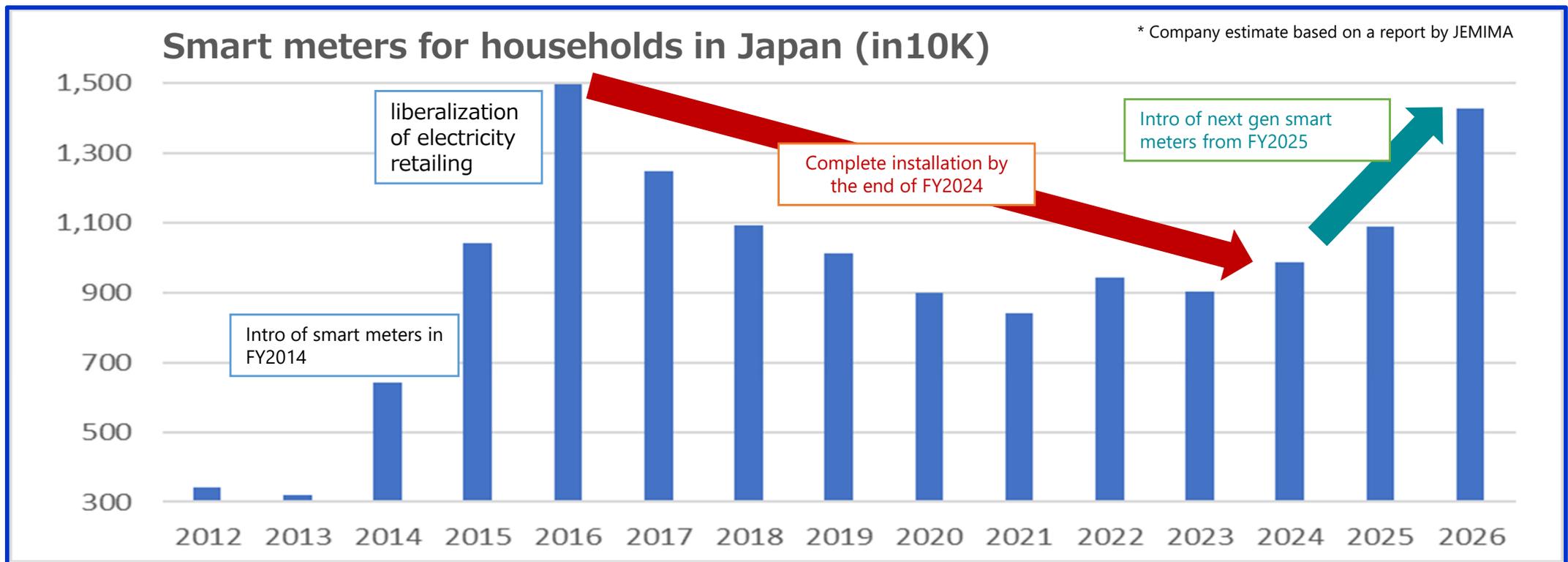
(Billions of yen)

	FY2022 Actual		FY2025 Outlook
Smart meters	34.9		30.0
Solutions	12.5		17.0
Switch gears	7.0		7.5
<b>Total Sales</b>	<b>54.4</b>		<b>54.5</b>
Japan Sales %	62%		56%
<b>OP</b>	<b>3.8</b>		<b>3.2</b>
<b>OP Margin</b>	<b>6.9%</b>		<b>5.9%</b>

## 3-2-2 Smart meters

Smart meter installation plan (provided by Agency of Natural Resources and Energy)

- TEPCO, KEPCO, Chuden completed installation of smart meters for households
- All households are expected to be installed by the end of FY2024
- **Expected to introduce next generation smart meters from FY2025 nationwide**



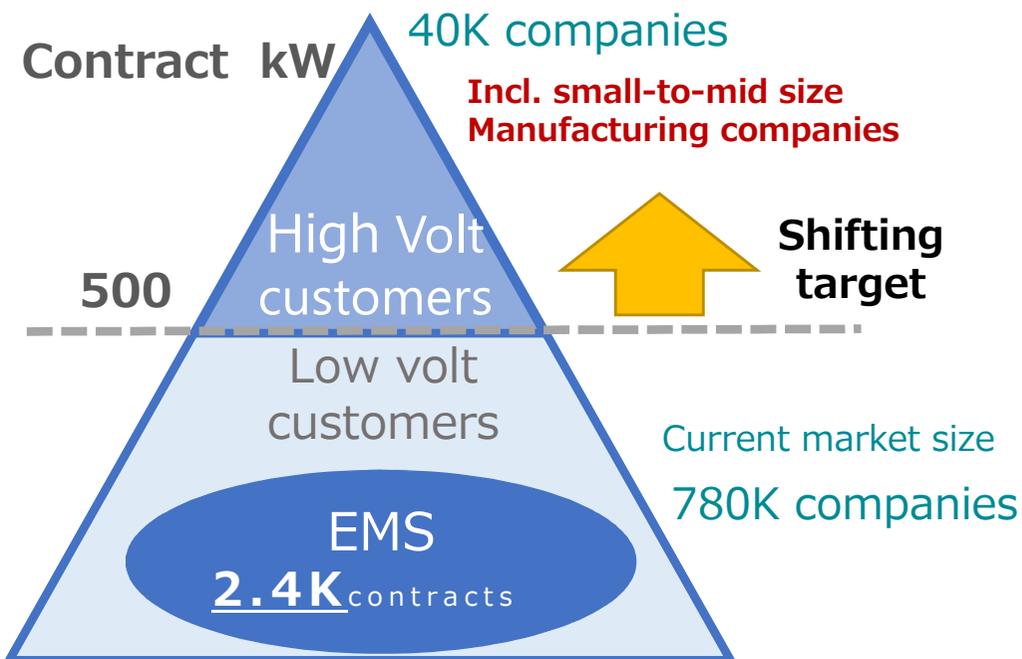
**Developing and reinforcing manufacturing of next generation smart meters to capture market opportunity**

# 3-2-3 Solutions (Energy Management)

## ■ Energy Management Market Landscape

- A government-led green energy strategy includes investment of JPY 150 trillion in 10 years, indicating **the decarbonization business market to grow rapidly in 10 years.**
- **Small-to-mid size manufacturing companies (power contract of 500 kW or more)** in particular are subjected to take actions toward decarbonizations.

### Energy Management Market Size in Japan



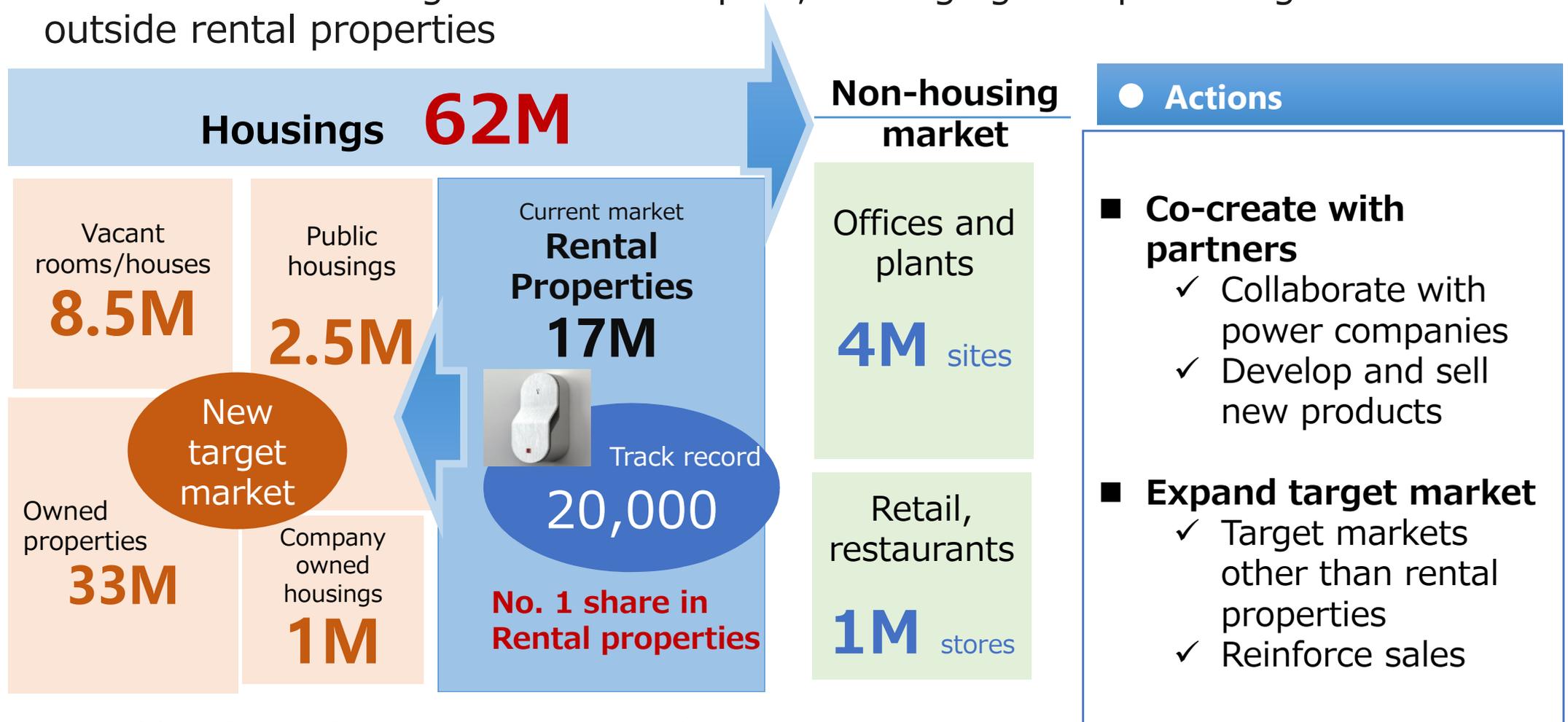
## ● Actions

- Co-create with partners
  - ✓ Co-develop new services and solutions
  - ✓ Enrich product line up
- Promote packaged services
  - ✓ Respond flexibly to customer needs
  - ✓ Various combinations with different products and services
- Expand target market
  - ✓ Expand customers in the present market (retail, multiple stores)
  - ✓ Newly target small-to-mid size manufacturing companies

# 3-2-4 Solutions (Smart Locks)

## Smart Lock Market Landscape

- Awareness for home/office security has risen and demand for security services against lost keys, key thefts or copies made without consent.
- Good record with large rental developers, leveraging to expand target markets outside rental properties



Reference: Ministry of Land, Infrastructure, Transport and Tourism

## 3. Mid-term Management Plan (FY2023-27)

# 3-3 Overseas Business Strategy

# 3-3-1 Global expansion with better profitability

(Billions of yen)

## Global Business Expansion

### UK

Smart meters and Comm. Hubs  
(hardware oriented business)

- Cut manufacturing costs to improve profits

### Asia, ME, Africa

Shift to head-end-system solutions and re-enter industrial meters

- Shifting product mix to higher profitability

### Oceania

Strengthen head-end-system solutions and develop next generation smart meters

- Maintain high profitability

	FY2022 Actual	FY2025 Outlook
Oceania	15.6	18
UK	10.1	16.5
Asia	5.8	4.0
ME/Africa	2.1	4.5
<b>Total Sales</b>	<b>33.6</b>	<b>43</b>
Overseas Sales %	<b>38%</b>	<b>44%</b>
OP	-1.9	2.0
OP Margin	-0%	4.7%

### Important themes

- Provide value-added solutions customized to fit to the market
- Optimizing production process and supply chain
- Optimizing R&D locations and raise development efficiency

### Business environment

Short-term: Electronic component supply shortage mostly resolved, material prices settled and logistic cost passed the peak

Mid-term: More proactive approach for environmental protections worldwide pushes entity needs to measure/control CO2 emission or power usage



### Our Actions

Sale of stand-alone meter business

SHIFT

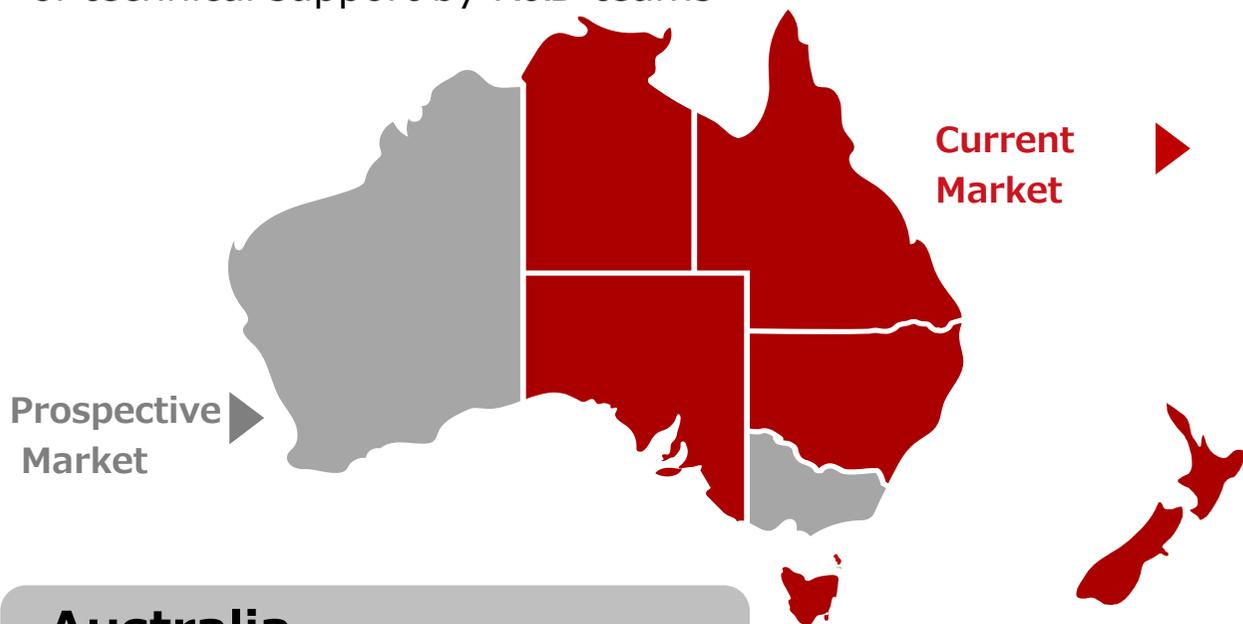
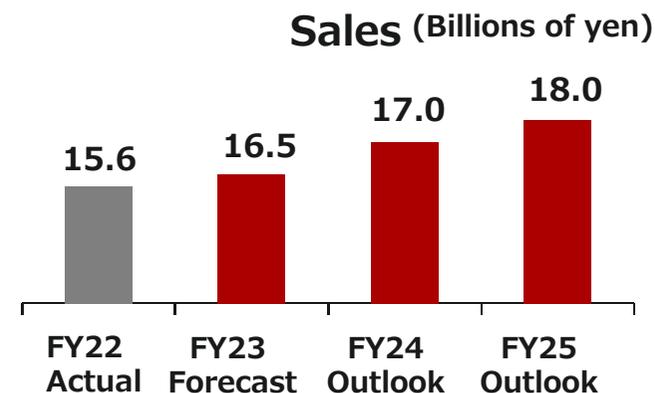
Expand head-end-system solutions and re-enter industrial meter business

- Develop next generation smart meters and head-end-system solutions
- Reinforce supply chain relationships

Improve profitability

# 3-3-3 Overseas Business (Oceania)

- Established in Australia, and maintains strong customer relationship
- 5 Eastern states in Australia mandated smart meter installed in 2017
- Keeping good profits from head-end-system solutions
  - Introduce next-generation smart meters developed under common design platform
- Maintain competitiveness and differentiation by flexible development of technical support by R&D teams



**Australia (5 Eastern states)**

- Demand 7.1 million pcs
- Actual Shipment 1.8 million pcs
- Shipment outlook 3.5 million pcs (~2029)
- Market share **approx. 75%**

**Australia**

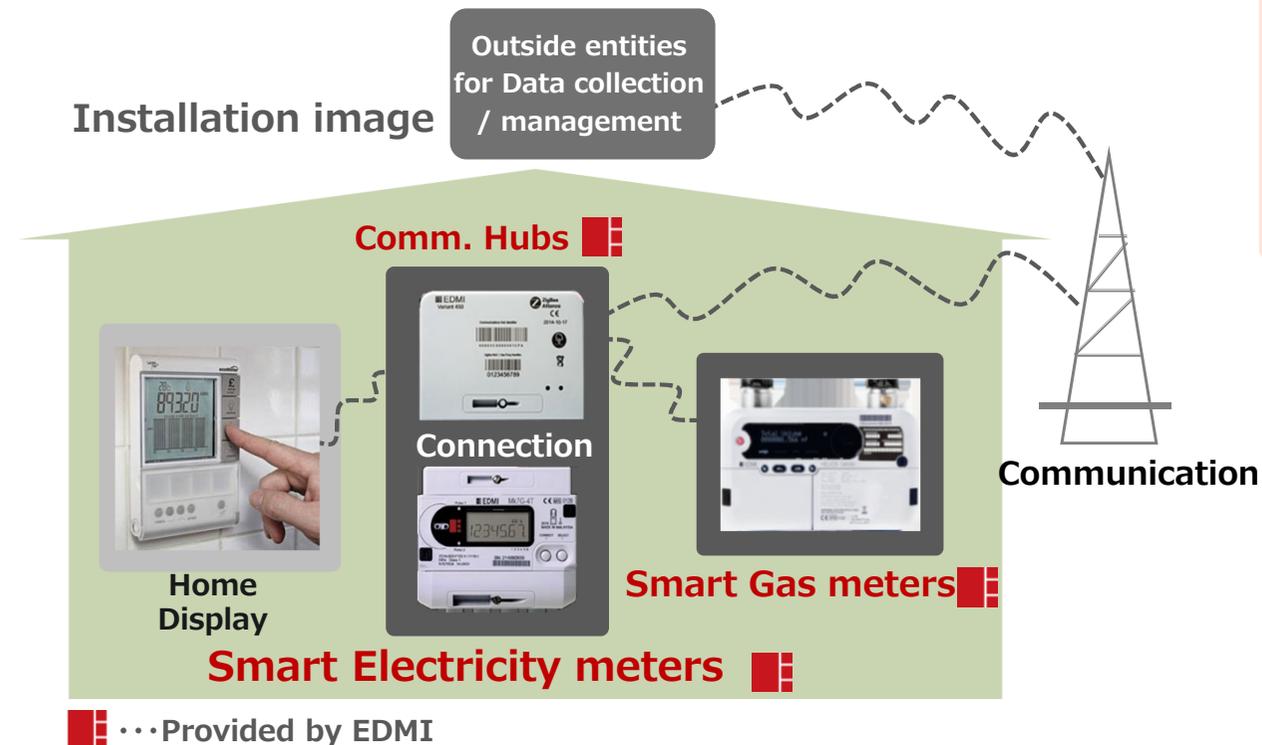
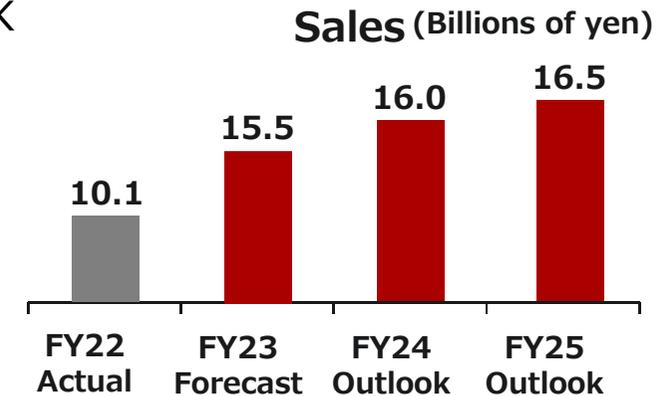
- Western Australia 1.2 million pcs
- Victoria 2.8 million pcs

**New Zealand**

- Demand 2 million pcs
- Actual Shipment 1.5 million pcs
- Shipment outlook 1.2 million pcs (Replacement ~2035)
- Market Share **approx. 75%**

# 3-3-4 Overseas Business (UK)

- 2013 Received orders for **Communication Hubs** in northern UK
- 2016 Agreement to provide smart meters with major UK power companies
- 2019 Began full-scale shipments
- 2020 UK government **postponed project deadline** from 2020 to 2025
- 2023 Improve profitability by price increase and cost reduction



## Communication Hubs

- Demand 30 million pcs
- Actual Shipment 3 million pcs
- Shipment Outlook 3 million pcs (~2025)

## Smart meters (Electricity, Gas)

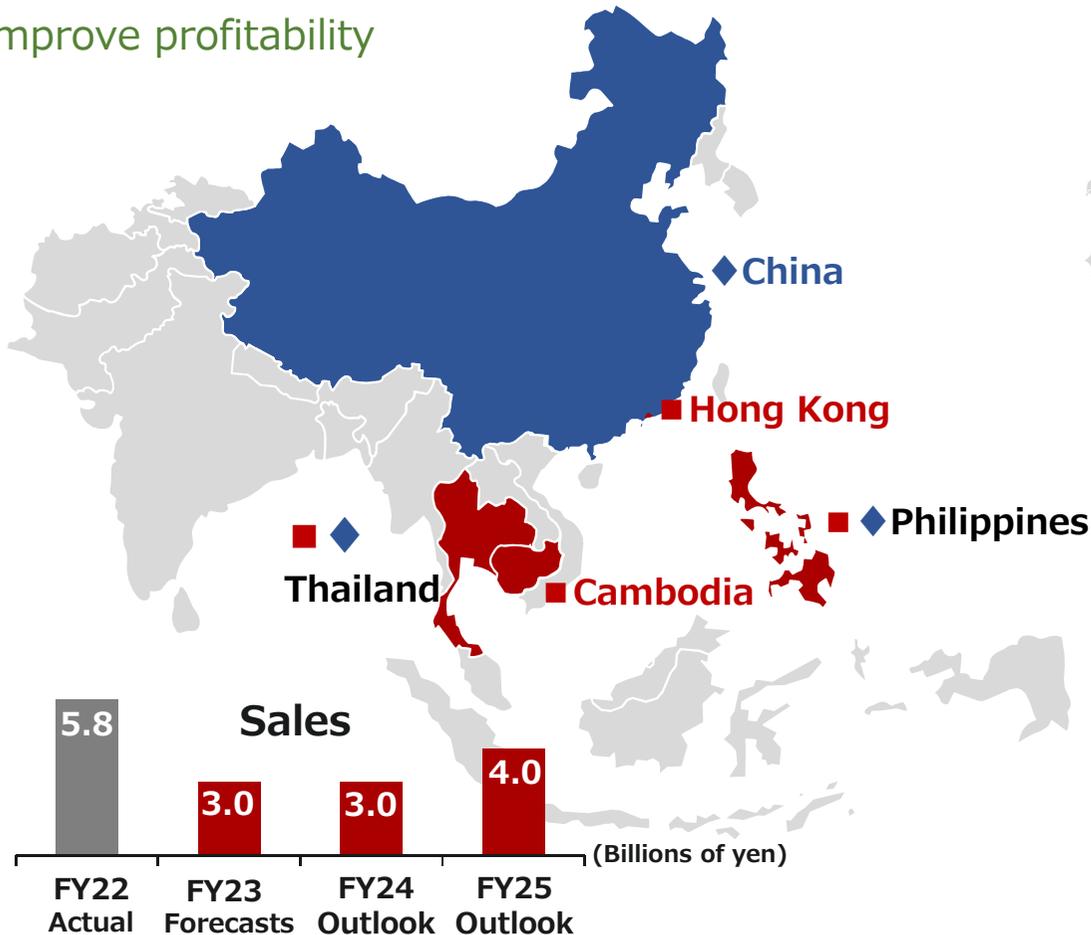
- Demand 53 million pcs
- Actual Shipment 3 million pcs
- Shipment Outlook 3 million pcs (~2025)

# 3-3-5 Overseas Business (Asia, ME, Africa)

## Asia

- Reduce stand-alone meter business and exit from low profit markets
- Shift to head-end-system solutions business
- ◆ Reinforcing industry meter business

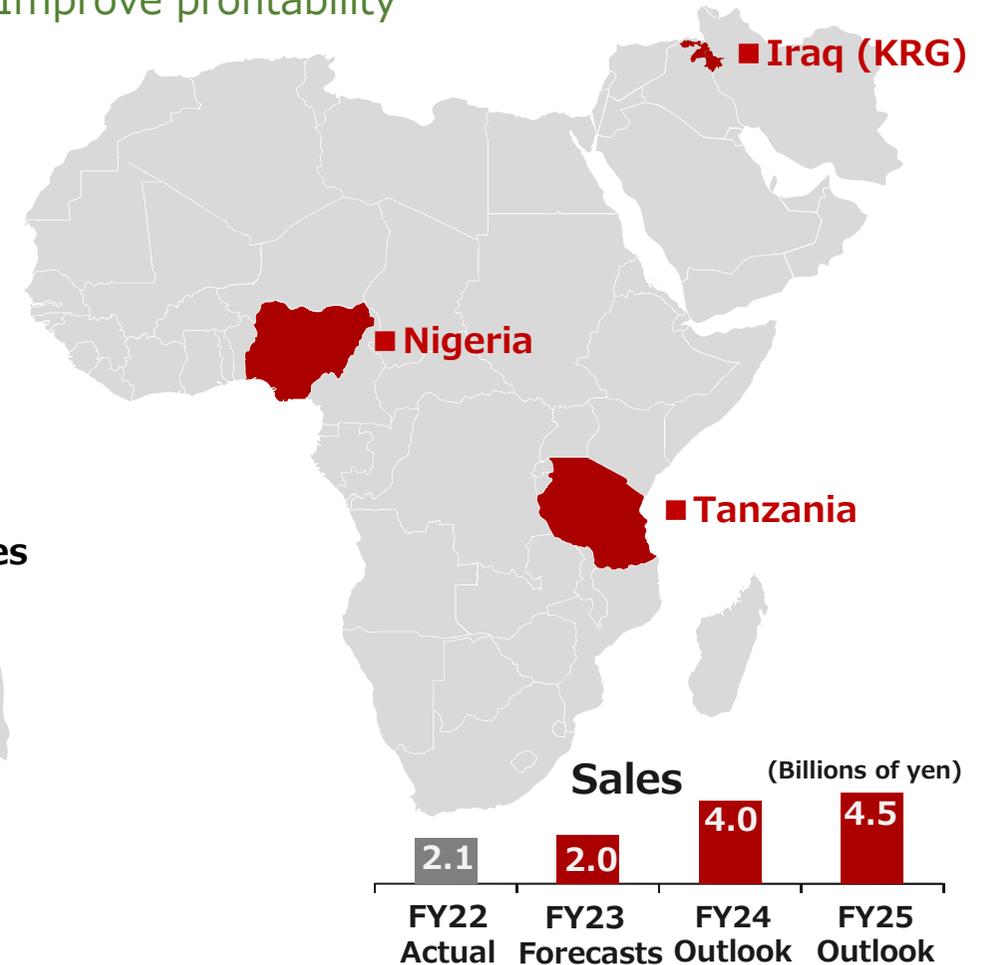
↓  
Improve profitability



## ME, Africa

- Pursue opportunities by wholly assessing risks and cashflows
- Strengthen head-end-system solutions business

↓  
Improve profitability



### **3. Mid-term Management Plan (FY2023-27)**

## **3-4 Building Resilient Group Operations**

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- Build strong teams by resource training and allocation
  - Clarifying and sharing Group Value
- Strengthen a group-wide risk management
- Strengthen finance and optimize group resource allocation
  - Clarify financial goals and approach to capital policy
- Promote sustainability activities

To achieve mid-term plans and attain sustainable growth, we will clarify and set **the OSAKI Group Value** for all employees of the group to act under the common value.

### **Process to set the Group Value**

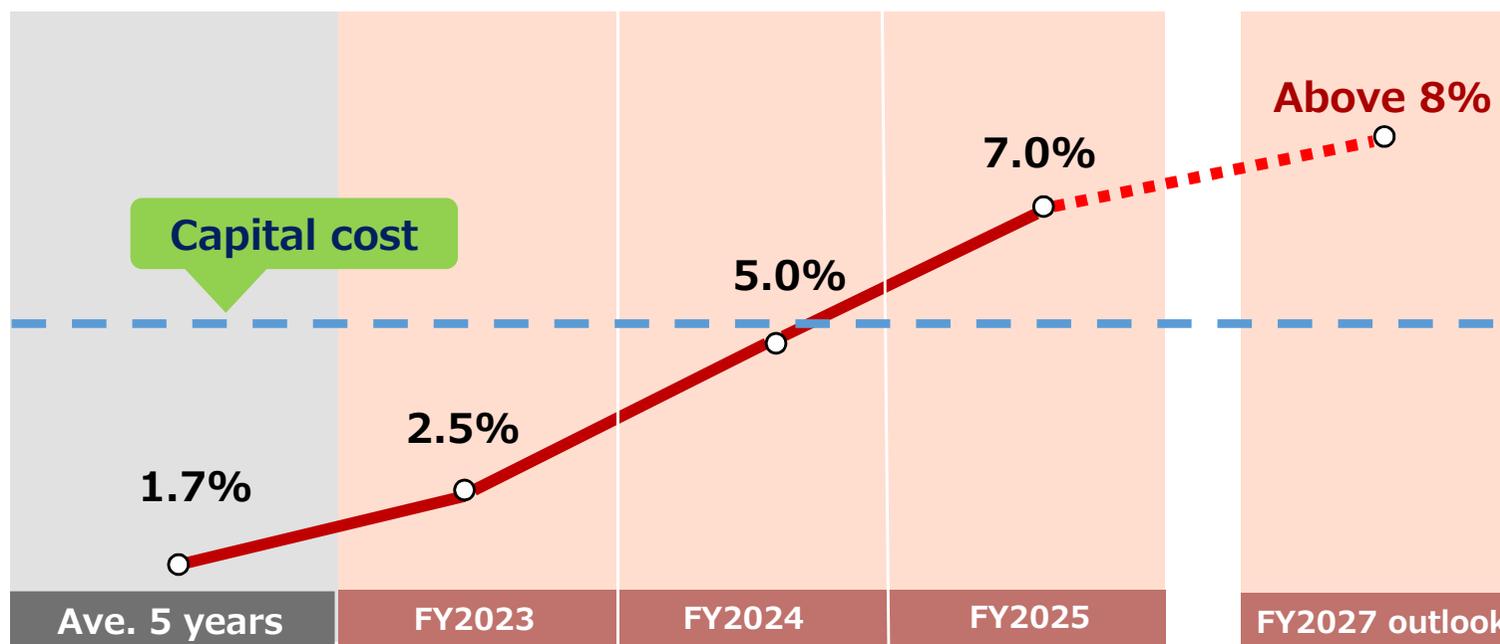
- Conversation between management and employees
- Interviews with stakeholders, including investors and shareholders, customers and suppliers
- Hearings from management members including subsidiaries

### 3-4-3 Reinforcing Financial Structure and Allocating Management Resources

#### Financial goals and Approach to capital policy

		FY2022	Approach
Profit Growth	<b>OP</b>	2,226M yen	Carry out group growth strategy and attain OP 5.5B yen by FY2025
	<b>ROE</b>	2.9%	Attain ROE exceeding capital cost (currently at 5.5%) by FY2025, and aim for 8% and higher as mid-term goal
Capital Efficiency	<b>FCF</b>	1,610M yen	Generate cash to provide investment and dividends
	<b>Portfolio Management</b>	Sale of manufacturing equipment business	Set and monitor KPI of product/services and regions to reinforce portfolio management
Financial Soundness	<b>Capital adequacy ratio</b>	49.2%	Keep capital adequacy ratio at around 50%
Shareholders Returns	<b>Dividend</b>	Annual dividend of 20 yen per share	Provide either the higher of DOE (Dividend on Equity Ratio) of 2% or pay out ratio of 30%
	<b>Repurchase of own shares</b>	Total 1.25B yen acquisition	Evaluate cash, working capital, business performance, stock prices, status of investments and other factors in decision making process.

### ROE



- Attain ROE exceeding capital cost by FY2025, and aim for 8% and higher as mid-term goal
- Leveraging smart meter business as a core business, expand energy solution services in and outside of Japan, and improve profitability

A futuristic cityscape with a large, glowing blue sphere in the center, surrounded by colorful geometric shapes and a bright sun on the left.

# **Global Energy Solution Leader**

**Providing tomorrow's energy solution for a better society**

The word "Appendix" in a large, bold, black, sans-serif font. To its left is a vertical red bar, and below it is a horizontal grey line that spans the width of the page.

# Sales by Business Portfolio

(Excluding intercompany sales)

## Smart meters & solutions in Japan

(Millions of yen)

	FY2018	FY2019	FY2020	FY2021	FY2022
Smart meter business	41,274	35,886	32,016	29,425	34,885
Solution business	9,408	10,006	10,510	10,531	12,483
Switchgear business	5,568	5,926	5,641	6,025	7,037
<b>Total</b>	<b>56,251</b>	<b>51,819</b>	<b>48,169</b>	<b>45,983</b>	<b>54,406</b>

## Smart meters & solutions overseas

(Millions of yen)

	FY2018	FY2019	FY2020	FY2021	FY2022
Oceania	9,522	9,422	9,154	10,642	15,628
Europe	4,422	9,544	8,938	11,339	10,129
Asia	6,713	8,753	4,882	6,041	5,800
Middle East and others	3,295	8,770	3,703	1,071	2,062
<b>Total</b>	<b>23,952</b>	<b>36,490</b>	<b>26,678</b>	<b>29,095</b>	<b>33,620</b>

■ Smart meters & solutions in Japan: Monitored by products and services

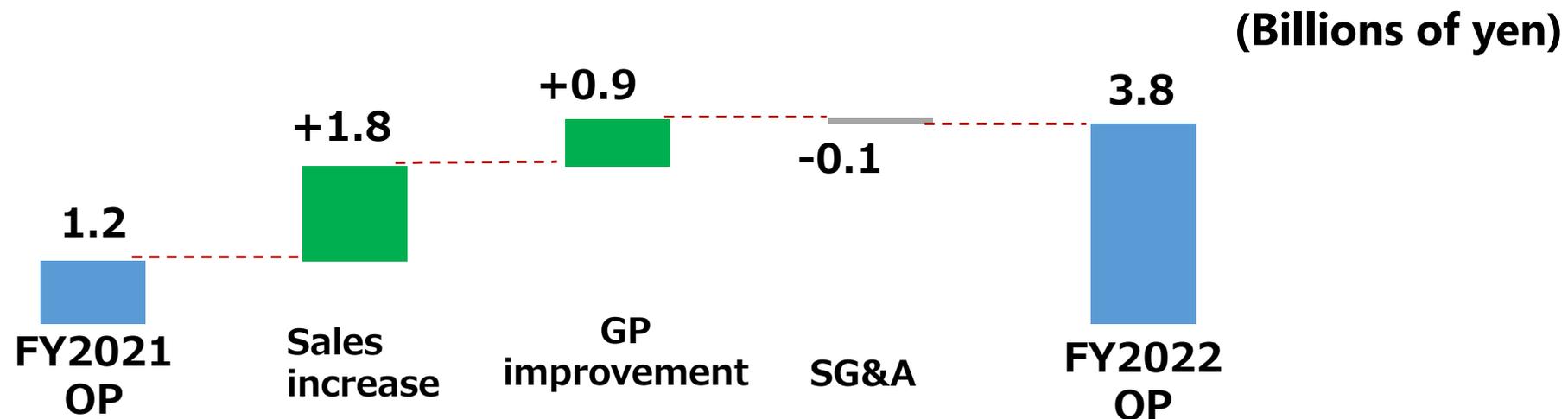
Business Portfolio	Position and Basic Policy
Smart meter business	Drive as a core business and pursue stable profit contribution.
Solution business	As focus businesses in Japan, provide solutions for social issues such as energy saving and decarbonization by leveraging strong smart meter business. Aim to improve profitability in Japan.
Switchgear business	Provide to stable demand and maintain revenue and profit contributions.

■ Smart meters & solutions overseas: Monitored by regions

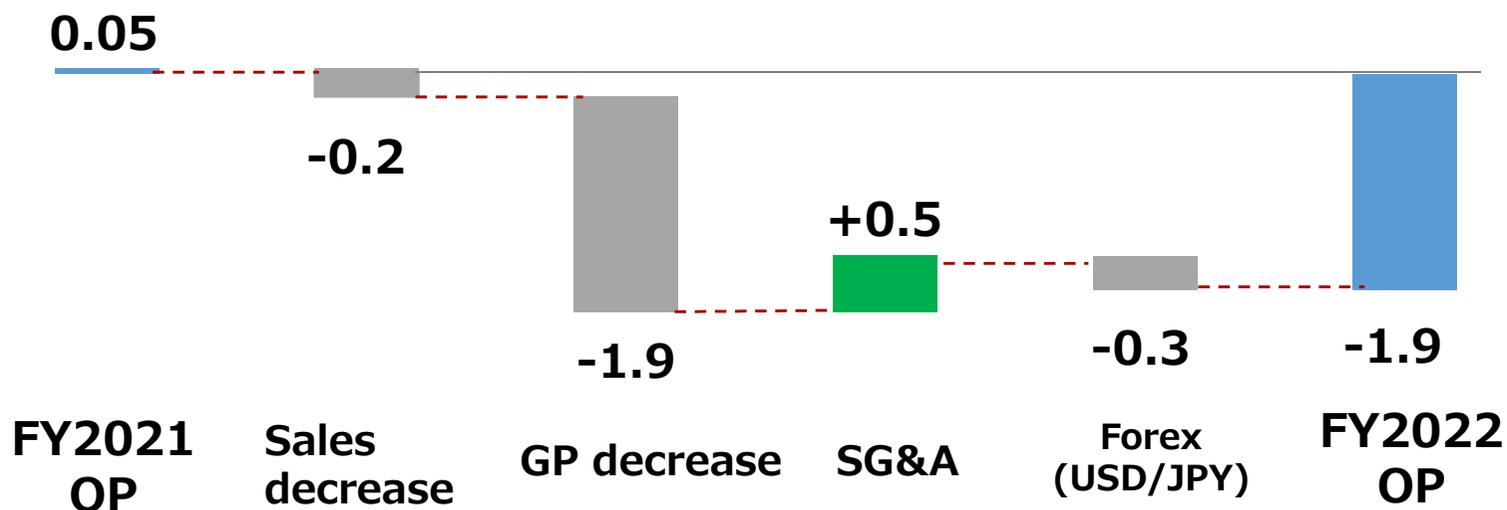
Business Portfolio	Position and Basic Policy
Oceania	Reinforce solution business by combining smart meters and head-end systems solution. Aim for stable profit growth.
Europe	Improve profitability in UK by improving product mix and reducing production costs.
Asia	Improve profitability by focusing on high margin products and services, such as solution services and commercial & industrial meters.
Middle East and Africa	

# FY2022 Operating Profit Change (YoY)

## Smart meters & solutions in Japan



## Smart meters & solutions overseas



## 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%

		(JPY)	FY2019	FY2020	FY2021	FY2022	FY2023 Forecast
Dividend per share	Interim/ year-end		10/10	10/10	10/10	10/10	10/10
	Annum		20	20	20	20	20
Total dividend paid	Annum		978M	980M	974M	942M	
Pay out ratio	Annum		81.7%	203.3%	—	71.8%	93.6%
DOE	Annum		2.2%	2.2%	2.3%	2.2%	2.2%

## Repurchase of own shares

- OSAKI considers repurchase of own shares as a means to improve capital efficiency, while evaluating cash, working capital, business performance, stock prices, status of investments and other factors in decision making process.

### Proceeded repurchase of own shares in accordance with aforementioned policy

#### 1. Overview of repurchase

- (1) Class of shares to be repurchased: Common shares
- (2) Total number of shares to be repurchased: 2.5 million shares (Maximum)  
(5.09 % of outstanding shares (excluding treasury stock))
- (3) Total amount of repurchase price: JPY 1.5 billion (Maximum)
- (4) Period of repurchase: From February 2, 2022 to February 1, 2023
- (5) Method of repurchase: Open market purchase on the Tokyo Stock Exchange

#### 2. Status of cumulative share repurchased (complete as of Jan 24<sup>th</sup>, 2023)

- (1) Total number of shares repurchased: 2.5 million shares
- (2) Total amount of repurchase price: 1.25 billion yen

OSAKI ELECTRIC CO., LTD.

**TSE Prime Market**  
**Code: 6644**

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