

May 12, 2025

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### **Fostering Management Conscious of Capital Cost and Stock Price (Update)**

Osaki Group has updated its analysis, assessment, and future action plan regarding the “Fostering Management Conscious of Capital Cost and Stock Price” announced on May 9, 2024.

For more details, please refer to the attached document titled “Fostering Management Conscious of Capital Cost and Stock Price (Update dated May 12, 2025)”.

**Appendix**

# **Fostering Management Conscious of Capital Cost and Stock Price (Update on May 12, 2025)**

**May 12, 2025**

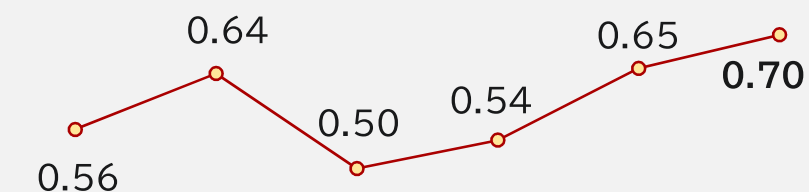
**Osaki Electric Co., Ltd.**

## Initiatives to Improve ROE

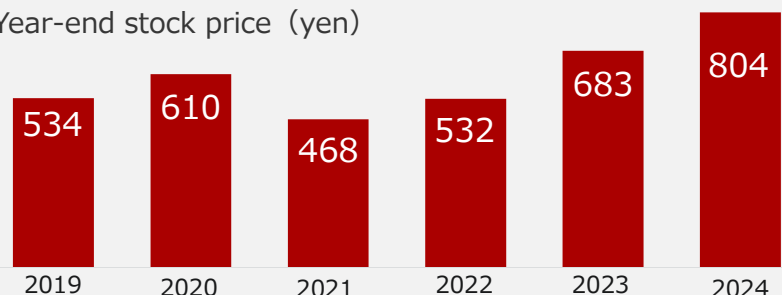
# Current Situation

- Although PBR is on an upward trend, it remains around 0.7 times, continuing to stay below 1.0
- Low PBR is primarily attributed to stagnant ROE
- PER is also below the industry average. This suggests that expectations for our company's future profit growth are low

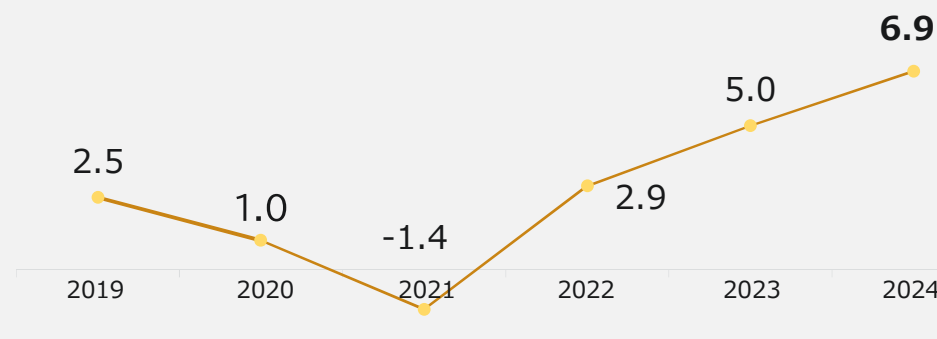
## PBR(times) ( $PBR = ROE \times PER$ )



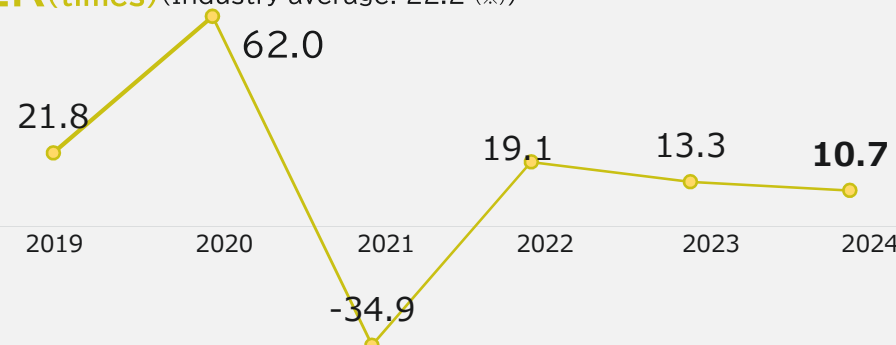
## Year-end stock price (yen)



## ROE(%) (Industry average: 9.4(※))

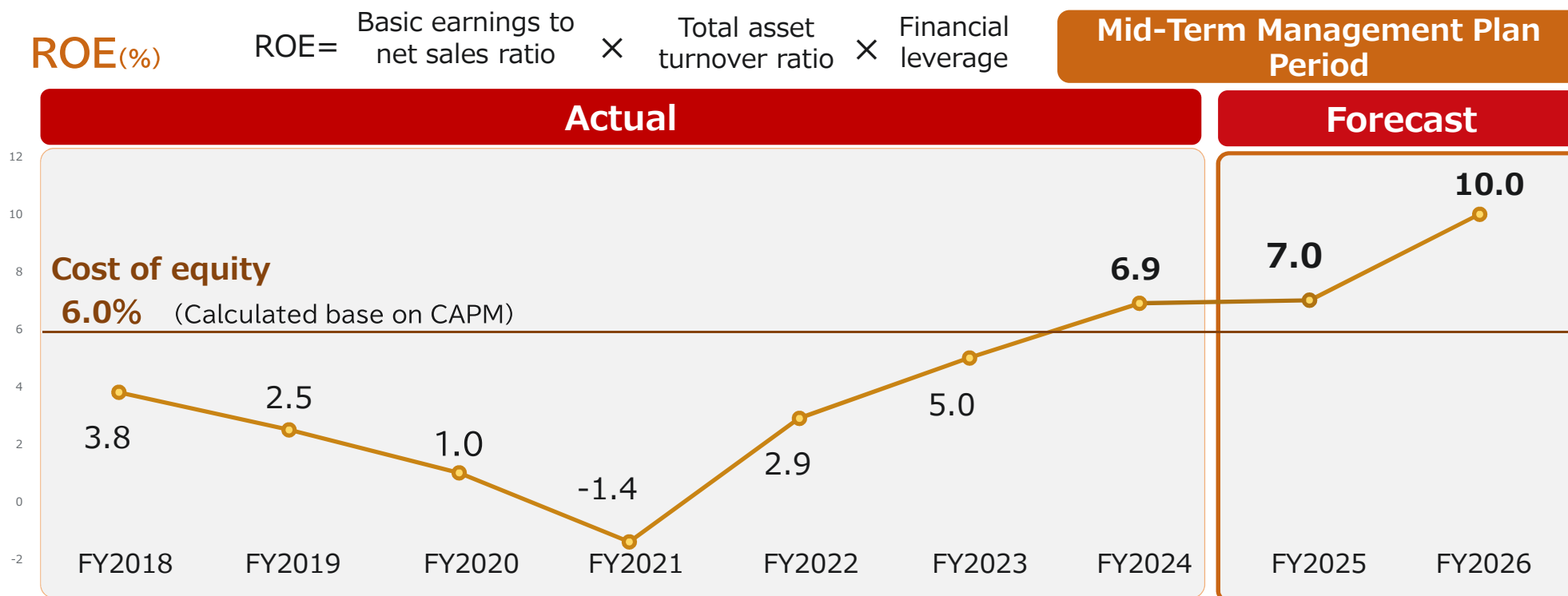


## PER(times) (Industry average: 22.2 (※))



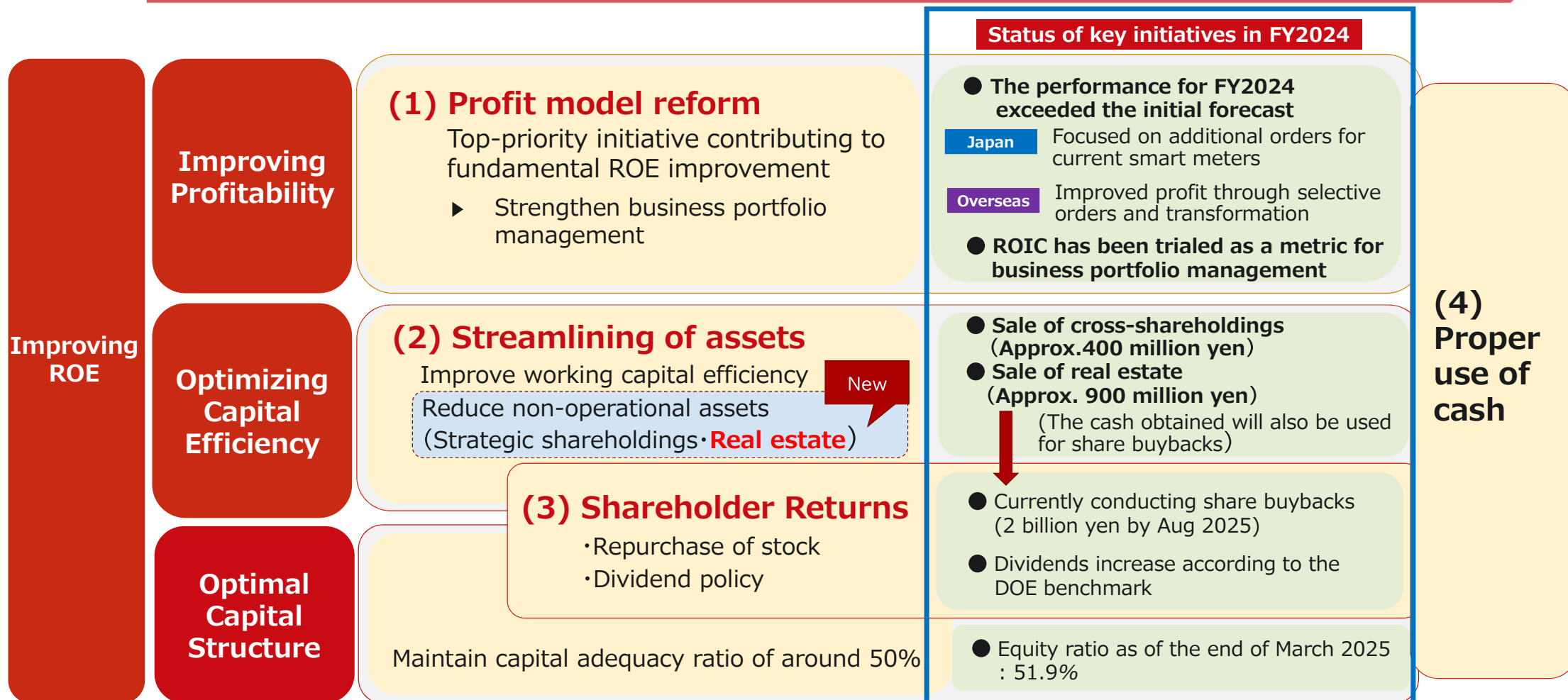
# Underlying Policy for Improving ROE

- **Achieve 10% ROE early and aim for further improvement** [Revision of targets]
- The cost of equity capital is revised to **6.0%** (5.2% for the FY2024). It is recognized that there is a discrepancy with the market's expected return
- Work towards improving ROE by enhancing profitability and optimizing capital efficiency



# Measures to Improve ROE

Implement various initiatives to enhance profitability and optimize capital efficiency



# (1) Profit Model Reform (Japan)

## ■ Strengthen profitability by promoting key strategies in the Mid-Term Management Plan (FY2024 to FY2026)

### [Key strategies]

#### Smart meters & solutions in Japan

Providing added value to social infrastructure centered around smart meters

Providing comprehensive GX (Green Transformation) services for a decarbonized society

Supporting on-site operational improvements through digital technology (Customer DX)

### Status of key initiatives in FY2024

- Additional orders for the current smart meter have been secured through strengthened sales efforts
- Preparing for the FY2025 rollout of second-gen smart meters by building an automated and labor-saving production system  
Aim to secure stable profits by reducing costs through improved productivity
- Expanding sales by acquiring new customers with meters (DC meters) for non-utility markets
- Plan not achieved due to delayed launch of certain services
- Developing SmaRe:C, a service that optimizes electricity costs using storage batteries
- Plan not achieved due to customer inventory adjustments, delays in new product launches, and slow expansion beyond the rental housing market

# (1) Profit Model Reform (Overseas / Group management)

[Key strategies]

**Smart meters  
& solutions  
overseas**

## Transforming into profit-oriented business

- Provide high value-added solutions tailored to market characteristics
- Reinforce the commercial and industrial meter business
- Exit from low-profit markets
- Organizational reform

**Strengthening the Group's  
management foundation**

## Status of key initiatives in FY2024

- Preparations for Next-generation meter development and production for Oceania are progressing as planned
- Shipments to the UK are as planned  
Profit margins have improved through selective order-taking with a focus on profitability
- Selective order-taking in the Middle East and Africa due to credit risks led to underperformance against the plan
- Driving organizational transformation (4 → 2 regions)  
Optimizing development by market and products  
Preparing for further transformation from FY2025

### 【Talent development】

Implemented review of appraisal, compensation, and talent development systems

### 【Governance】

The succession plan was submitted to the Board by the Nomination and Compensation Committee

- ▶ Talent requirements, development policy, and career path for the president (or executive officer) successor



# (1) Profit Model Reform (Profit Trends)

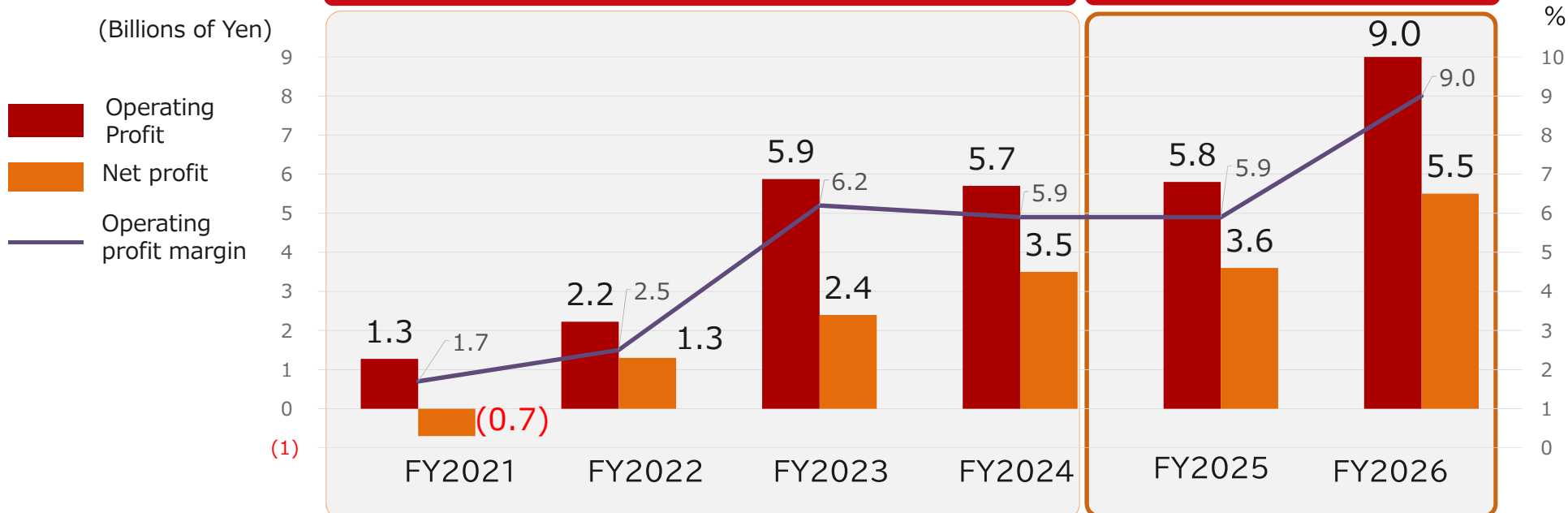
Japan

- Securing revenue from the second-generation smart meters to be fully introduced from FY2025
- Expanding revenue from solution businesses (GX services, smart locks, etc.)

Overseas

- Enhancing sales of next-generation smart meters and C&I meters, shifting to bundled sales of systems and meters, and improving profitability by exiting low-profit business

【 Target 】



•For details of the original Mid-Term Management Plan, please refer to the "OSAKI Formulates Mid-Term Management Plan and Establishes Corporate Purpose" released on May 9, 2024

## (2) Streamlining of Assets

### (1) Improving working capital efficiency

#### Appropriate controls and reduction of domestic and overseas inventories, trade receivables, and trade payables

- ▶ Improve the cash conversion cycle
- ▶ Reduce inventories by approx. 3 billion yen by the end of FY2026 (Compared to the end of FY2023)

### (2) Reducing non-operational assets

#### Reducing Strategic Shareholdings

- ▶ Target to reduce by 30% (approx. 2 billion yen) from the current level during the Mid-Term Management Plan period

#### Sale of Real Estate

- ▶ Aim to sell about 70% of real estate fixed assets (book value) during the Mid-Term Management Plan period

**The cash obtained will be used for growth investments, shareholder returns, and others to enhance profitability**

### Status of key initiatives in FY2024

#### Japan

In anticipation of the transition to second-gen smart meters, appropriate inventory levels is maintained

#### Overseas

A project team is formed to focus on reducing inventory assets.

【Cash Conversion Cycle】 FY2023 **129 days** ⇒ FY2024 **130 days** **[Challenge]**

【Inventory Assets】 FY2023 **22.3 billion yen** ⇒ FY2024 **24.9 billion yen** **[Challenge]**

→ Increase in inventory assets. Further efforts are required for improvement

#### 【Strategic Shareholdings】

- Sales performance: Reduction amount of 460 million yen, gain on sale of 430 million yen (Cash inflow: approx. 400million yen)
- Sales to continue from FY2025 onward

#### 【Real Estate】

- Sales performance: 1 property sold, gain on sales of 940 million yen (Cash inflow: approx. 900million yen)
- Remaining properties to be sold during the Mid-Term Management Plan period

- Cash obtained from the sale of strategic shareholdings and real estate will also be used for shareholder returns, such as share buybacks

### (3) Shareholder Returns - 1

#### Dividends

Aiming to provide stable dividends under the dividend policy, with continuous dividend increases driven by profit growth

- The FY2024 dividend is **22 yen**, an increase of 2 yen compare to the previous
- In May 2025, the dividend policy for FY2025 and beyond was revised with a **higher DOE benchmark**

【Before revision】

Dividends to be determined based on the higher of **DOE 2%** or payout ratio 30%

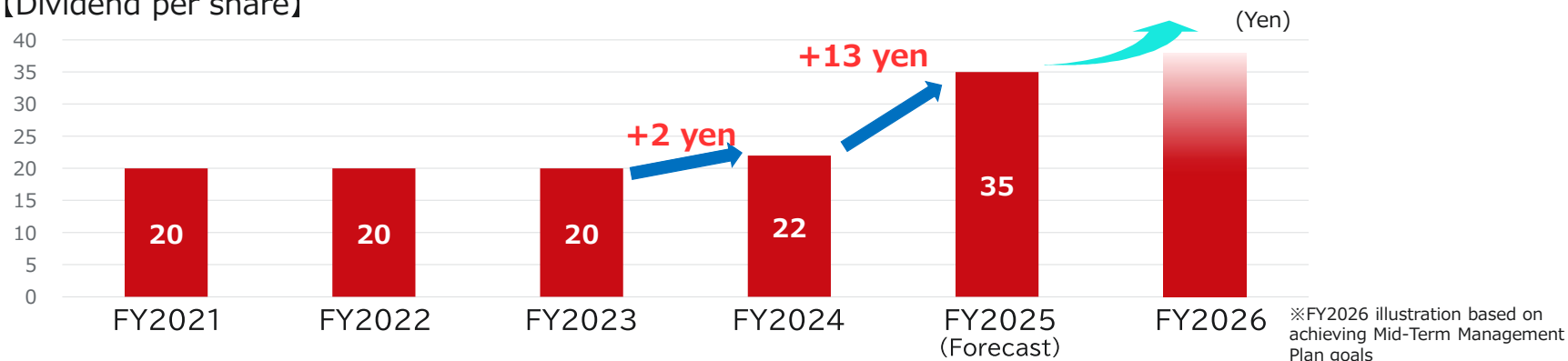
【After revision】

Dividends to be determined based on the higher of **DOE 3%** or payout ratio 30%

- ▶ Due to the policy revision, the **FY2025 dividend is forecasted at 35 yen**, an increase of **13 yen** from FY2024

- From **FY2026**, further dividend increases are targeted through profit growth (payout ratio)

【Dividend per share】



## (3) Shareholder Returns - 2

### Share buybacks

**Continuous review of share buybacks based on cash, capital needs, performance, stock price, and investment plans. Treasury shares will be capped at 5% of total shares, and unused shares will be retired.**

#### Resolved to share buybacks in August 2024

##### <Background>

- Our company's stock price has remained sluggish
- The decision was made based on available cash, working capital, and proceeds from the sale of real estate and policy-held shares

• Period : Aug 2024 to Aug 2025

• Number of shares : 2.5 million shares

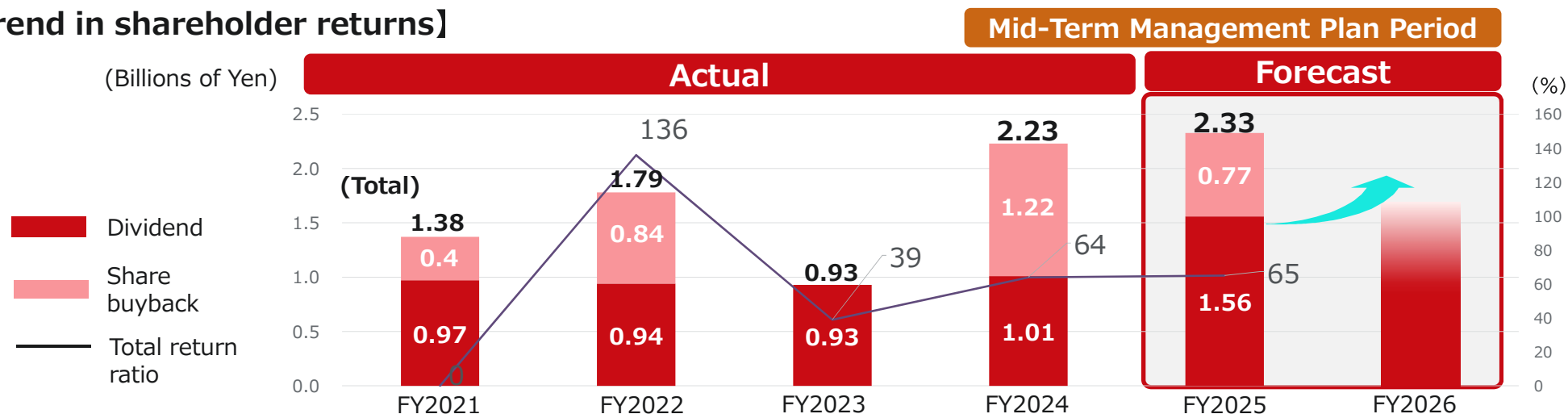
• Total amount : 2 billion yen

• Cumulative share buybacks (as of March 31, 2025)

**Total number of shares: 1.6 million shares**

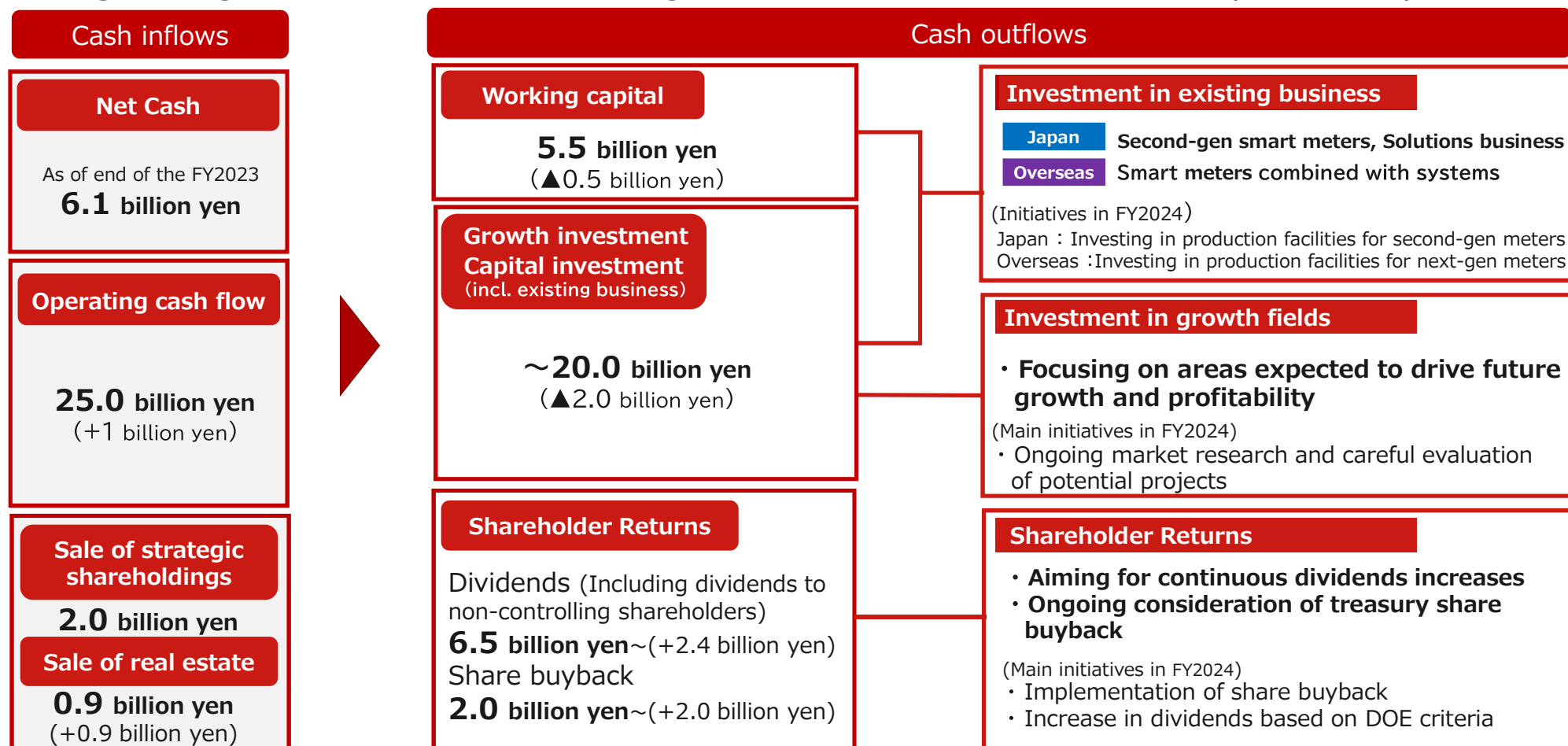
**Total acquisition cost: 1.22 billion yen**

### 【Trend in shareholder returns】



## (4) Proper Use of Cash (cash allocation)

- Strengthening shareholder returns through increased dividends and treasury stock acquisitions



- Based on the FY2024 results and the FY2025–FY2026 forecast
- The amounts in parentheses represent the increase/decrease from the figures announced in May 2024

## Initiatives to Improve PER

# Underlying Policy for Improving PER

- Improving PBR requires enhancing PER by boosting market evaluation of future growth
- Along with executing the new Mid-Term Management plan, we will focus on securing appropriate capital market evaluation

## (1) Promote sustainability management

- ▶ **Implementing human capital strategy measures**
- ▶ **Strengthening corporate governance**
- ▶ **Addressing climate change**

## (2) Strengthen IR

- ▶ **Enhancing IR/SR activities**
- ▶ **Improving the integrate report and company website**

## Status of key initiatives in FY2024

- **Review of the evaluation, compensation, and development systems (Osaki Electric)**
- **Promotion of diversity**
  - Reemployment rate of retirees: 100% (retirees in FY2024, Osaki Electric)
  - Increase in the ratio of female employees and female executives
- **The succession plan was submitted to the Board by the Nomination and Compensation Committee**
  - ▶ Talent requirements, development policy, and career path for the president (or executive officer) successor
- **Obtained SBT verification (New)**
- **CDP(Climate Change) 「B」 rating**
- **The number of IR meetings increased (FY2023: 55 → FY2024: 81)**
- **Continuing to conduct SR activities**
- **Revamped the website → Strengthened information dissemination**
- **Commenced a complete revision of the integrated report**

# Appendix

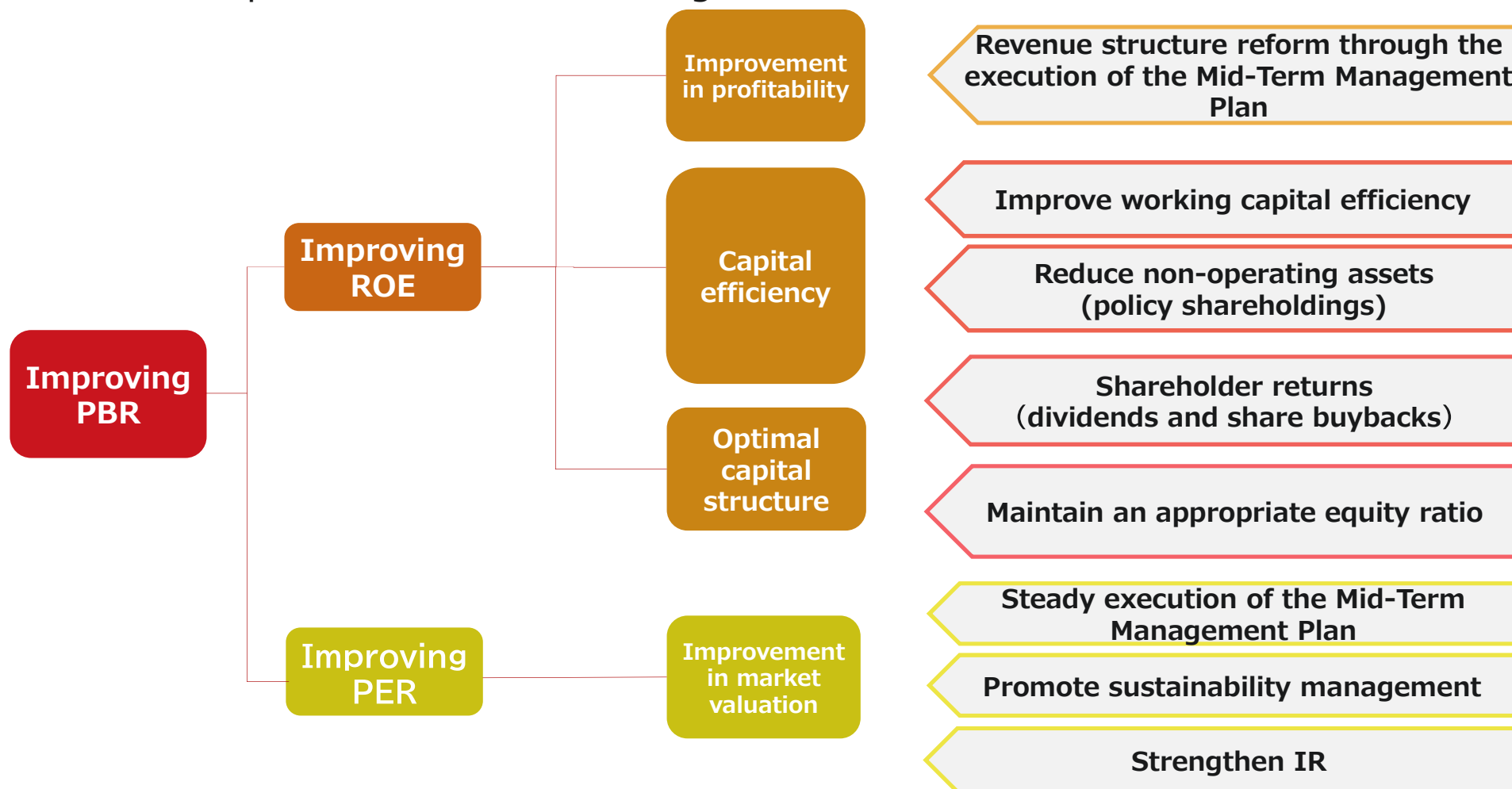


(Reference)

# Logic Tree for Improving PBR



Achieve an improvement in **PBR** through the enhancement of **ROE** and **PER**



(Reference)

# Mid-Term Management Plan Financial Targets



(Billions of Yen)	FY2024		FY2025		FY2026
	Current period forecast	Actual	Current period forecast	Revised forecast	Forecast
Net sales	90.0	97.1	95.0	98.0	100.0
Operating profit	4.7	5.7	5.5	5.8	9.0
Operating profit margin	5.2%	5.9%	5.8%	5.9%	9.0%
Net profit	2.0	3.5	3.5	3.6	5.5
Net profit margin	2.2%	3.6%	3.7%	3.7%	5.5%
ROE	4.0%	6.9%	6.5%	7.0%	10.0%
		FY2024 Actual	Three-year cumulative total		
Capital expenditures		3.8	Approx. 14.0		
Depreciation expenses		2.2	Approx. 9.0		
R&D expenses		3.6	Approx. 10.0		



**OSAKI ELECTRIC CO., LTD.**  
**TSE Prime Market**  
**Code: 6644**

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