

May 12, 2026

Company name:	Osaki Electric Co., Ltd.
Name of representative:	Yoshihide Watanabe, Chairman and CEO (Securities code:6644; TSE Prime Market)
Inquiries:	Ryuichi Ueno, Director and Senior Managing Executive Officer Head of Group Strategy Division (Telephone: +81-3-6694-7140)

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 on May 12, 2026)”.

Fostering Management Conscious of Capital Cost and Stock Price (Update on May 12, 2026)

May 12, 2026
OSAKI ELECTRIC CO., LTD.

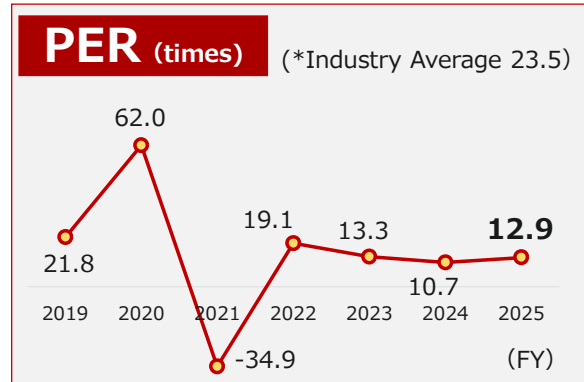
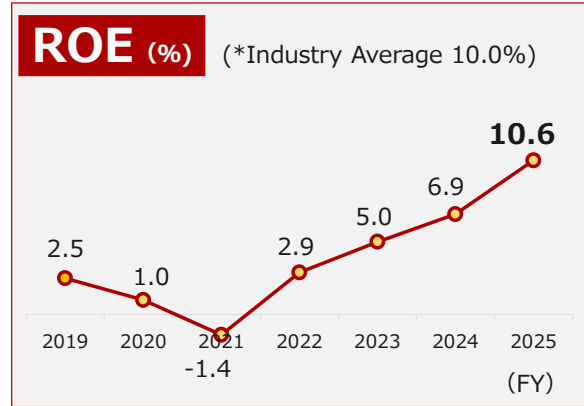
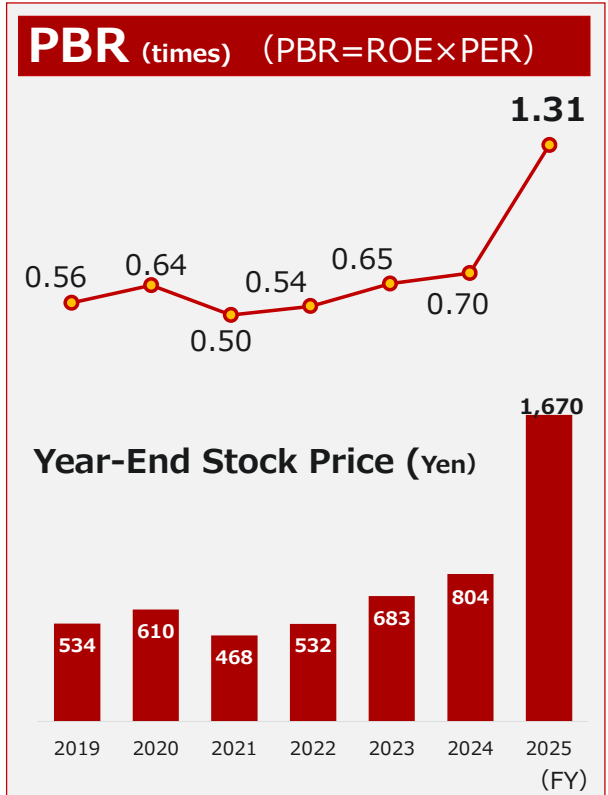
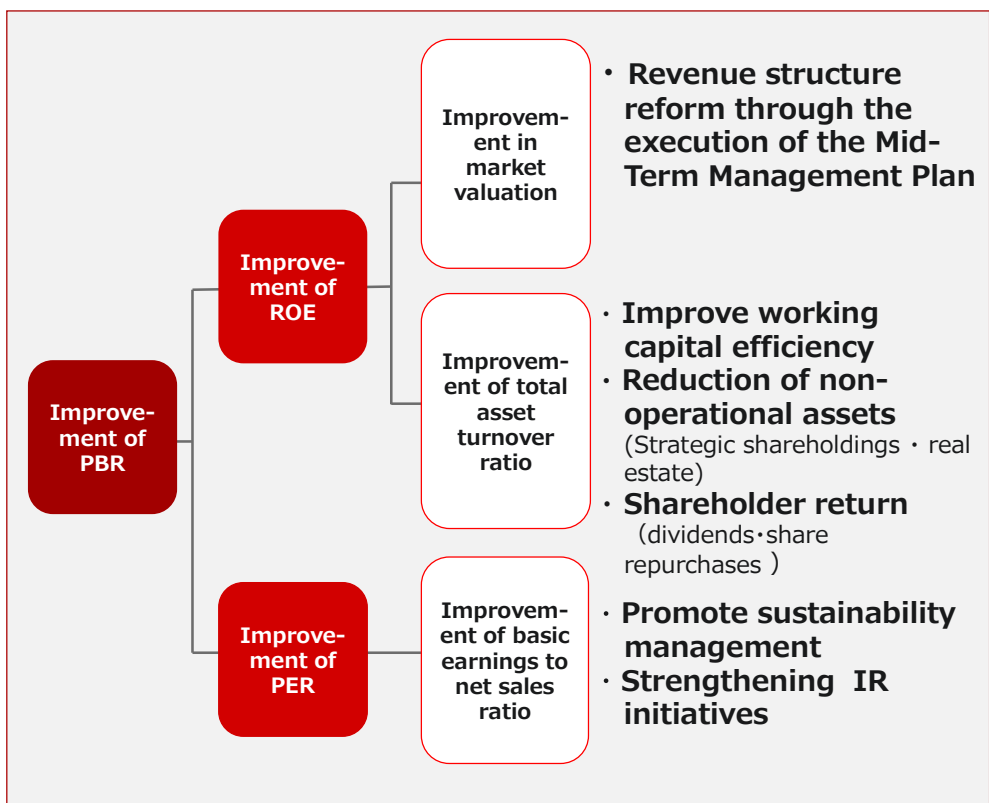
Review of FY2025

- Promote initiatives from both ROE and PER perspectives to overcome a PBR below 1.0

PBR 1.31 times · ROE 10.6% (As of March 31, 2026)

- Achieving a PBR above 1.0 is a milestone, and we will pursue further improvement from FY2026 onward
⇒ Steadily and swiftly execute the initiatives set out in the Mid-Term Management Plan

* Industry average: Average of 124 electrical equipment companies listed on the Tokyo Stock Exchange Prime Market

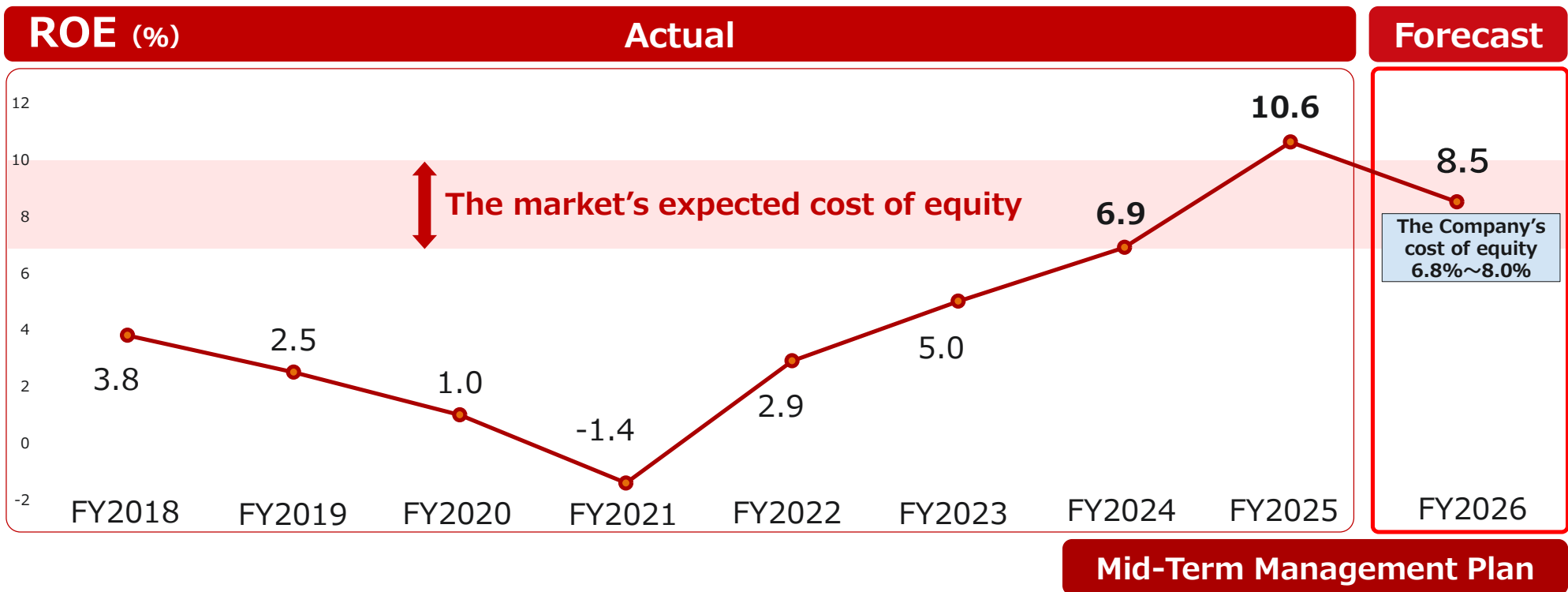


Initiatives to Improve ROE

1. ROE Target

■ Target: Achieve 10% ROE early and aim for further improvement

- The Company's estimated cost of equity is **6.8%** (calculated based on CAPM)
- The market's expected cost of equity is **7-10%** (based on IR/SR meetings)
- Based on the above, the Company recognizes its cost of equity for FY2026 to be in the range of **6.8% (lower bound) to 8.0%**
- ROE for FY2026 is expected to be 8.5%, with a target to recover to 10% at an early stage



2. Scenario for Achieving ROE of 10% in FY2026

Continuous improvement of ① **basic earnings to net sales ratio** and ② **total asset turnover ratio**

① Improvement of Basic Earnings to Net Sales Ratio

Japan

- Improved profitability through the full-scale rollout of second-generation smart meters
- Growth of the solution business

See p.6 for details

Overseas

- Oceania (Growth Market): Sales expansion and improved profitability
- UK: Capture survivor's gains amid the withdrawal of competitors
- Cost reduction through business restructuring

② Improvement of Total Asset Turnover Ratio

● Improving working capital efficiency

- Improve the cash conversion cycle and reduce inventories

See p.7 for details

● Reducing non-operational assets

- Reducing Strategic Shareholdings and sale of real estate

See p.8 for details

● Implementation of shareholder returns

- Increased dividends and share repurchases

See p.10 for details

3. Improvement of basic earnings to net sales ratio (FY2025 Actual/FY2026 Policy)

Smart Meters & Solutions in Japan

Improve Profitability Through the Full-scale Rollout of Second-Generation Smart Meters

- Revamp the production system to achieve both automation and labor-saving while maintaining high quality
- Secure steady order intake

FY2026

- Aim to further improve profitability by pursuing additional cost reductions and cost control

Expansion of the Solution Business

<GX service>

- Expand sales of energy management systems to both new and existing customers

<Smart lock>

- Launch new products from Q3

FY2026

<Non-utility meter>

- Improve profitability by expanding sales of DC meters

<GX service>

- Expand business domains through the introduction of new products
→ Launch new services combined with AI and storage batteries

<Smart lock>

- Expand sales of new products

Smart Meters & Solutions Overseas

Expand Sales and Improve Profitability in Oceania (Growth Market)

- Development and production preparations for the next-generation smart meter “NEOS” are progressing as planned

FY2026

- Full-Scale Market Launch of “NEOS”
- Strengthen sales from FY2027 onward to achieve further profitability improvement

Securing Demand from the UK “Smart Meter Project”

- Increase in shipments driven by the government-led “Smart Meter Project”

FY2026

- As the “Smart Meter Project” peaks out, some competitors are showing signs of withdrawal; aim to capture survivor’s gains centered on replacement demand

Cost Reduction Through Organizational Transformation

- Optimize the development structure in line with market and product strategies
- Optimize head office functions
- Reduce workforce by 16% (from end-March 2024 to end-March 2026)

4. Improving Working Capital Efficiency (FY2025 Actual / FY2026 Policy)

Improve the Cash Conversion Cycle

Policy

- Promote appropriate controls and reduction of domestic and overseas inventories, trade receivables, and trade payables
- [Target] **Reduce inventories by approximately 3 billion yen** by the end of FY2026, compared to the end of FY2023 (22.3 billion yen)

Major Initiatives

- Japan** · In anticipation of the transition to second-generation smart meters, appropriate inventory levels is maintained
- Overseas** · A project team is formed to focus on reducing inventory assets across the Company

Continuing in FY2026

Results

(As of end of March 2026)

<Cash Conversion Cycle> FY2023: **129 days** ⇒ FY2025: **123 days** **Reduction by 6 days**
<inventories> FY2023: **22.3 billion yen** ⇒ FY2025: **18.2 billion yen** **Reduction by 4.1 billion yen**

Trial Introduction of ROIC

- We introduced ROIC on a trial basis in FY2025 at the Company (non-consolidated) and its overseas subsidiaries, and utilized it for initiatives such as inventory reduction

5. Reduction of Non-Operational Assets (FY2025 Actual / FY2026 Policy)

Sale of Real Estate

Policy

Aim to **sell about 70% (approximately 3.0 billion yen)** of fixed assets (book value) owned by the real estate business as of May 2024

Sale Results

- Reduced Amount (book value): 2.95 billion yen
- Number of Properties Sold: 2 properties
- Gain on Sale: Approx. 7 billion yen

Completion of sale during the period of the Medium-Term Management Plan

Reducing Strategic Shareholdings

Policy

Aim to **reduce about 30% (approximately 2.0 billion yen)** of strategic shareholdings held as of March 2024

Sale Results

 (Cumulative from FY2024)

- Reduced Amount: 1.21 billion yen (Progress: Approx. 60%)
- Gain on Sale: 1.12 billion yen

FY2026

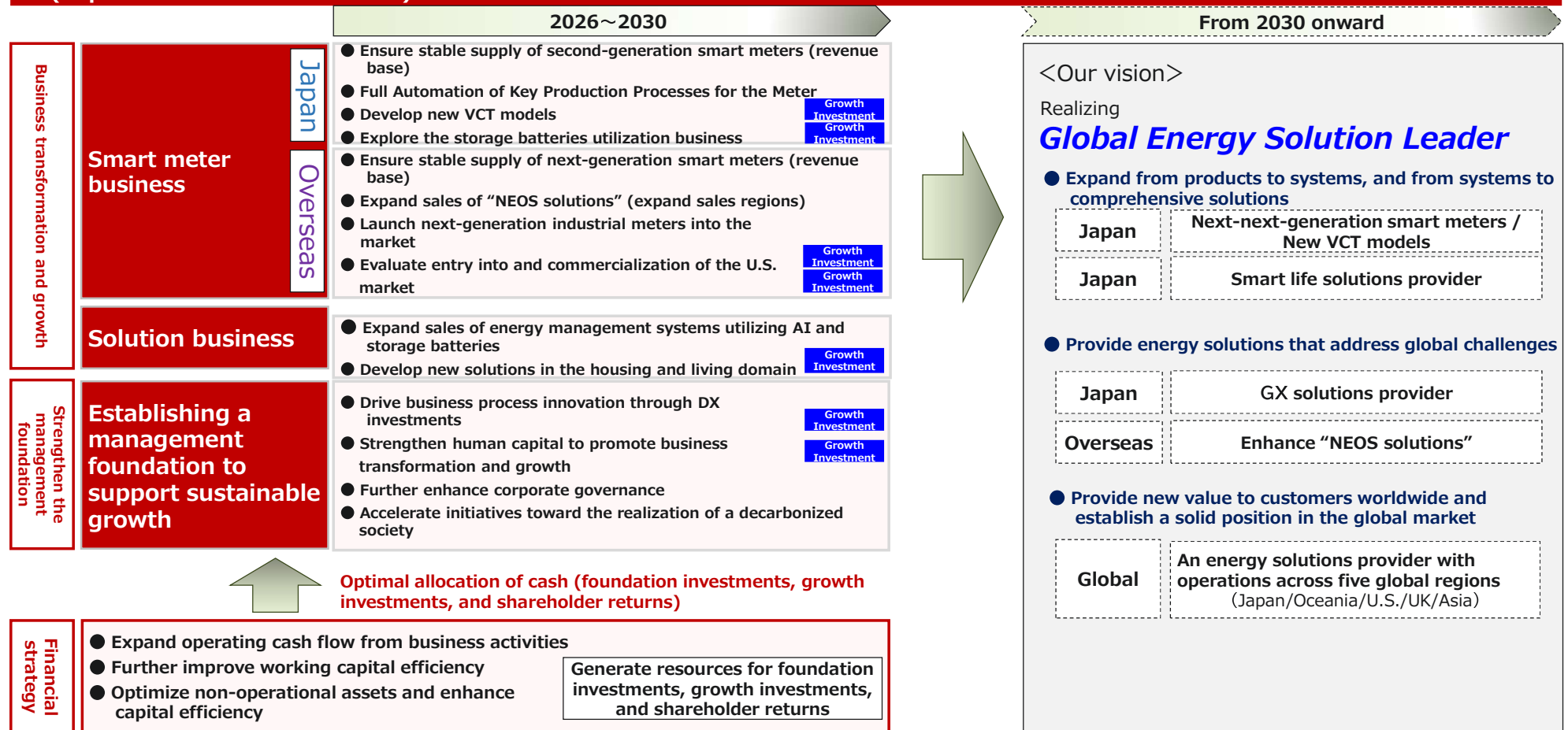
Currently proceeding with our activity to reduce the remaining strategic shareholdings to be sold during the period covered by the Mid-Term Management Plan

Consider using cash obtained for investments, shareholder returns, and other uses to make investments for growth and enhance profitability

6. Medium-Term Growth Strategy (2026~2030)

- Execute growth investments through efficient generation of funding sources. Focusing on building a foundation for the next phase of business growth
- Enhance management efficiency and improve shareholder value (improvement of ROE and PBR)

End of FY2025 Actual **PBR 1.31 times** · **ROE 10.6%**



↑ Optimal allocation of cash (foundation investments, growth investments, and shareholder returns)

- | | | |
|--------------------|---|---|
| Financial strategy | <ul style="list-style-type: none"> ● Expand operating cash flow from business activities ● Further improve working capital efficiency ● Optimize non-operational assets and enhance capital efficiency | <p>Generate resources for foundation investments, growth investments, and shareholder returns</p> |
|--------------------|---|---|

7. Shareholder Returns

Dividend Forecasts (FY2025 - FY2026)

	FY2025 (Yen)			FY2026 (Yen)		
	End of Second Quarter	Fiscal Year-End	Annual	End of Second Quarter	Fiscal Year-End	Annual
Ordinary Dividend	17	22	39	19	20	39
Special Dividend	-	10	10	10	—	10
Total	17	32	49	29	20	49

Dividend increased by 4 yen per share through the application of the payout ratio standard*

Maintain the FY2025 dividend level

* Latest forecast **45 yen**. (Announced on February 19, 2026)

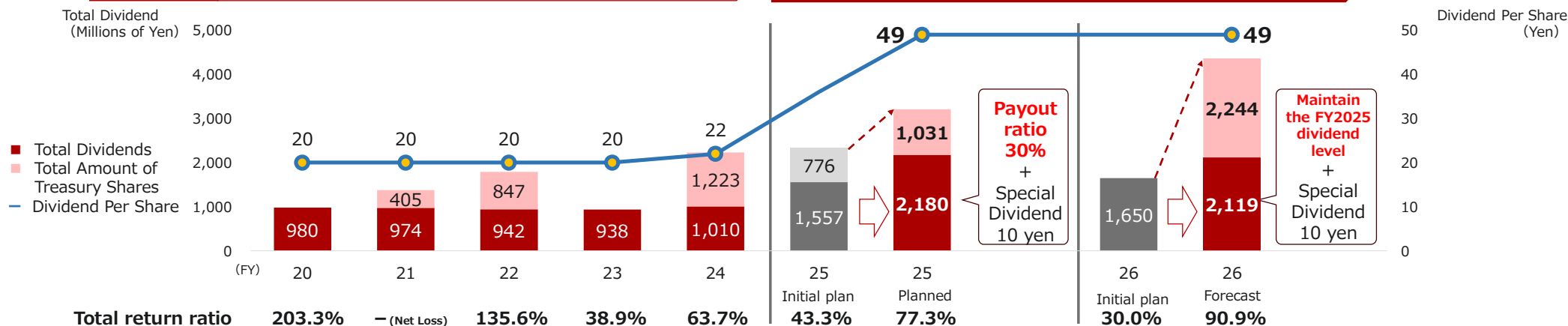
Share Repurchase

	FY2024 - FY2025	FY2026
Total Number of Share	Approx. 2.46 million shares	1.5 million shares (maximum)
Total Amount of Price	Approx. 2.0 billion yen	2.5 billion yen (maximum)
Period	From August 2024 to August 2025	From February 2026 to September 2026

Dividend Policy

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

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



8. Review of Cash Allocation (FY2024 – FY2026)

The amounts in parentheses represent the increase/decrease from the figures announced in May 2025

Cash Inflows

Net Cash

End of March 2024

6.1 B JPY

Operating Cash Flow

36.7 B JPY

(* + 11.7 B JPY)

(*) Increase due to the change in assumptions to a pre-cash-out-related expenses basis

Sale of Strategic Shareholdings

2.1 B JPY (+0.1 B JPY)

Sale of Real Estate

7.7 B JPY (+6.8 B JPY)

Cash Outflows

Working Capital

(Allocation Ratio)
(12.4%)

6.5 B JPY (+1.0 B JPY)

Growth Investments Foundation Investments

(47.9%)

25.2 B JPY (+5.2 B JPY)

Shareholder Returns

Dividends
(Including dividends to non-controlling shareholders) (23.0%)

7.6 B JPY (+1.1 B JPY)

Share Repurchase
4.5 B JPY (+2.5 B JPY)

Utilization in the Next Mid-Term Management Plan*

(16.7%)

8.8 B JPY (+8.8 B JPY)

Growth Investments

9.6 B JPY (Allocation Ratio)
(25.7%)

● Investments to expand business domains

- **New business creation: U.S. business, storage-battery-related business, etc.**

● Investments to strengthen competitive advantage

- Existing businesses: **Japan** Second-Generation Smart Meters
Overseas Next-Generation Smart Meters "NEOS"
- Business transformation: DX Investments
- Strengthening human capital etc.

Foundation Investments

15.6 B JPY (41.9%)

● Investments to maintain existing businesses and stabilize earnings

- Equipment renewal investments
- Improvement and development investments for existing products, etc.

Shareholder Returns

12.1 B JPY (32.4%)

● Continue stable dividend payments

- Raise the DOE benchmark from 2% to 3% (May 2025)
- Implementation of Special Dividends (FY2025 – FY2026)

● Continue share repurchases on an ongoing basis

- FY2024~FY2026: Total of approximately 3.96 million shares and approximately JPY 4.5 billion

*May consider allocating a portion to mitigate impacts arising from geopolitical risks, depending on the situation

A vertical red line is positioned to the left of the title. A thin grey horizontal line extends from the left edge of the page, ending in a stepped, geometric shape on the right side.

PER Improvement Initiatives

1. PER Improvement Initiatives

- Improving PBR requires enhancing PER (To enhance PER, it is essential to improve market evaluation of future growth prospects and other factors.)
- Along with steadily executing the new Mid-Term Management Plan, we will undertake the following initiatives to obtain appropriate evaluation from the capital markets

Promote Sustainability Management

Strengthening Human Capital

- Promote organizational diversity (including female and senior employees)
- Develop DX talent
- Promote initiatives to instill management philosophy and values

Strengthening Corporate Governance

- Deepen the effectiveness of the Board of Directors to strengthen the earnings capability
 - To realize the growth story:
 - ① Revamp the skills matrix
 - ② Supplement expertise and experience in key focus areas
- Formulate succession planning for the CEO and other top management (Nomination and Compensation Committee)

Addressing Climate Change

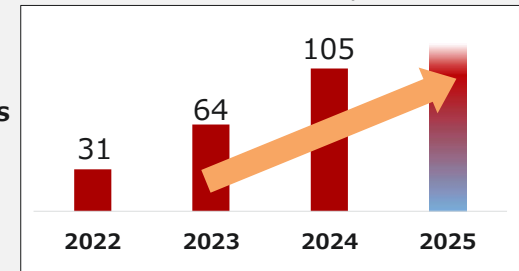
- Reduce greenhouse gas (GHG) emissions
- Initiate third-party verification of GHG emissions

Strengthening IR/SR Initiatives

Strengthening Dialogue with Investors

- Increase in the number of IR/SR meetings
 - Significantly increased from 31 in FY2022 (132 as of Q3 2025)
- Review of the frequency of earnings briefings
 - Changed from semiannual (twice a year) to quarterly (four times a year)

▼ Number of IR/SR Interviews (FY2022-FY2025)



Expansion of IR Materials

- "Investors Guide" * Language : Japanese
- "Frequently asked questions at IR interviews and other occasions." * Language : Japanese
- Enhancement of the content of the integrated report
 - Reorganization of the value creation process
 - Expansion of description of management capital strategy
 - Expansion of descriptions of business strategies etc.

▼ Expanded IR materials





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

- Figures in the document are for reference and include unaudited figures.
- Forward-looking figures are based on data and information available up to the date of its announcement and may differ significantly from actual results.
- Please refrain from copying the data, contents and other information subjected to copy right.