

# **Financial Results for FY2021**

**(12 months ended March 31, 2022) and**

# **Mid-term Management Plan**

**June 6th, 2022**

**Mitsuyasu Watanabe**  
**President and COO**

**OSAKI ELECTRIC**

## 1. FY2021 Results: Sales 76.1 B yen, Operating Income 1.2 B yen

	Japan	Overseas	Total
YoY	<b>Decrease in sales and profit</b> Decreased smart meter and smart lock sales. Increased material costs.	<b>Increase in sales and profits</b> Increased shipments to Oceania and UK.	Sales (-70 M) Profits (-1.4 B)
Vs. Initial forecasts	<b>Below sales and profit targets</b> Delayed material procurement, increased material costs.	<b>Below sales and profit targets</b> Delayed material procurement, increased material costs.	Sales (-6.8 B) Profits (-2.2 B)

## 2. FY2022 Forecasts: Sales 80.0 B yen, Operating income 1.0 B yen

	Japan	Overseas	Total
YoY	<b>Increase in sales and profits</b> Increase in smart meter and solution sales. Limited profit improvement from high material costs.	<b>Decrease in sales and profits</b> Decrease in UK shipments from component shortage. Increase in material and freight costs.	Sales (+3.8 B) Profits (-0.3 B)

## 3. Mid-term Management Plan (Five years ending March 2027)

- Adding to smart meter business, OSAKI will grow solution business to generate stable profits and contribute to building a decarbonized society.

# Agenda

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- 1. FY2021 Financial Results**
- 2. FY2022 Forecasts**
- 3. Mid-term Management Plan (FY2022-26)**
- 4. Shareholder Return Measures**

# **1 . FY2021 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** : At same level as the previous year. Overseas sales recovered from the spread of COVID-19 virus, while in Japan, sales of smart meters and smart locks declined.
- **OP** : While profits increased overseas due to sales increase, overall profits declined from sales decline in Japan and a hike in material costs.

## Changes from initial forecasts

- **Sales** : Decreased from shortage in electronic components worldwide.
- **OP** : Decreased from sales decrease and hike in material costs.

(M yen)

	FY2020 Actual	FY2021 Initial Forecasts	FY2021 Actual	YoY	Changes from initial forecasts
Net Sales (outside)	76,255	83,000	76,184	-71	-6,815
Smart meters & solutions in Japan	48,169	49,700	45,983	-2,185	-3,716
Smart meters & solutions overseas	26,678	32,000	29,095	2,416	-2,904
Others(*)	1,408	1,300	1,105	-302	-194
Operating income	2,684	3,500	1,277	-1,407	-2,222
Smart meters & solutions in Japan	3,136	2,500	1,225	-1,910	-1,274
Smart meters & solutions overseas	-467	1,000	58	525	-941
Others(*)	6	0	-11	-17	-11
Adjustments	9	-	4	-5	4
Ordinary Income	2,888	3,300	1,189	-1,698	-2,110
Profit attributable to owners of parent	482	3,000	-658	-1,140	-3,658

\*Others include production equipment and real estate businesses

# 1-2 Balance Sheet

- Decrease in accounts receivable by collection in overseas at the end of FY2021.
- Increase in inventory overseas from yen depreciation.
- Lower capital adequacy ratio (51.2% to 49.6% YoY) from dividend payments and share buy-back.

(M yen)

	2020	2021	Changes	Factors
Assets	90,989	91,222	+233	Accounts Receivable -450
Current Assets	53,090	51,653	-1,436	Inventory +450
Fixed Assets	37,898	39,568	+1,669	
Liabilities	32,101	33,610	+1,509	
Current Liabilities	18,962	26,502	+7,540	
Fixed Liabilities	13,139	7,108	-6,030	
Equity	58,887	57,611	-1,276	
Capital	46,614	45,236	-1,377	
Non-controlling	11,764	11,865	+101	
Others	509	509	+0	
Capital Adequacy Ratio	51.2%	49.6%	-1.6%	

# 1-3 Cash Flow

- Secured positive operating and free cash flows of 4.4 and 3.2 B yen respectively, amid the severe business environment.

	FY2021
Income before income taxes and minority interests	1,114
(Increase) decrease in notes and accounts receivable	1,240
(Increase) decrease in inventories	353
Increase (decrease) in notes and accounts payable	36
Others (Depretiation, etc.)	1,679
Operating activities	4,422
Investing activities	-1,219
Increase (decrease) in short and long-term debts	-568
Cash dividends paid	-1,639
Others	-725
Financing activities	-2,934
Effect of exchange rate changes on cash and cash equivalents	411
Cash and cash equivalents at beginning of year	14,654
Cash and cash equivalents at end of year	15,335

## 2. FY2022 Forecasts

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## 2. FY2022 Forecasts

### Japan:

- Sales increase from smart meters and energy management services, which had negative impacts from component shortage and COVID-19 respectively in 2021.
- High material cost causes limited profit increase.

### Overseas:

- Stable business expected in Oceania, but sales decrease from low UK shipments caused by electronic component shortage.
- Profits decrease from high material and freight costs.

(M yen)

	FY2021 2Q	FY2022 2 Q Forecasts	YoY	FY2021 Full year	FY2022 Full year forecast	YoY
Net Sales (external)	36,087	39,000	2,912	76,184	80,000	3,815
Smart meters & solutions in Japan	21,393	23,500	2,106	45,983	50,000	4,016
Smart meters & solutions overseas	14,149	14,500	350	29,095	28,000	-1,095
Others (*)	544	1,000	455	1,105	2,000	894
Operating Income	461	-200	-661	1,277	1,000	-277
Smart meters & solutions in Japan	366	100	-266	1,225	1,500	274
Smart meters & solutions overseas	118	-400	-518	58	-700	-758
Others (*)	-23	100	123	-11	200	211
Adjustments	-0	-	0	4	-	-4
Ordinary Income	531	-150	-681	1,189	1,100	-89
Profit attributable to owners of parent	-236	1,300	1,536	-658	1,500	2,158

\*Others includes production equipment and real estate business

# **3. Mid-term Management Plan**

## **(FY2022-26)**

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**3-1 Mid-term Targets**

**3-2 Japanese Business**

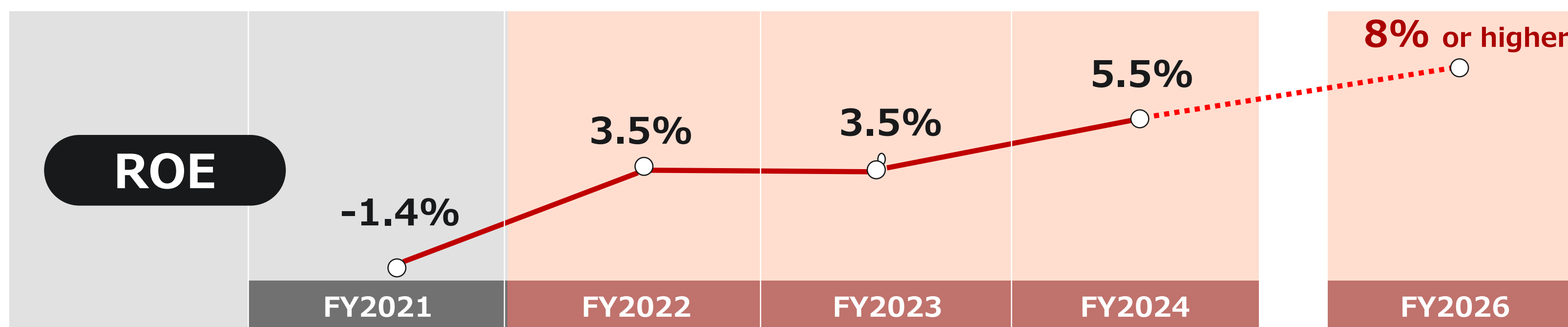
**3-3 Overseas Business**

**3-4 Building Resilient Group Operations**

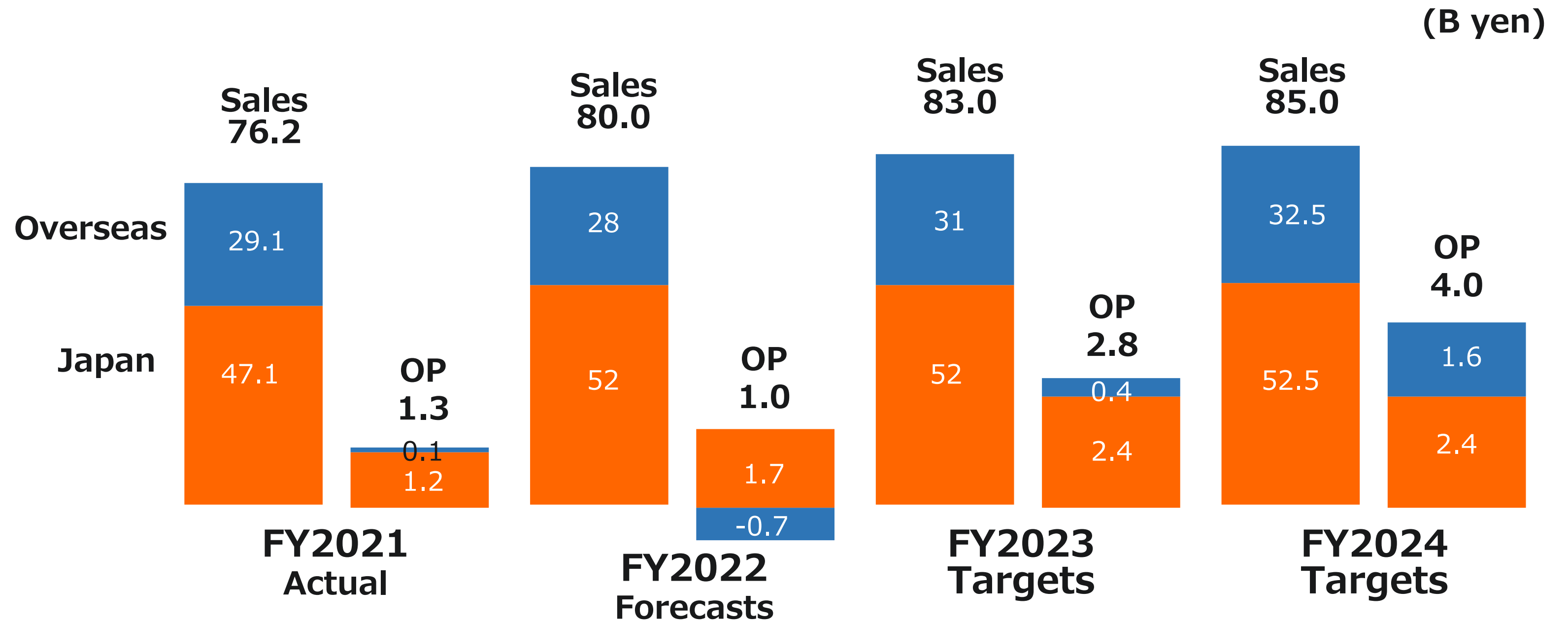
# 3-1-1 Mid-term Targets

(B yen)

	FY2021 Actual	FY2022 Forecasts	FY2023 Outlook	FY2024 Outlook	FY2026 Mid-term Target
Net Sales	76.2	80.0	83.0	85.0	—
Operating income	1.3	1.0	2.8	4.0	—
OP margin	1.7%	1.3%	3.4%	4.7%	—
Ordinary income	1.2	1.1	2.9	4.1	—
Net income	-0.66	1.5	1.6	2.6	—
NP margin	-	1.9%	1.9%	3.1%	—
ROE	-1.4%	3.5%	3.5%	5.5%	8% or higher
CAPEX	2.8	2.6	3.0	4.0	—
Depreciation	2.5	2.5	2.6	2.8	—
R&D Expenditures	3.0	3.3	3.5	3.5	—



# 3-1-2 Mid-term Targets by Region



	FY2021 Actual	FY2022 Forecasts	FY2023 Targets	FY2024 Targets
Overseas sales ratio	38%	35%	37%	38%
Overseas OP ratio	5%	-%	14%	40%

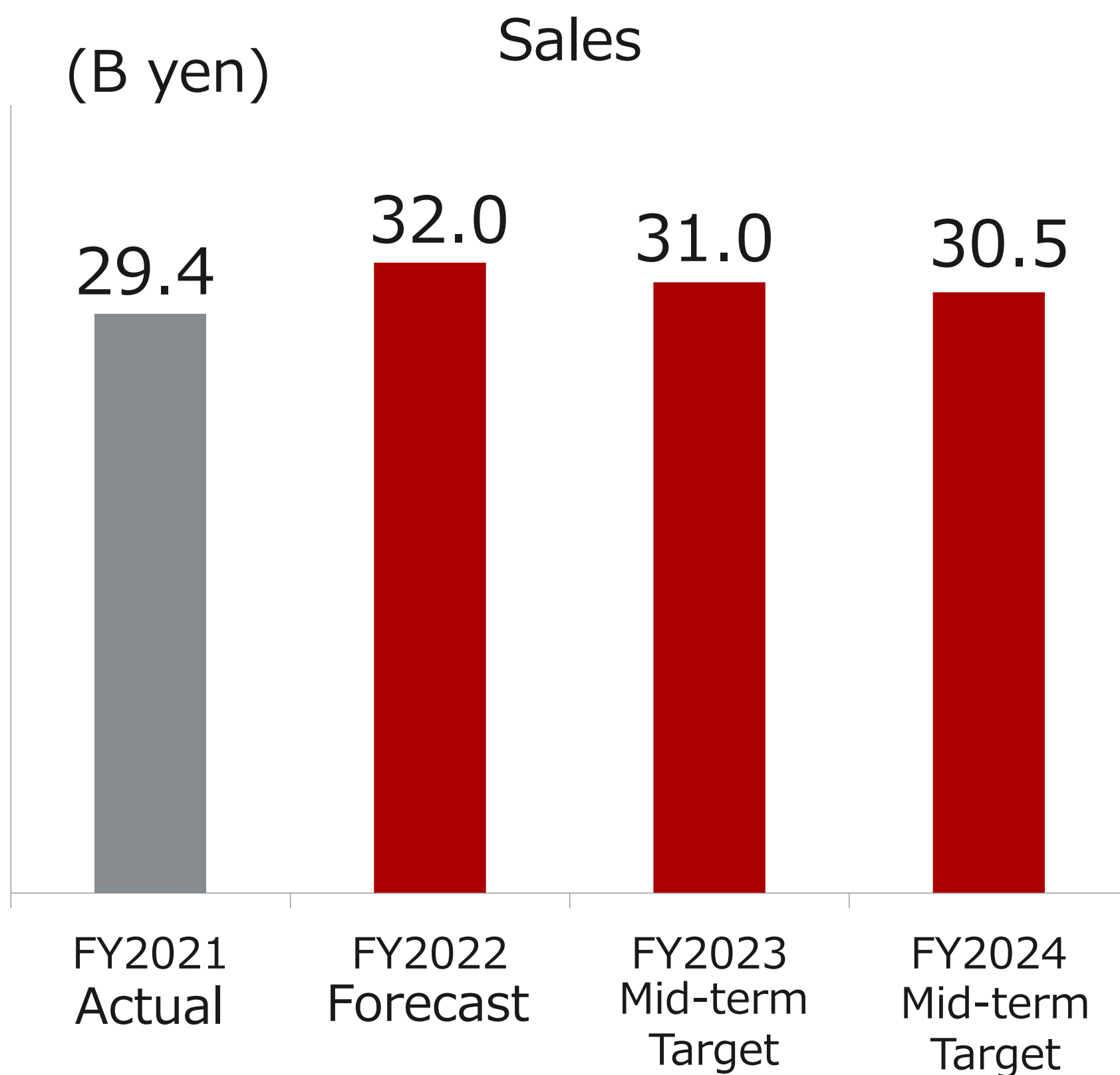
### 3-1-3 Mid-term targets by Business Portfolio

#### Sales by Business Portfolio

(B yen)

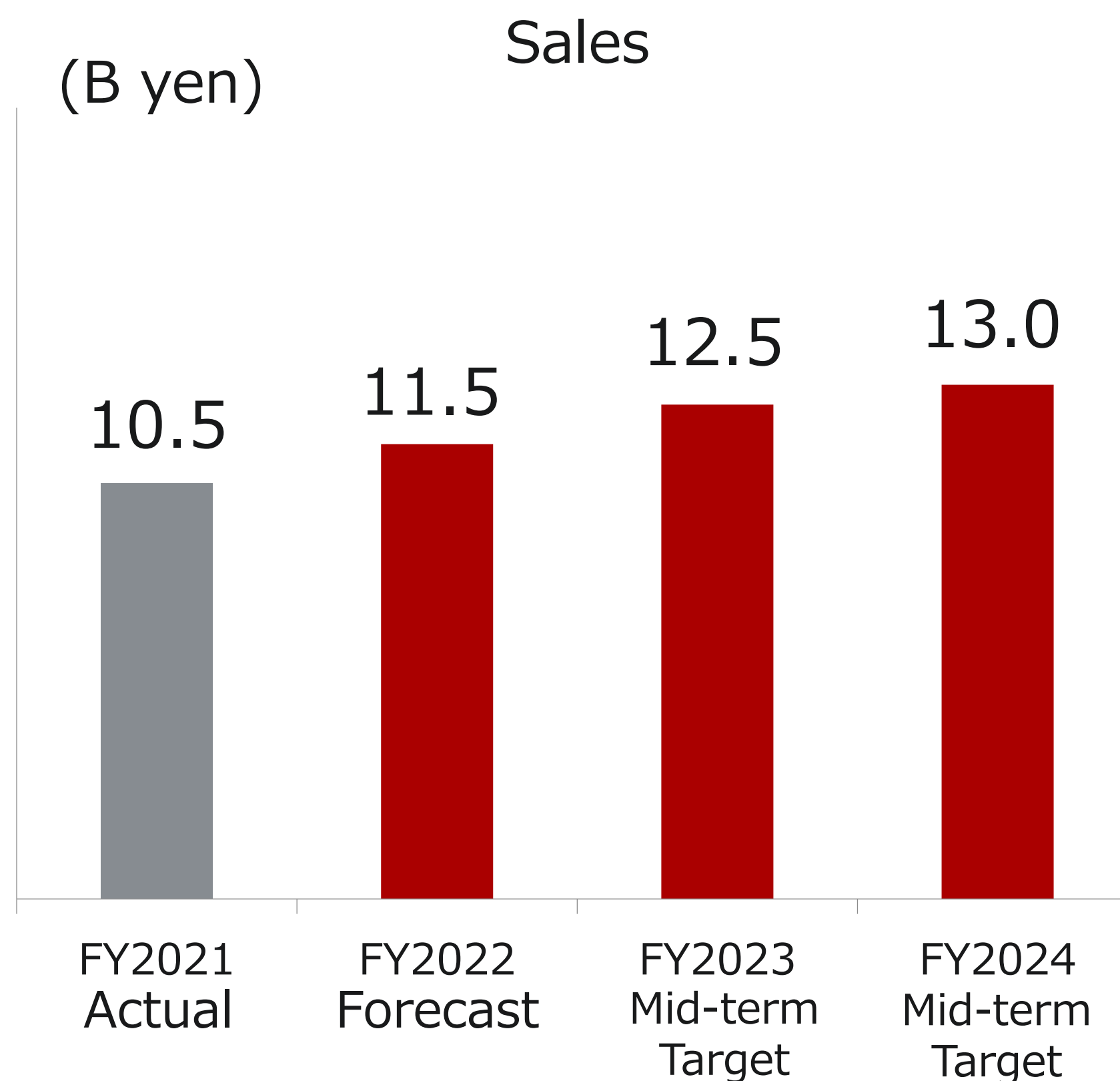
	FY2021 Actual	FY2022 Forecasts	FY2023 Targets	FY2024 Targets
Smart meters & solutions in Japan	46.0	50.0	50.0	50.5
Smart meter business	29.4	32.0	31.0	30.5
Solution business	10.5	11.5	12.5	13.0
Switchgear business	6.0	6.5	6.5	7.0
Smart meters & solutions in Overseas	29.1	28.0	31.0	32.5
Oceania	10.6	12.0	13.5	15.0
Europe	11.3	10.0	11.5	11.5
Asia	6.0	4.2	3.5	3.0
Middle East and others	1.1	1.8	2.5	3.0
Other business in Japan	1.1	2.0	2.0	2.0

## Smart meter business



- FY2021: Decreased from component shortage.
- FY2022: Sales rebound from FY2021.
- Mid-term: Reinforce development and production of next-generation smart meters.

## Solution business



- FY2021: Decreased due to slow investments by customers.
- FY2022: Increase mainly from energy related solutions.
- Mid-term: Increase with decarbonization solutions.

**Solution business in Japan** addresses **social challenges**, such as energy saving and labor efficiency, by applying **measurement and control technologies**.

Short to mid-term growth  
Expand energy related solutions

Mid to long-term growth  
Launch and expand GX\* solutions

Smart meters

**Measure**

power usage



Energy management services

**Cut** power usage



Smart metering systems

**Cut** work related to meter reading

**GX solutions**

**Cut** GHG emission and energy usage

**Cut** green-related operation costs and workloads

**Support decarbonization of society**

\* GX: Green Transformation

### Launched a decarbonization service collaborating with zeroboard and ESP.

The service offers:

- Data management for CO2 emissions and power consumption (Scope 1 - 3).
- Consultation to lower CO2 emission and power consumption based on data.
- Provision of information of latest green-related law amendments and systems.





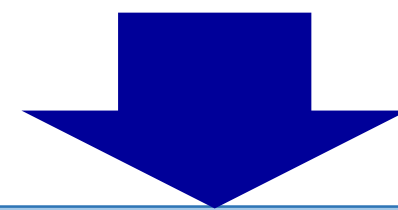
## Business Environment

Short-term: Shortage of electronic components, hikes in material and freight costs.

Mid-term: Speeding up actions to protect environment worldwide

- Demand to measure and control CO2 emission (equivalent to power usage).

→ It is important for us to provide meters and solution.



## OSAKI's strategy

Meter (Hardware)  
Business

Transform

Expand  
meter & solution sales

- Respond to customer needs.
- Manage component procurement risks.

Improve profitability.

Improve profitability by expanding meters & solutions.

## UK

Meters and communications hub  
--hardware business

## Asia, Middle East, Africa, EU

Shift to meters & solutions and  
improve profitability.

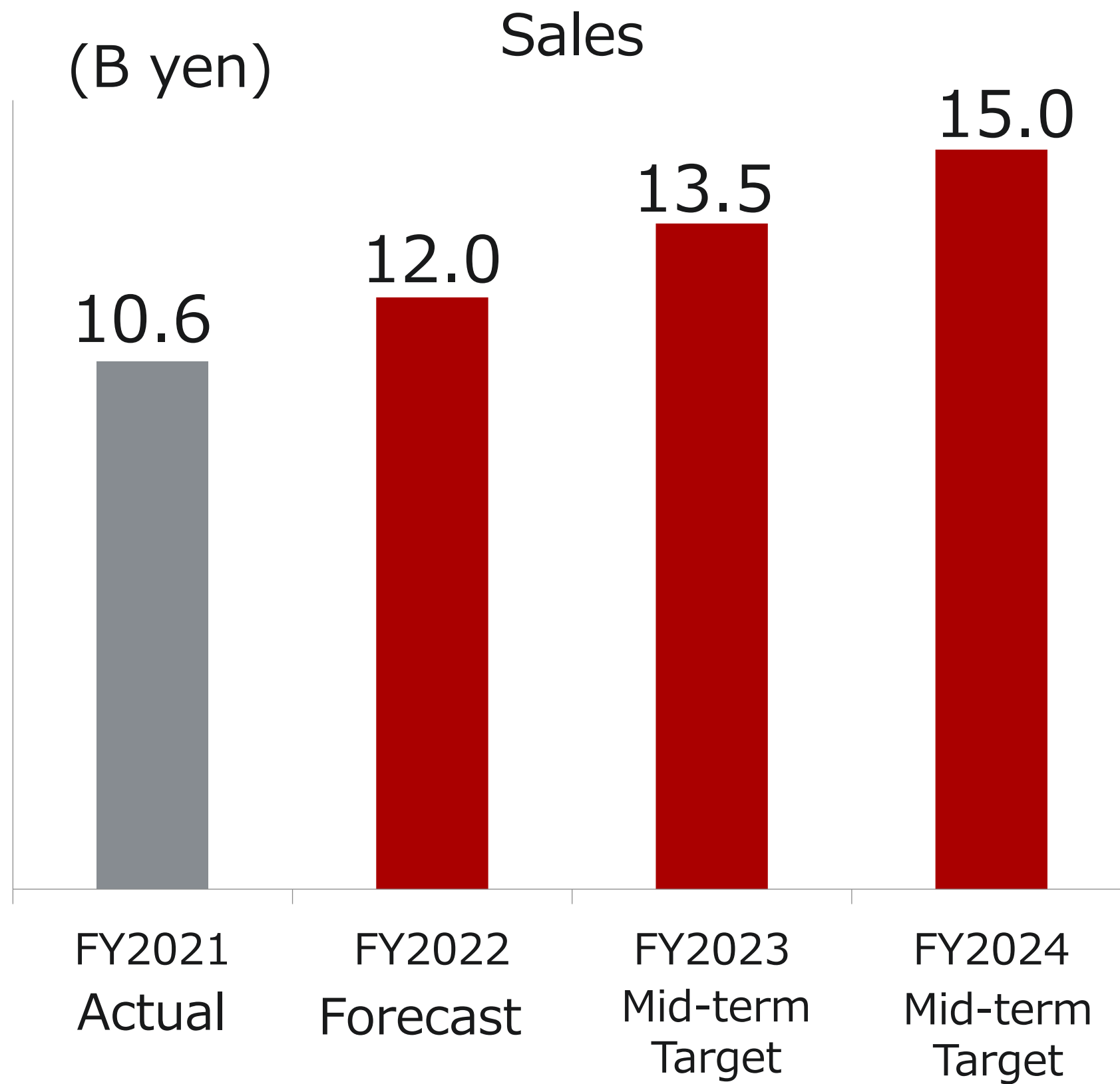
## Oceania

Expanding meters and solution.  
--High profitability

## Challenges

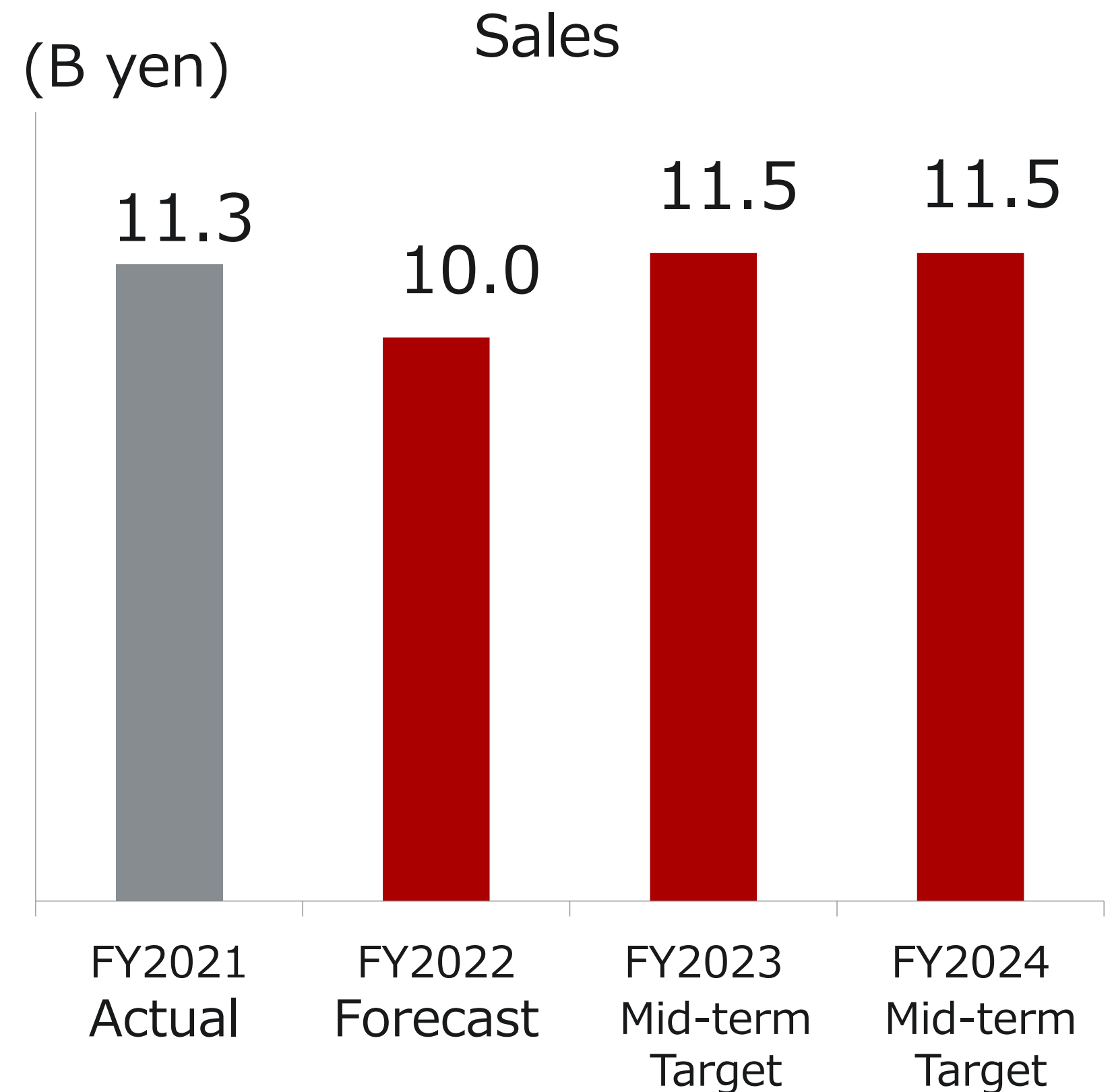
- Speed up development of new hardware and software.
- Reinforce BCP including supply chain.

## Oceania



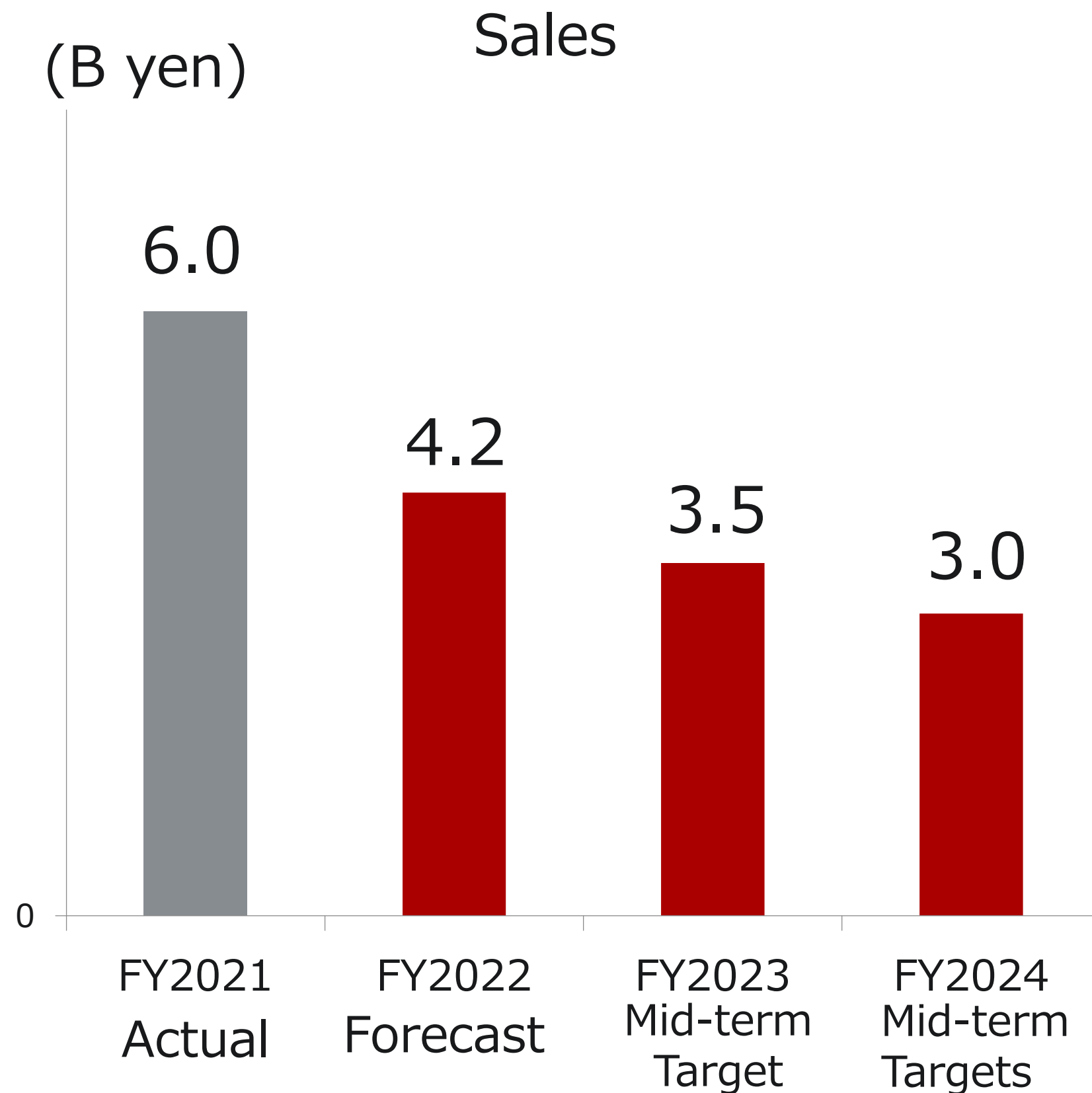
- FY2021: Steady growth.
- FY2022: Stable growth, but high material and freight costs as challenge.
- Mid-term: Maintain high market share with stable growth.

## Europe (mainly UK)



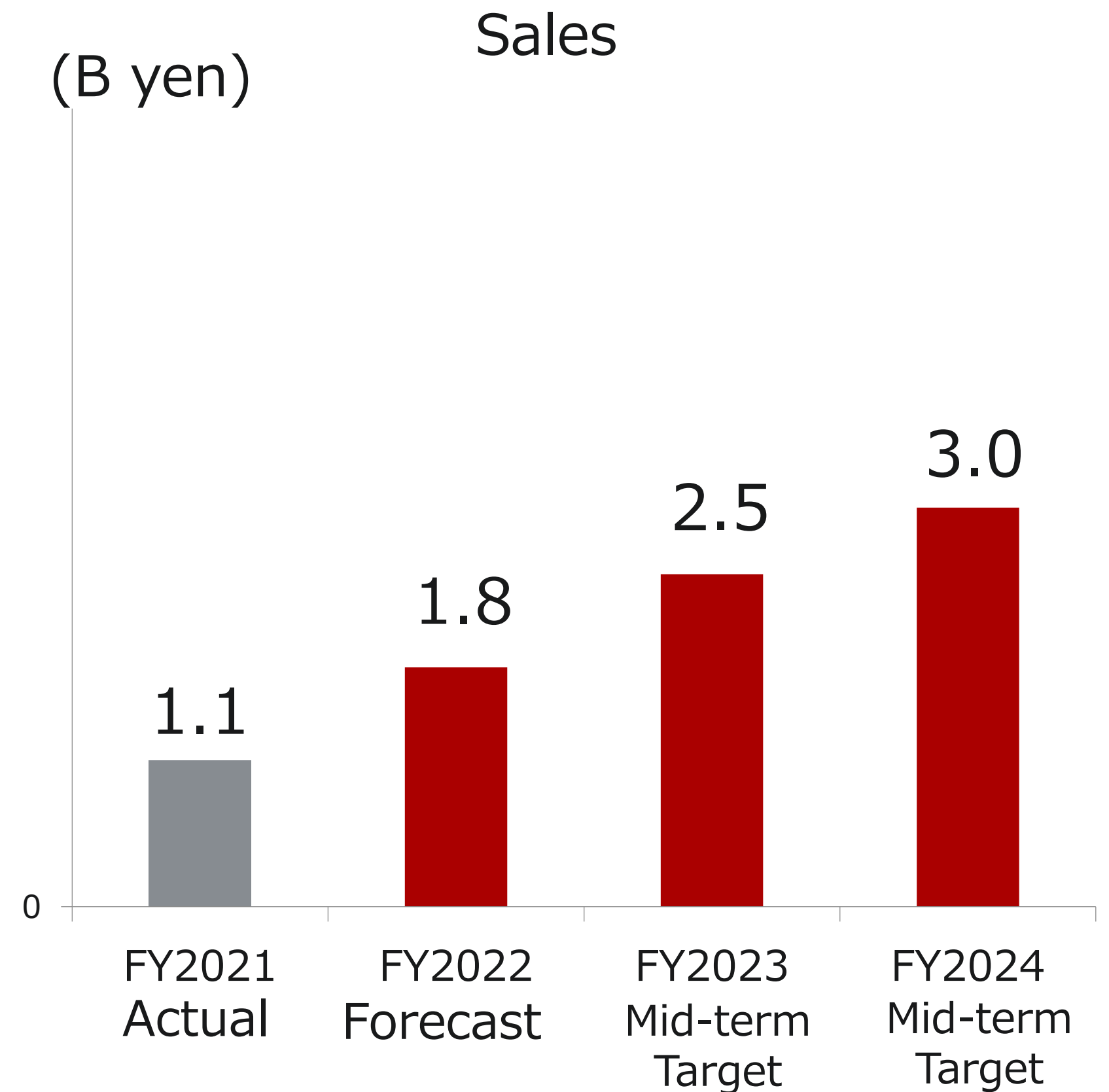
- FY2021: Recovery from COVID-19 impact.
- FY2022: Decrease from electronic component shortage.
- Mid-term: Conservative sales plan reflecting procurement risks, improve profitability with high-end hardware.

## Asia



- FY2021: Delay in bidding and operation from COVID-19.
- FY2022: Decrease from sale of a subsidiary.
- Mid-term: Select and focus on businesses with higher profitability.

## Middle East and others



- FY2021: Slow sales from material shortage.
- FY2022: Conservative sales plan based on procurement risks.
- Mid-term: Expand solution with high profitability targeting growing market.

- Build strong teams by training and allocation
- Strengthen a group-wide risk management
- Elevate financial soundness and allocate group resources
- Strengthen sustainability activities

### Establishment of the Sustainability Promotion Committee

- Established the committee in April 2022, to promote group-wide sustainability activities.
- Appointed President & Representative Director as Chairman, and members of the committee are appointed by the Chairman.

### Basic Sustainability Policy and Materiality Goals

- Based on the OSAKI Group Basic Sustainability Policy, set materiality activities and 2030 goals.

#### The OSAKI Group Materiality Goals

1. Minimizing Environmental Impact
2. Contributing to sustainable cities and communities
3. Respect for Human Rights
4. Creating a diversified workplace and fostering social issue-solving culture
5. Strengthening corporate governance

#### Reference URL:

Basic Sustainability Policy:

[https://www.osaki.co.jp/en/notice/20211208\\_Basic\\_Sustainability\\_Policy\\_of\\_the\\_Osaki\\_Electric\\_Group/main/00/link/en%20sustainability%20policy.pdf](https://www.osaki.co.jp/en/notice/20211208_Basic_Sustainability_Policy_of_the_Osaki_Electric_Group/main/00/link/en%20sustainability%20policy.pdf)

Materiality goals : [https://www.osaki.co.jp/en/notice/Notice\\_Materiality\\_Goals/main/00/link/Sustainability%20goals%20EN.pdf](https://www.osaki.co.jp/en/notice/Notice_Materiality_Goals/main/00/link/Sustainability%20goals%20EN.pdf)

### Disclosure based on TCFD\* Recommendations

- Announced support for TCFD Recommendations and disclosed analysis on “Governance,” “Strategy,” “Risk management system,” and “Indicators and Targets” for 2030.

\*TCFD: Task Force on Climate-related Financial Disclosures

Reference URL:

[https://www.osaki.co.jp/en/notice/Notice\\_TCFD\\_Disclosure/main/00/link/Disclosure%20Based%20on%20TCFD%20Recommendations\\_EN.pdf](https://www.osaki.co.jp/en/notice/Notice_TCFD_Disclosure/main/00/link/Disclosure%20Based%20on%20TCFD%20Recommendations_EN.pdf)

### CDP Scoring

- To respond to CDP questionnaire for climate change in FY2022 and attain CDP score

### SDGs Awards

- OSAKI received 2 awards for SDGs activities in FY2021.
- Recognized for leadership of top management in taking actions in contributing decarbonization of society

**Received “Most Liked!”**

**IR award 2021 from**

**Japan Investor Relations Association**



**Received “sotokoto SDGs award 2021”**

**from sotokoto online,  
an SDGs news website**





## Repurchase of own shares

### 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: 1.5 billion yen (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 (as of May 31<sup>st</sup>, 2022)

- (1) Total number of shares repurchased: 1.39 million shares
- (2) Total amount of repurchase price: 0.67 billion yen



# **Global Energy Solution Leader**

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

# Appendix

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# Sales by Business Portfolio

(Excluding intercompany sales)

## ■ Smart meters & solutions in Japan

(M yen)

	FY2018	FY2019	FY2020	FY2021
Smart meter business	41,274	35,886	32,016	29,425
Solution business	9,408	10,006	10,510	10,531
Switchgear business	5,568	5,926	5,641	6,025
Total	56,251	51,819	48,169	45,983

## ■ Smart meters & solutions overseas

(M yen)

	FY2018	FY2019	FY2020	FY2021
Oceania	9,522	9,422	9,154	10,642
Europe	4,422	9,544	8,938	11,339
Asia	6,713	8,753	4,882	6,041
Middle East and others	3,295	8,770	3,703	1,071
Total	23,952	36,490	26,678	29,095

# Strengthen Business Portfolio management

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

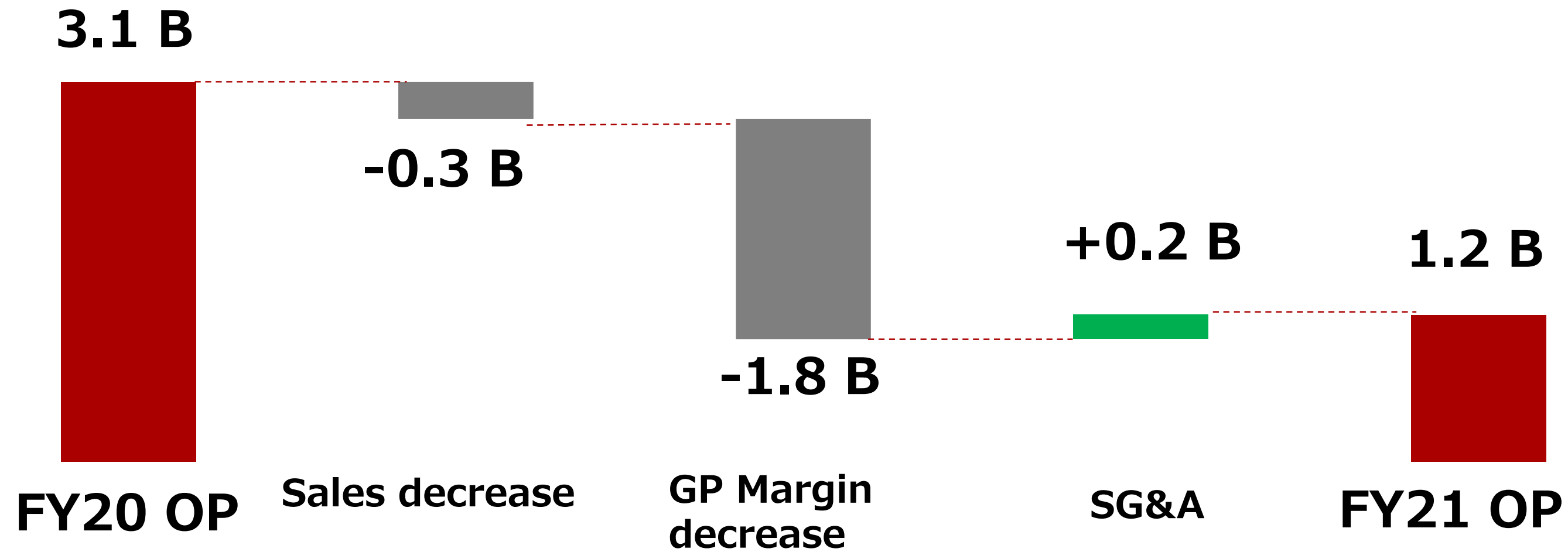
Business Portfolio	Position and Basic Policy
Smart meter business	Drive as a core business and pursue stable profit contribution.
Solution business	Provide solutions for social issues such as energy saving and decarbonization by leveraging strong smart meter business. Aim to improve profitability in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

## ■ Smart meters & solutions overseas: Monitored by regions

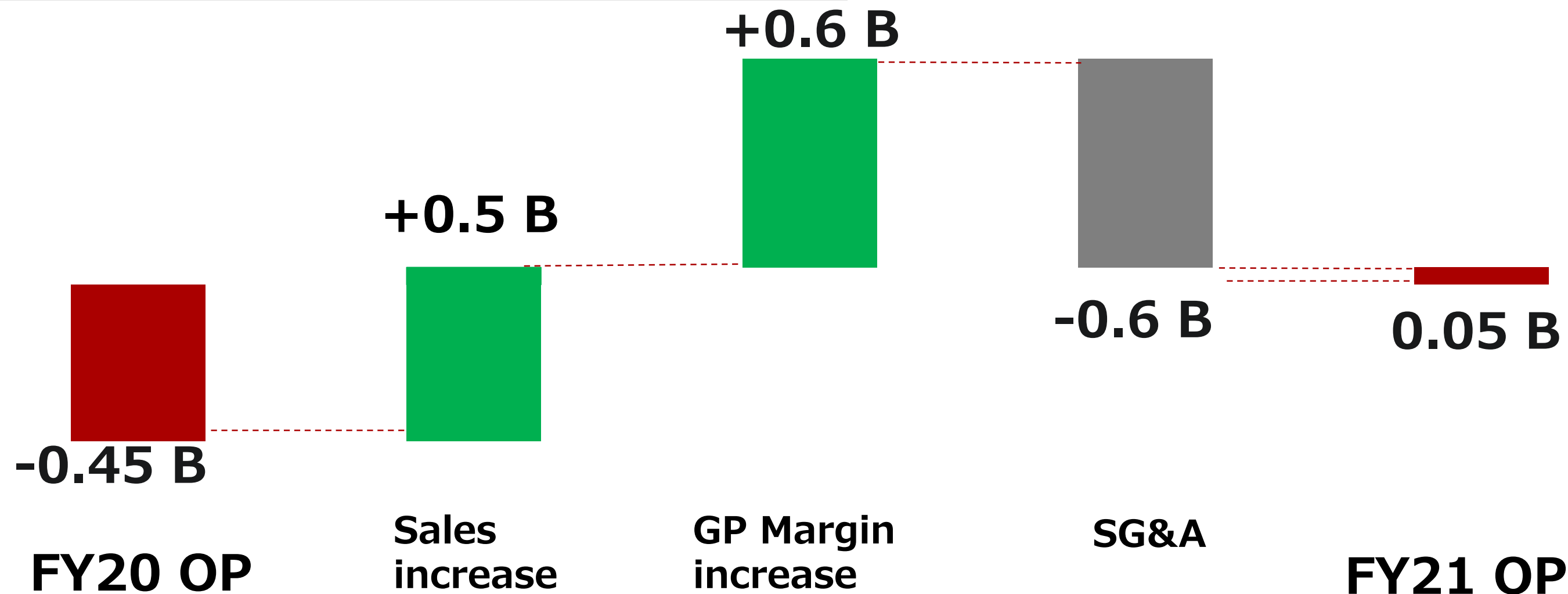
Business Portfolio	Position and Basic Policy
Oceania	Reinforce solution business by combining smart meters and head-end systems. Aim for stable profit growth.
Europe	Improve profitability in UK by improving product mix and reducing production costs.
Asia	Improve profitability by focusing on high margin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

# FY2021 Operating Profit Change (YoY)

## Smart meters & solutions in Japan



## Smart meters & solutions overseas



- Opened a showroom at Saitama R&D and Manufacturing Center, in addition to the “Open Innovation Lab” in Gotanda, Tokyo.
- Provide a place for discussions and displaying information to accelerate innovative collaborations with partners.

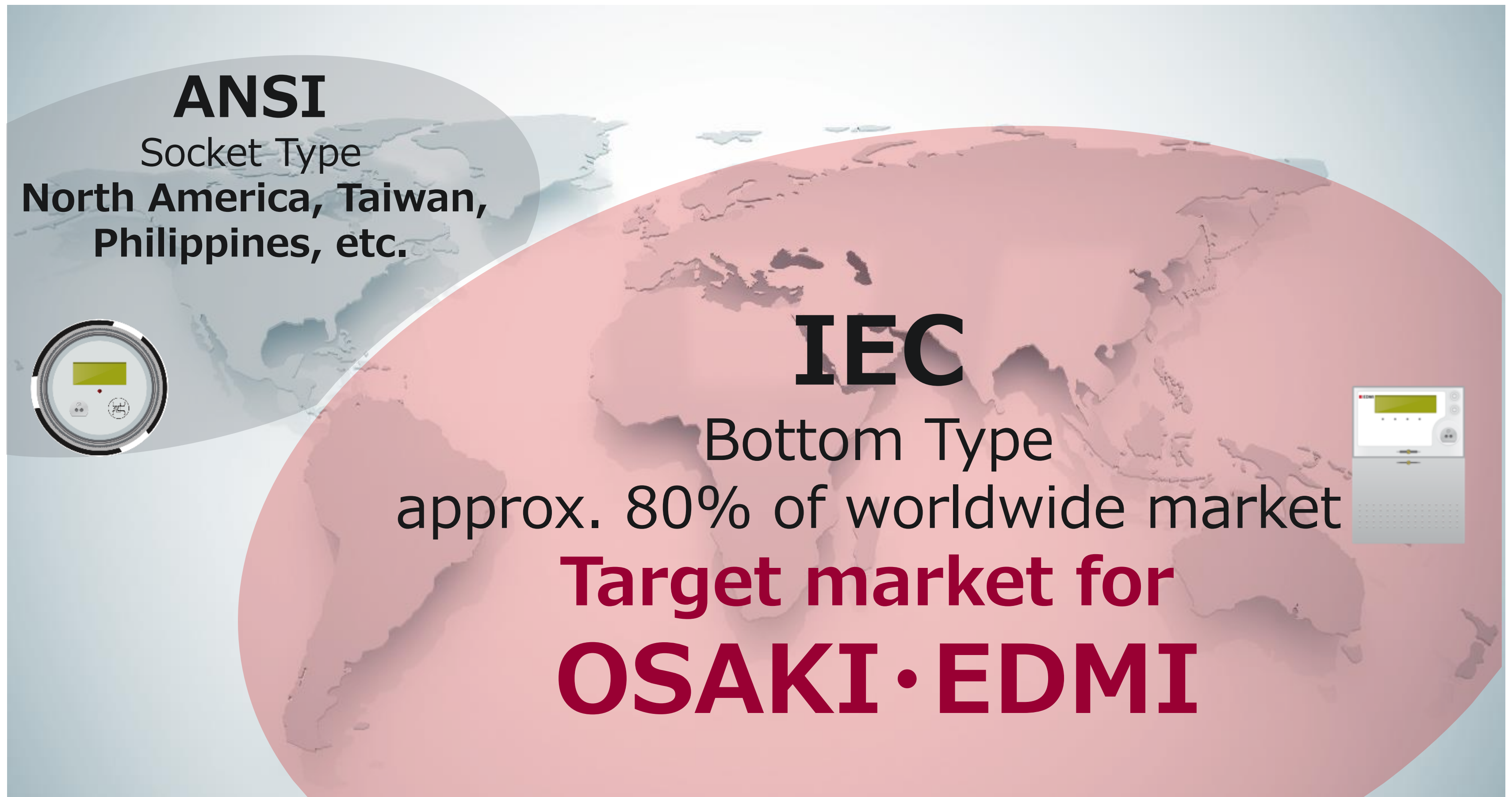


Open Innovation Lab in Gotanda,  
Tokyo




Showroom at Saitama R&D and  
Manufacturing Center


## 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 · EDM I**





## 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 solution 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

Set the committees for appointment and compensation

Appoint an outside board as Chairman in Feb. 2019.

Majority are outside members

➔ Attain fairness, objectivity and transparency

Introduction of executive officer system in June 2020

Expected ratio of Independent Directors: 1/3 after the General Meeting of Shareholders in June 2022

Supervision

Advisory committees  
Executive officer system

## 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%

		(Yen)	FY2018	FY2019	FY2020	FY2021	FY2022 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		978 Mn	978 Mn	980 Mn	974 Mn	
Pay out ratio	Annum		54.1%	81.7%	203.3%	-	62.6%
DOE	Annum		2.2%	2.2%	2.2%	2.3%	2.3%

## 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 Prime Market**

**Code: 6644**

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