

OSAKI Group Corporate Report

2019



Global Energy

Providing tomorrow's energy

Solution Leader

solution for a better society

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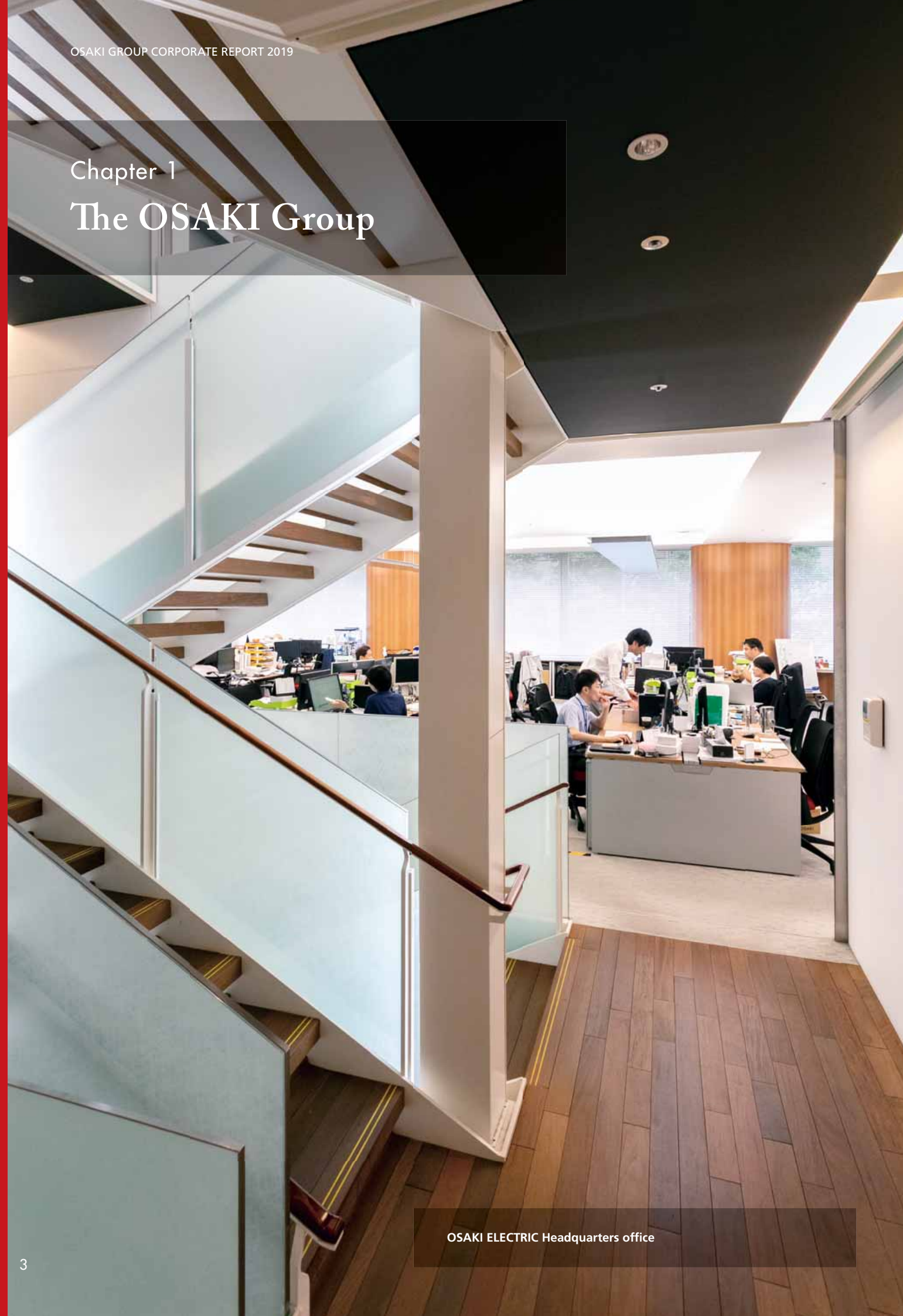
- Reporting Period
April 1 2018 to March 31, 2019
* It also contains some latest initiatives and policies to provide updated information.

- Editing Policy
OSAKI Group Corporate Report 2019 serves to provide our shareholders, investors and other stakeholders with a clear overview of our Group's initiatives for sustainable growth. The Corporate Report includes both financial and non-financial information mainly on our performance and strategies for increasing corporate value, referring to the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC).

- Notice on forward-looking statements:
This Corporate Report 2019 contains forward-looking statements such as the future business performance of OSAKI ELECTRIC. As these statements are based on the information available at the time of the preparation of this report, please note that the actual results might differ materially from the content described or suggested therein due to various factors.

In this Corporate Report, OSAKI ELECTRIC Co., Ltd. is written as OSAKI ELECTRIC or the Company, and OSAKI ELECTRIC Group as OSAKI, OSAKI Group or the Group.

Chapter 1 The OSAKI Group



OSAKI ELECTRIC Headquarters office

Message from the Chairman

Since its founding in 1916, the OSAKI Group has remained committed to the effective application of energy through power measurement and control. OSAKI has captured a leading position in Japan for its main product, the smart meter. Also, EDM I Limited, a global manufacturer of smart meters, joined the Group in 2012 to accelerate expansion. As of September 2019, OSAKI operates in more than 100 countries across Japan, Oceania, Europe and other regions.

The OSAKI Group's corporate vision is to be a "Global Energy Solution Leader" that takes on social challenges related to energy. The business environment for smart meters around the world is undergoing significant changes, as the Internet of Things (IoT) and Artificial Intelligence (AI) technologies rapidly evolve. Together with our diverse range of business partners, we aim to grow the Group by providing smart meters with enhanced functionality and innovative solutions that integrate IoT and AI into the global market.

We ask you to join us in our journey.

Yoshihide Watanabe
Chairman and CEO

OSAKI Group Vision

Global Energy Solution Leader



Financial and Non-financial Highlights (Year ended 31st March 2019)

Net sales

¥82,089 million
YoY +4.2%↑

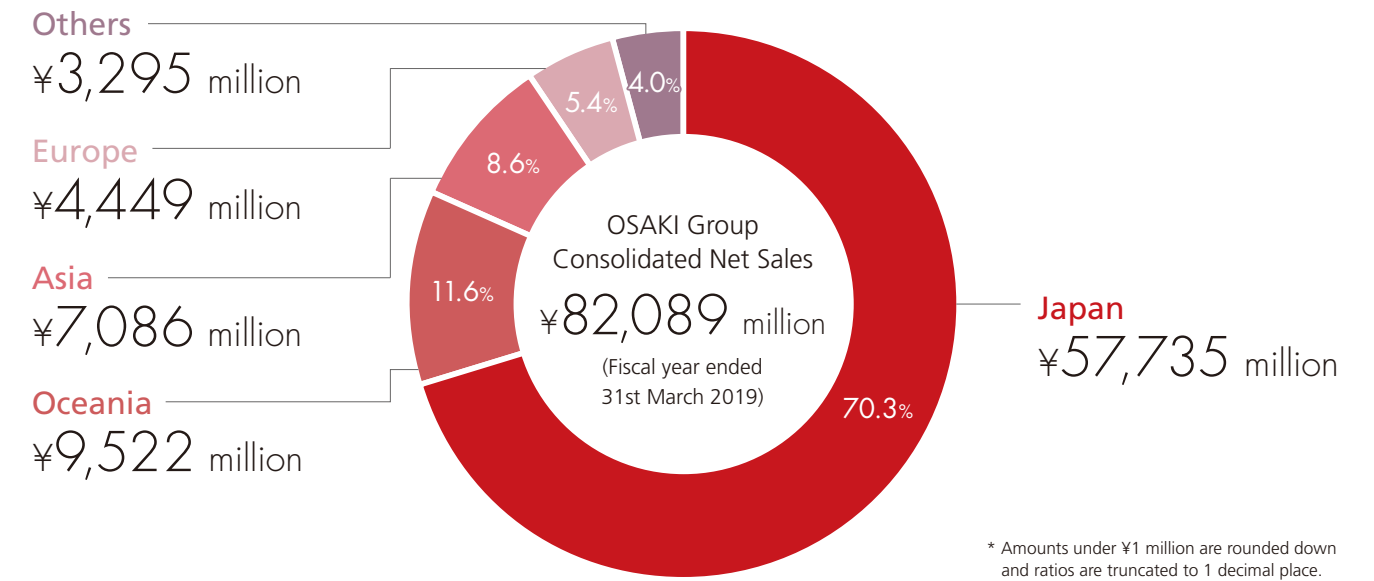
Smart meter sales to Australia increased. Revenues increased for new projects in the Middle East along with higher sales of communications hubs in the UK.

Operating income

¥4,299 million
YoY -22.5%↓

Decreased mainly due to an increase in the Global Business related costs. Factors include an increase in costs attributable to production delays caused by a lack of some electronic materials, and higher cost to sales ratio from changes in product mix.

Sales by Region



Profit attributable to owners of parent

¥1,806 million
YoY -32.2%↓

Decreased corresponding to the decline of operating income.

Net income per share

¥36.95
¥54.63 for the year ended 31st March 2018

Decreased corresponding to the decline of operating income.

Net assets

¥58,881 million
YoY +1.7%↑

Increased due to the increase in retained earnings and the decrease in treasury shares deducted from net assets.

Net assets per share

¥974.95
YoY +¥16.15↑

Increased due to an increase in net assets.

Number of employees / Number of nationalities of employees (consolidated)

3,383 / 35 nations

Ratio of female employees

OSAKI ELECTRIC: 18.1%
EDMI: 33.8%

Return on equity (ROE)

3.8%
5.8% as of the end of the previous fiscal year

Declined corresponding to the decrease of profit attributable to owners of parent.

Equity ratio

48.5%
54.5% as of the end of the previous fiscal year

Declined because an increase in notes and accounts receivable - trade and inventories outside Japan exceeded the increase in net assets.

Number of employees who took paternal leave (OSAKI ELECTRIC)

5

Number of participants of language study abroad programme (OSAKI ELECTRIC)

16 (accumulated)

Chapter 2 Our Growth Strategy



Teleconference between our global site and office in Japan



The OSAKI Group aims to be “Global Energy Solution Leader” that creates new values to society worldwide through our energy solutions.

In order to make a sustainable growth globally, we formulated the Mid-term Management Plan for five years starting from fiscal 2019 and announced it in May 2019.

Mitsuyasu Watanabe
President and COO
OSAKI ELECTRIC Co., Ltd.

Q1: How would you describe fiscal 2018?

Fiscal 2018 has been a year for the group to face new challenges. In Japan, we worked hard to meet strong demand for delivering smart meters. In solution businesses, we took steps in expanding power-saving and labor-saving services, examples of our solutions to solve the social issues we face today. Furthermore, with the launch of new businesses such as the “watch series,” we are expanding solution lineups. In November 2018, we established our first open innovation laboratory. My aim is to accelerate collaboration with various partners in developing value-added solutions.

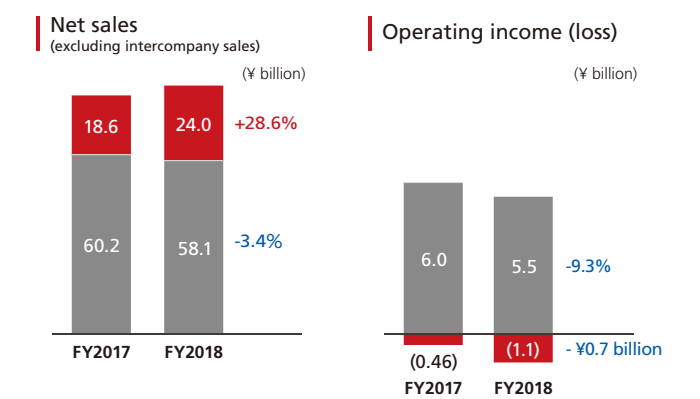
Global smart meter business, on the other hand, struggled to meet the sudden hike in demand due to a shortage of materials. However, we saw our business grow strongly in Oceania, and a new contract in the Middle East assured us of our positive outlook on future growth.

All in all, fiscal 2018 closed with an increase in revenue and decrease in profit year-on-year. Nonetheless, it was an important year to the OSAKI Group in identify-

ing business and organisational challenges, and drawing a roadmap for future growth summarised as “Mid-term Management Plan 2019–23.”

Business results by region

■ OSAKI ELECTRIC and its subsidiaries in Japan
■ Subsidiaries outside of Japan



*Reference data based on a managerial accounting system

Q2: What is your assessment of the business environment surrounding the OSAKI Group in formulating the Mid-term Management Plan?

The strong demand for smart meters in Japan has brought profits to the Group for years, but we expect the demand will gradually decrease for several years from fiscal 2019. Taking that into consideration, we forecast decreased sales and profits for Japanese business from fiscal 2019 to 2023.

On the other hand, we acquired a smart meter company in Singapore in 2012 to seek expansion outside of Japan. Since then, we have invested in global businesses and we expect to see full-scale growth from fiscal 2019. In Oceania, where we have a particularly strong customer base, we have closed long-term contracts with major customers which will contribute to steady growth for the next several years. Our efforts to enter the residential smart meter market in the UK are expected to

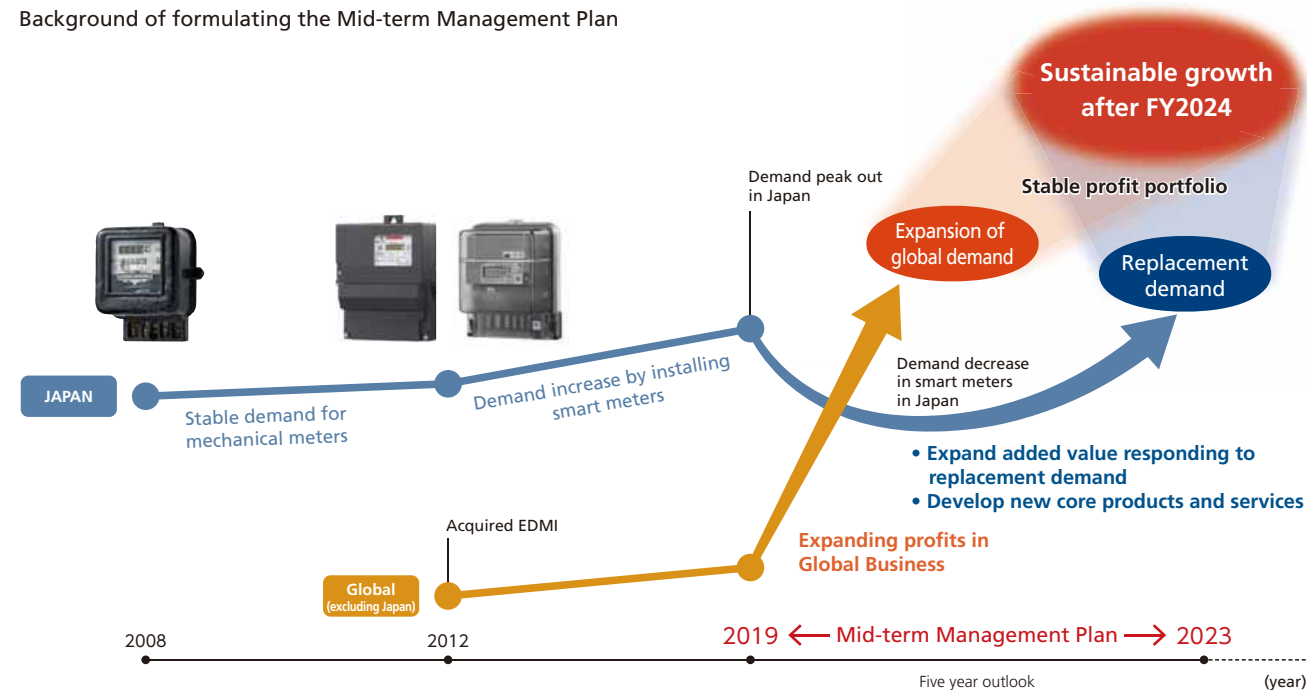
deliver tangible results from fiscal 2019. In addition, a new contract in the Middle East will contribute to revenue and profit expansion. All in all, strong growth in global business may well outgrow the decline in Japanese business.

Q3: What are the key strategies to achieve the Mid-term Management Plan?

Our key strategies are the following:

- 1. Expanding profits in global business**
Our global business is led by EDMI, a subsidiary OSAKI ELECTRIC acquired in 2012 and headquartered in Singapore. Oceania, the UK and the Middle East are our focus markets and we will reinforce operations in these regions. To fully meet increasing global demand, OSAKI ELECTRIC, the parent company in Japan, will take initiatives in reinforcing

Background of formulating the Mid-term Management Plan



Mid-term Targets

	FY2018 Results	FY2019 Forecasts	FY2020 Outlook	FY2021 Outlook	FY2023 Mid-term Targets
Net sales	82,089	92,000	100,000	105,000	—
Operating income	4,299	4,300	5,000	6,000	8,000 or more
Profit attributable to owners of parent	1,806	1,600	2,000	3,000	—
ROE	3.8%	3.3%	4.0%	6.0%	8.0% or higher

(¥ million)

group-wide development and manufacturing, and will particularly strengthen procurement and manufacturing capacity outside Japan. I believe this is a good example of group synergy.

- 2. Expanding value-added smart meter businesses**
In addition to the manufacturing and sales of smart meters, we will reinforce solution businesses such as automated power-saving and metering services to a wider range of customers. These services deliver added value to our customers while utilising existing power infrastructures. We aim to provide solution services to solve social issues by integrating new technologies such as IoT, AI and edge computing to our services.

Our efforts in exploring solution businesses will support our challenges in developing next-generation smart meters for the "New power platform using next-generation technologies," a project led by Japanese government. We will work closely with our customers in exploring a wide range of possibilities in new services by using smart meters as communication hubs.

- 3. Developing new products and services**
By leveraging our strength in measurement and control technologies and integrating new technologies such as IoT and AI, we will develop services

with new value. We will particularly focus on the following:

- Developing and providing new services which will change the living style of people and the business style in society
- Developing and providing new products and services which support the "New power platform using next-generation technologies."

These initiatives will be carried out in collaboration with various partners from a wide range of industries at our open innovation laboratory.

- 4. Building resilient operations structure**
In carrying out the above strategies, we will build a resilient operations structure in the following areas:

 - Strengthen group-wide operations in development and manufacturing
 - Build strong teams by promoting greater diversity in personnel and training
 - Reinforce cost control
 - Promote corporate brand

We will implement the aforementioned four strategies and deliver fiscal 2023 financial goals: Operating income of 8 billion yen or more and ROE of 8% or higher.

Q4: How will you increase global business profits?

We will take the following measures to attain profit growth:

1. Strengthen customer base with smart meter (hardware) business

We will strengthen our hardware customer base by leveraging existing contracts of smart meters and entering new markets to attain new customers. The UK project is a great example to elevate our global presence in the hardware business. I see the hardware business as a first step to strengthen

customer relations, and we will take further steps to provide services and solutions that would bring added value to customers.

2. Increase profits by expanding "Total Solution Services"

We will strengthen solution businesses to further improve profitability by expanding sales of smart meters coupled with various solution services. We have been providing metering solution services for years in Oceania where we have very strong relationships with customers. We will extend the total solution services to other regions.

3. Expand subscription services via the cloud

In Oceania, we have begun the metering solution provided via the cloud. This is a subscription business model in which the service fees are billed monthly and contributes to higher profitability. We aim to expand the subscription type business model to other regions.

Q5: The demand for smart meters in Japan is expected to decrease for the next five years. What measures do you plan to take?

I see the slowdown period of the smart meter's demand cycle as a great chance for OSAKI to explore new business opportunities in Japan in line with the development of next-generation smart meters.

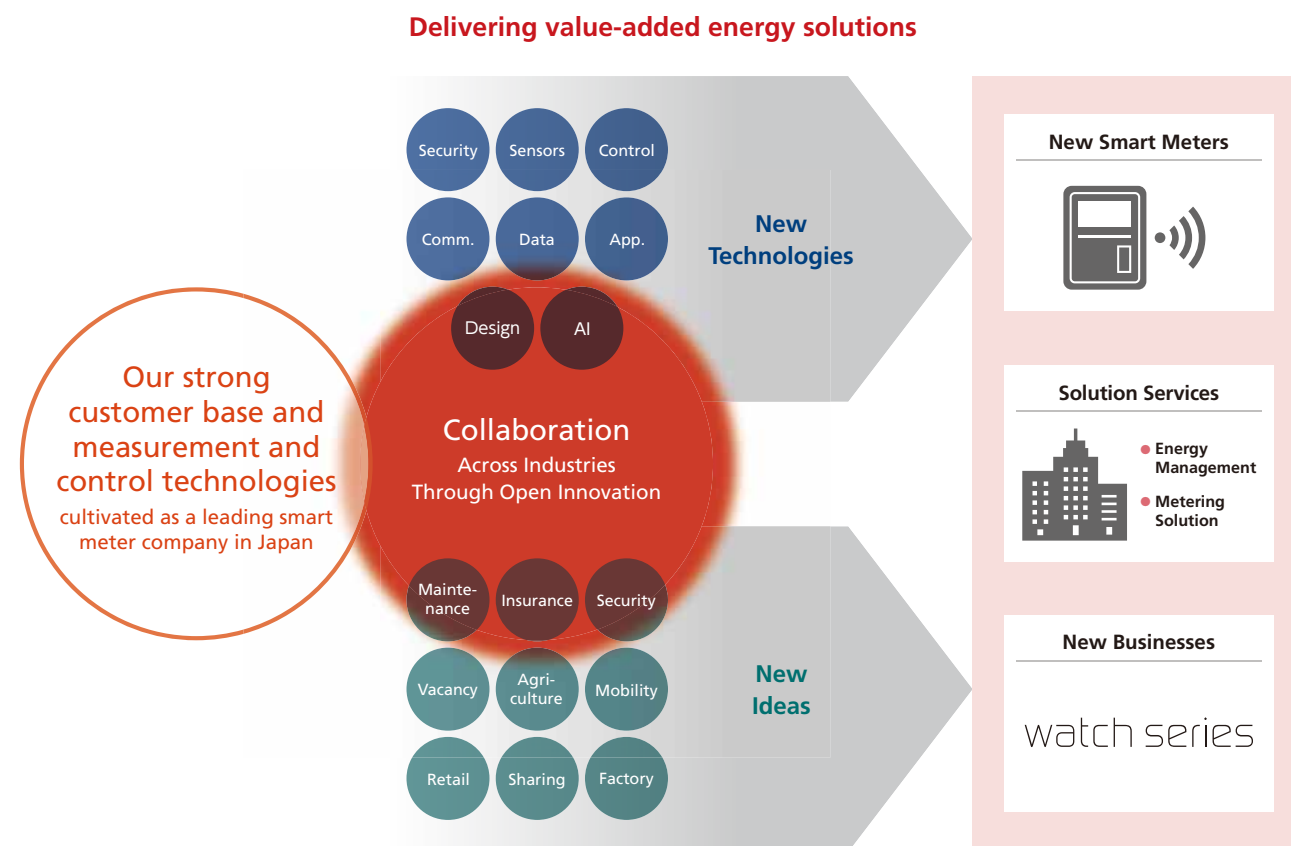
In the foreseeable future, smart meters will be installed in every household and building in Japan. It will then be possible to provide services customised to each household using a network built on the next-generation energy infrastructure. I believe that smart meters will function as an important part of the network. Also, as a leading smart meter company, I am confident that our highly sophisticated technologies in measurement and control, as well as our strong relationships with customers in the energy industry, will contribute to the development of a future smart society.

Today, OSAKI is partnering with start-up companies, research centers at universities and companies from various industries. Through collaboration with our partners, we will respond to fast-changing market and diversified consumer demand in aiming to deliver value-added energy solutions.

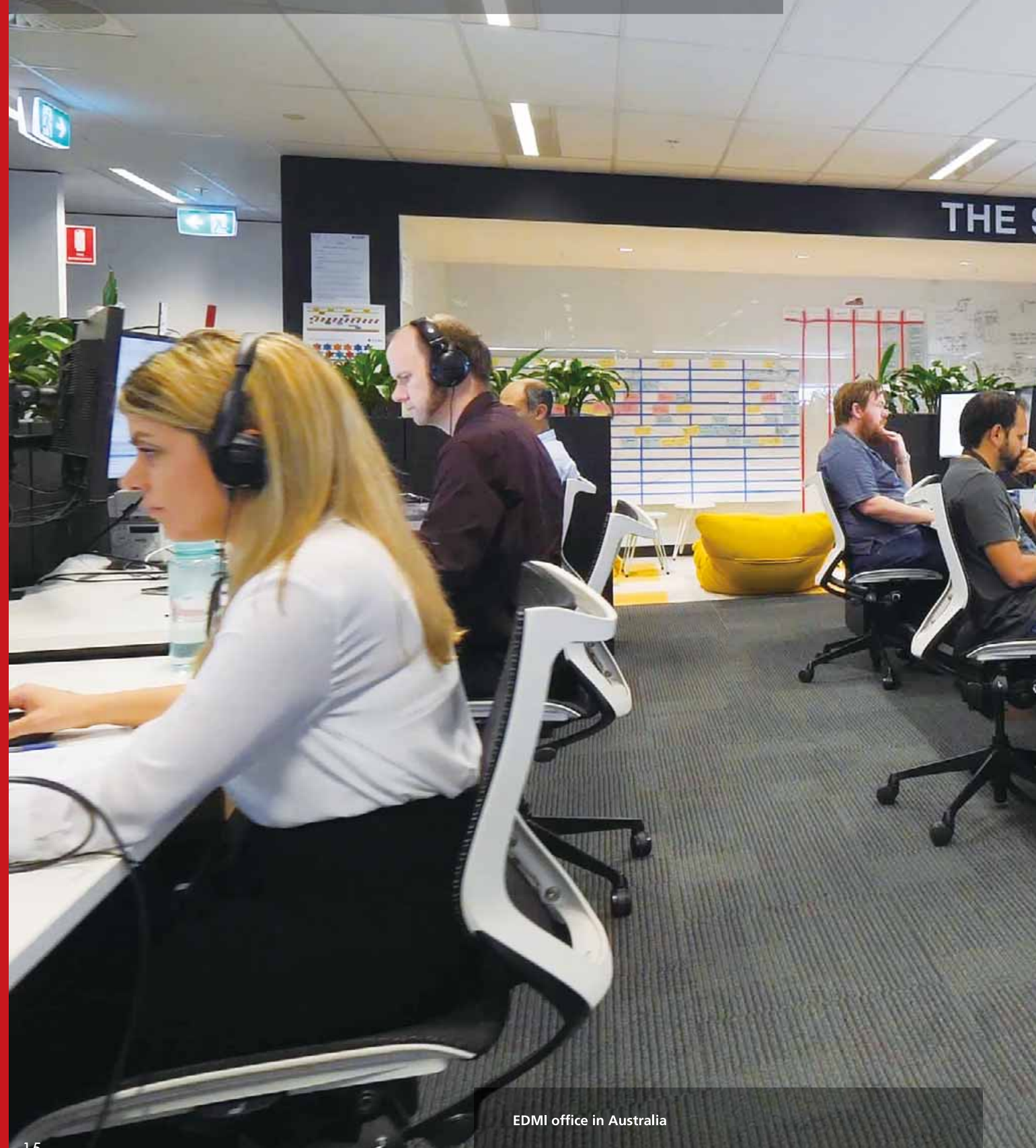
Q6: What is OSAKI's vision for the future?

Our Group vision is to become the "Global Energy Solution Leader." To attain the position of a leader in the global market, we will leverage our strengths in measurement and control technologies and high-quality products. Furthermore, the Group must gain speed responsive to changes in the business environment and creativity in supporting customer needs.

OSAKI has a company history of over a 100 years. In its long history, at every turning point, the Company and its employees responded quickly to changes in the market, technology and social changes. Today, the OSAKI Group has a great potential to change and grow further, making a sustainable contribution to society for the next 100 years.



Chapter 3 Business Environment and Strategies



EDMI office in Australia



Global Business Strategies



How New Seng
Chief Executive Officer
EDMI Limited

Driving global growth against the backdrop of worldwide increased demand for smart meters

Since its establishment in 1978, EDM has been renowned for delivering high quality products and services globally. In more recent years, EDM has expanded its footprint by adapting its technology to suit a range of markets, capturing significant business in Oceania, the UK and the Middle East.

As the number of smart meters rolled out year on year continues to increase globally, EDM is working closely with OSAKI ELECTRIC to scale the reliable delivery of products and services to maintain EDM's differentiated high quality offering.

As a trusted supplier to many of the world's leading utility businesses, EDM is continuing to expand the scope of its customer offering, including the delivery of end-to-end solutions and services, and be a company with sustainable recurring profit.

Financial Results in Fiscal 2018

Despite success in sales expansion in smart meter supply to Australia and new business in the Middle East, fiscal 2018 business resulted in an increase in revenue but a decline in profit compared with fiscal 2017 due to an increase in costs associated with delays in production caused by a shortage of some electronic components.

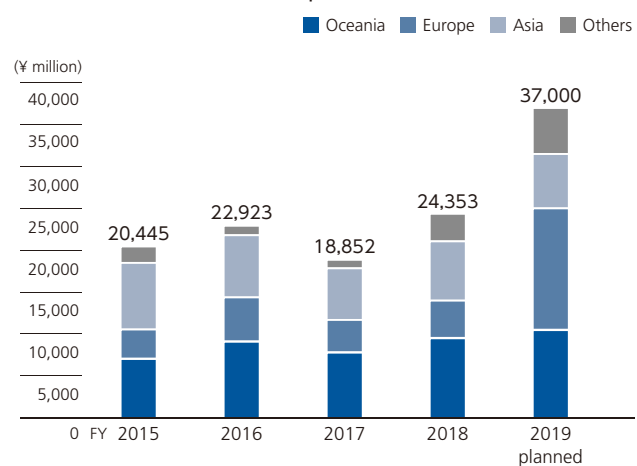
Profit in the fourth quarter was improved substantially by taking measures against several challenges in production across Group companies in the period.

5-Year Mid-term Management Plan and Actions for Fiscal 2019

Prior investment was made for the smart meter project with a central focus on the UK market, and full scale supply for the UK is expected to start from fiscal 2019. In Oceania and the Middle East, the demand for smart meters along with metering systems is increasing, which gives more projects and sales opportunities to improve profitability. Responding to these increased demands, OSAKI aims to become a truly global corporate group in which revenue from business outside of Japan reaches nearly half of consolidated financial results through building of a resilient operational and development structure across Group companies.

In fiscal 2019, the first year of taking measures under the aforementioned strategy, supply agreements have been signed with major clients in Oceania, the UK and the Middle East at a steady rate. This is expected to result in an increase in profit and revenue compared with fiscal 2018, which will complement a dip in demand in the Japanese market.

Consolidated sales outside Japan



Strategies by Region



The installation of smart meters in Oceania is actively continuing to ensure efficient energy usage and cost control. Leveraging its position as a market leader in the region, EDMI is expanding the provision of advanced energy solutions to other regions.

Based on the 2012 public release of "Power of Choice (PoC)," government-led reforms to open the electric power market and electricity prices, the installation of smart meters became mandatory in December 2017 for the five states in East Australia where the population is concentrated. PoC reforms increase the demand for the provision of beneficial services to consumers as well as improvement of electric companies' operation leveraging smart meters. In responding to this, EDMI started to provide cloud-based service along with smart meters. The company was awarded the first major contract in response to the PoC reform in the country in 2015 and subsequent contracts thereafter with other major customers.

In New Zealand, smart meters gained early recognition following projects to enhance the operation and management of transmission and distribution grids. EDMI has earned a market share of around 75% in New Zealand through the delivery of more than 1 million smart meters, and it cements the position as a market leader in the country. For the coming replacement demand of smart meters from 2020, EDMI is offering value-added cloud-based service to its customers. EDMI, as a market leader in Oceania, is well placed to provide value-added smart metering solutions.



Concept image of EDMI's end-to-end solutions



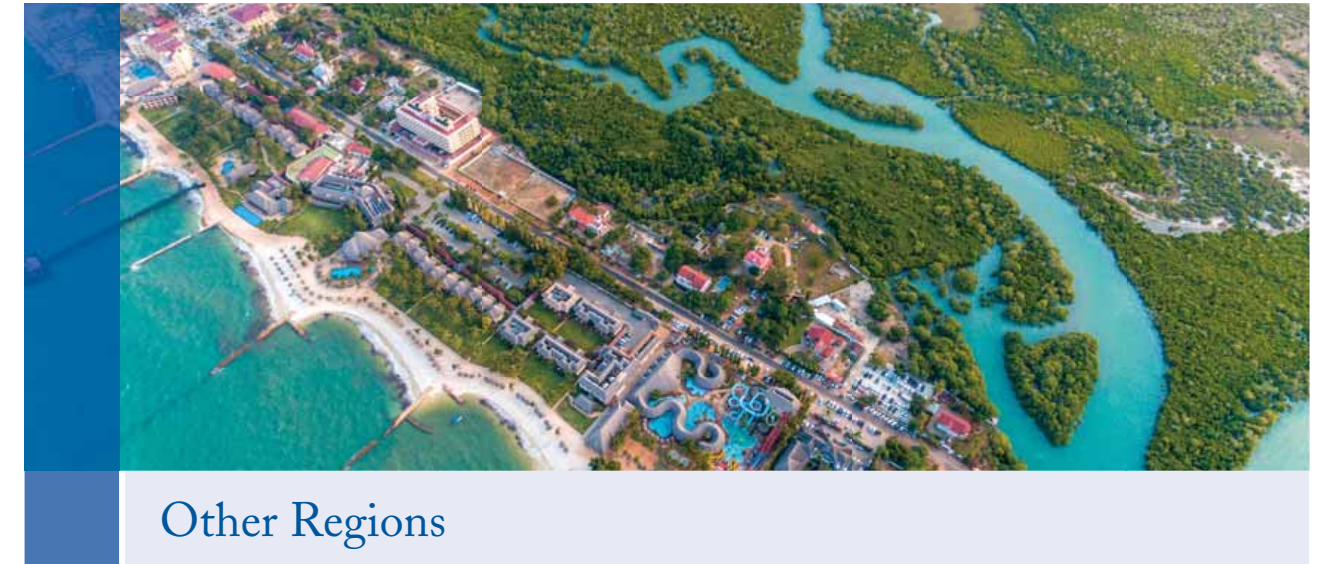
Europe

EDMI made an early entry into a residential smart meter rollout project in the UK. Based on the experience gained through this project, EDM I is driving forward to expand its market in European regions as an end-to-end solutions provider.

Smart Grid conversion is underway in Europe to adopt renewable energy for a low-carbon society. The smart meter is considered as a critical device to improve energy consumption efficiency and increase renewable energy supply, and its installation is being accelerated in households and companies.

Under this trend, EDM I is taking part in the residential smart meter rollout in the UK. The project adapts an energy management solution through communications hubs and smart meters for electricity and gas. EDM I has been contracted for the supply of 10 million communications hubs, which is equivalent to one-third of market share, and is looking to expand its share of smart meters with a target to achieve at least a 20% market share.

Supply will start in full scale from the second half of fiscal 2019, and it is expected to make a significant contribution to company performance over several years.



Other Regions

In responding to the increasing demand for electricity in emerging countries due to economic growth, EDM I is offering various solutions adapted to the needs of each market.

The needs in emerging markets such as Asia, the Middle East and Africa differ substantially. With the selection and concentration of high value-added projects, EDM I focuses on improving profitability in these markets holistically. Strengthening of bundled sales of smart meters and system solutions is one of the strategies. In fiscal 2018, EDM I signed a major contract in the Middle East. Also, various services are provided to respective customers in response to their needs, such as prepayment solutions to secure bill collection and cluster metering solutions with a function to prevent tampering.



Message from EDM I executive

With the growth in distributed energy generation and battery technology, smart meters are playing a more important role than ever before. EDM I has developed end-to-end smart metering solutions leveraging cloud-based software to assist digital utility customers in overcoming the obstacles faced in a distributed generation energy world.

These solutions deliver high value to the customer and secure EDM I a larger piece of the pie of utility infrastructure spending. An example of value delivered by EDM I cloud solutions is the automated demand management used by EDM I customers to optimise demand during peak pricing periods. EDM I continues to work closely with customers to develop world-class leading solutions to support the resolution of energy utility challenges in today's complex market.



Andrew Thomas
Chief Marketing Officer
EDMI Limited



Japan Business Strategies



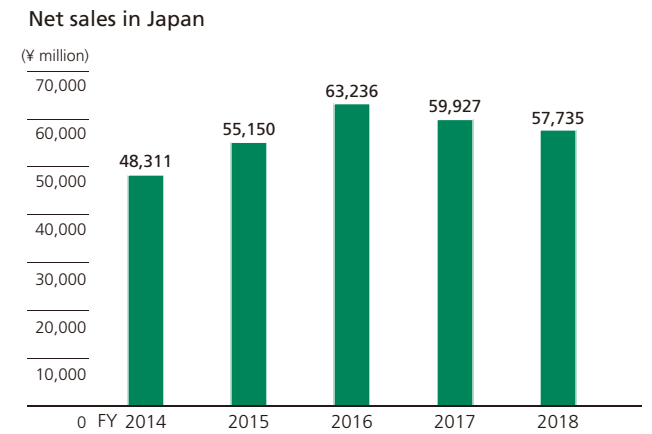
Takehiko Ota
Director
Head of Domestic Sales Division

Co-create new value with our customers

OSAKI ELECTRIC provides customers in Japan with value-added services to tackle social issues such as electric power and other social infrastructures. OSAKI has contributed to the optimisation of power consumption by measuring and controlling power usage. It is our core technology that measures energy, providing data which indicates when, where, how much and for what purpose the power was consumed in order to control power usage. The power industry is facing changes in the business environment. These changes include laws and regulations, advancement in renewable power technologies, and the expanding EV and mobile power supply markets. These are just a few of the changes our society faces. OSAKI's smart meters and energy management services are based on measuring and control technologies. By combining our legacy technology with new technologies such as IoT and AI, we are providing solutions for power-saving and labor-saving, which are issues faced by Japan's social infrastructure. We believe that through collaboration with our customers and prospective partners, we can contribute to the society of the future. With changes to society and the environment come new challenges and problems. We are collaborating with customers and partners to co-create new value, so that together, we can provide solutions to such challenges.

Fiscal 2018 Financial Results

In Japan, despite high demand for smart meters and the completion of inventory adjustment by electric power companies in the latter half of the fiscal year, consolidated sales fell short of the previous year's outstanding results. The solutions business showed solid growth. Energy management systems have been employed at over 3,000 buildings, factories and shops as of the end of fiscal 2018. We launched a "smart metering system," a new automated meter reading service which reduces labor requirements in the building maintenance industry.



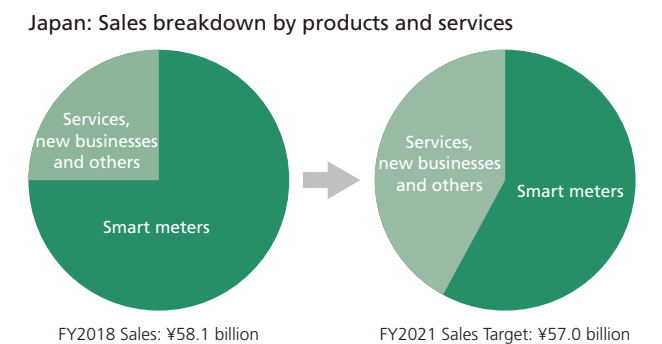
Fiscal 2019 Business Strategy

It is expected that smart meters will be installed in all households and buildings by fiscal 2024. Demand for smart meters in Japan will decrease accordingly, until the next cycle of replacement demand. Fiscal 2019 projects a decline in profitability in line with decreasing demand in addition to price competition. In the solutions business, OSAKI ELECTRIC is introducing power-control services with AI and expanding service lineups for automated metering.



Mid-term Management Plan

Sales of smart meters played a part in approximately 75% of Japanese sales. We will expand the solutions business and gain customers in various industries to attain 40% of sales from businesses other than smart meters by fiscal 2021. We will proceed with the development of next-generation smart meters corresponding with plans for new energy infrastructures.

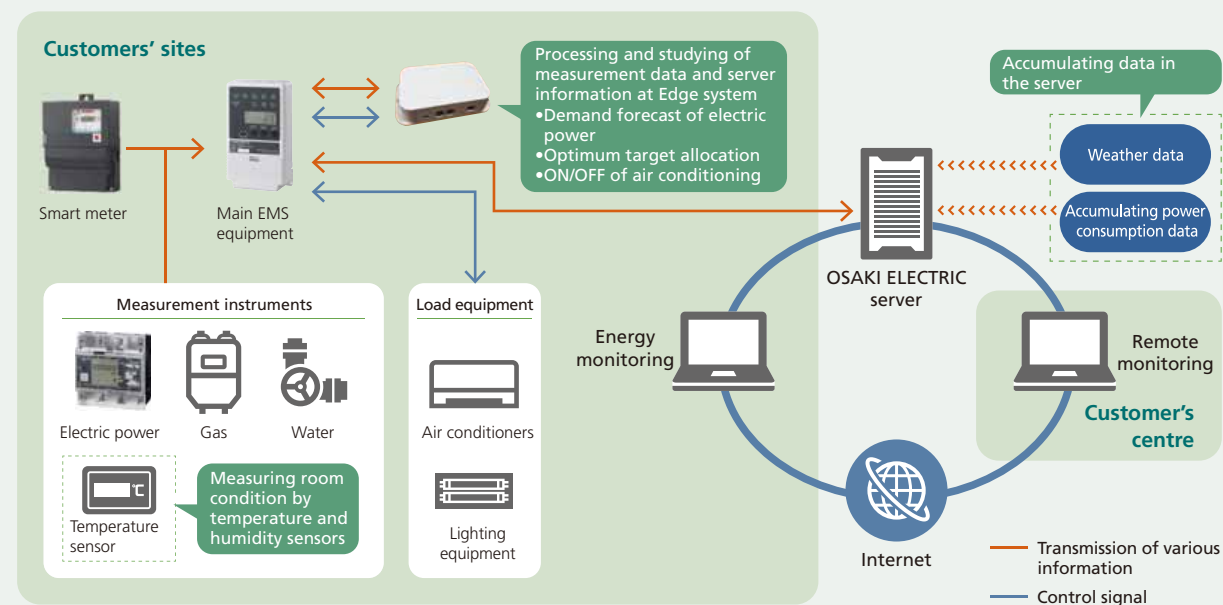


TOPICS

1. AI developed for energy management systems

Since 2003 OSAKI ELECTRIC has been providing customers with a system to control power usage and lower power consumption. In fiscal 2018, engineers at the Research and Development Division developed an AI program uniquely designed for power control and management. The system automatically controls air conditioning and lighting using demand control equipment. As of fiscal 2018, OSAKI ELECTRIC has installed the system in more than 3,000 large retail stores and home

appliance shops, providing savings of 5% to 10% in power consumption per annum. The system required some parameters such as room temperatures to be set manually, but the new system with AI automatically sets the parameters using accumulated data, including power consumption patterns and weather forecasts. This allows stores to maintain the most comfortable conditions for customers at all times while saving power.



2. Smart metering system provides labour savings on meter reading

OSAKI ELECTRIC developed an automated meter reading service for large commercial facilities and building maintenance. The service allows building owners and maintenance companies to automatically collect tenant billing amounts for power, gas and water. Data is collected and analysed by cloud servers, allowing the building owners and maintenance managers to work on it remotely. This helps to save on the time and manpower required to go and visually read meters, and also prevent human errors.



Research and Development

The OSAKI Group is dedicated to the development of energy solutions for the society of the future. For this, the Group is concentrating its R&D on measurement and control, the core technologies used by the smart meters and peripheral products of power infrastructures. To further reinforce its position as an energy solutions provider, OSAKI's R&D division is putting resources into integrating new technologies, such

as IoT, AI, cloud computing, sensing and communications protocols, with its product and service lineups, creating new value for users.

In fiscal 2018, the division introduced AI programming training for young engineers. The efforts put into training engineers in new technologies led to the development and commercialisation of AI embedded services.

ENGINEER'S VOICE

Since joining OSAKI ELECTRIC, I have been working on AI projects. The application of AI technologies is a new initiative for the company, and while I am constantly faced by the difficulties of working on new technologies, I find I enjoy the challenge. I am looking forward to learning a wider range of technologies and contributing to the development of value-added services.



Hirotohi Sekiguchi
Engineer
Research & Development Division

Manufacturing

The OSAKI ELECTRIC Saitama Operations Center is the main factory for smart meters and other products for the Japanese market. It also plays the role of the mother factory for developing and testing manufacturing know-how. The Saitama factory owns highly efficient production lines using advanced manufacturing technologies and carefully-calculated procurement and logistics. Quality, cost and delivery are strictly monitored and controlled by seasoned employees. Employees engaged in manufacturing are highly motivated to maintain and improve manufacturing quality and processes for better products.

Efforts are being used to apply the same levels of manufacturing quality to our global manufacturing. Since fiscal 2016, engineers from the Saitama factory have gone to factories in Malaysia and elsewhere to enhance quality control and operations in a group-wide initiative. Beginning in fiscal 2019, OSAKI ELECTRIC will take the lead in the restructuring of global manufacturing operations, including the introduction of global procurement, to reinforce group-wide production.



Manufacturing lines in Senai Factory, Malaysia



New Business Strategies



Nobuyuki Ono
Director
Head of New Business Development
Division

Combining a top-notch measurement technology with IoT and AI, OSAKI will propose a new lifestyle for the future society.

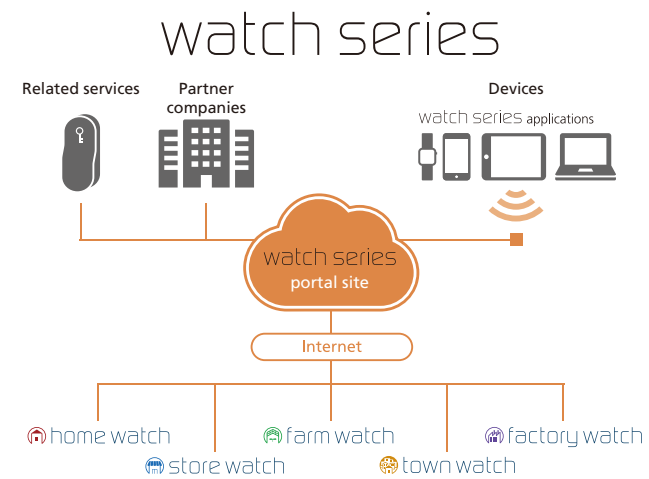
Since our foundation, OSAKI has proven our strength in measurement technology through production of electric meters and smart meters. It is this very technology that digitalised electricity usage, hence “visualised” power flow. Combining the technology with sensors, IoT, apps and online services, we created a whole new solution to control various parameters like room temperatures and lighting by remotely accessing electric appliances and other equipment. The “watch series,” or the new solution, provides services to a wide range of customers including smart homes, retailers and farms. Our aim is to propose a new business style or work style for these industries through the provision of the “watch series” services that fit lifestyles in the future digital society.

I am excited to see the development of the next-generation energy infrastructure where smart meters will be a communication hub to housing and buildings. Our challenge as a solution provider is to deliver services within houses and offices to control the living or working environment for people.

“watch series”

A new solution service, the “watch series,” delivers a tailored solution to the industry, based on data from various sensors combined with IoT and dedicated apps. In February 2018, OSAKI ELECTRIC launched a service for retail stores, followed by the launch of a new service for greenhouses in August.

The smart housing service lineups went powerful with the launch of smart lock, “OPELO.” OSAKI ELECTRIC’s smart locks are now installed at many rental apartments.



Verification test with smart lock

CUSTOMER'S VOICE

At JA AMENITY HOUSE, we considered the installation of smart locks for the following reasons: better security, easier process to introduce vacant rooms and smarter accessibility for tenants.

We were particularly concerned with security breach from Internet access. OSAKI's smart locks are accessible offline via a one-time password, meeting our expectation for security clearance. In addition, OSAKI's smart locks are uniquely designed to set on keyholes, unlike many peers which are often taped to the doors.

Since installing “OPELO” at our properties in November 2018, we have received good reviews from our tenants and real estate agents. An automatic lock feature also has great merit, which assures that the doors are locked after room viewings.

Smart locks and the IoT devices market are highly competitive with many start-ups introducing new products. I have high regards for OSAKI's product quality and reputation that they earned in their company history. I expect to see OSAKI prosper by leveraging its technology for product development and its commitment to delivery.



Toru Furuya
JA AMENITY HOUSE
CO., LTD.



OPELO installed in a JA AMENITY HOUSE



Inside the laboratory

Development in collaboration with a wide diversity of partners and suppliers to promote next-generation energy infrastructure solutions using IoT and AI

Open Innovation Laboratory

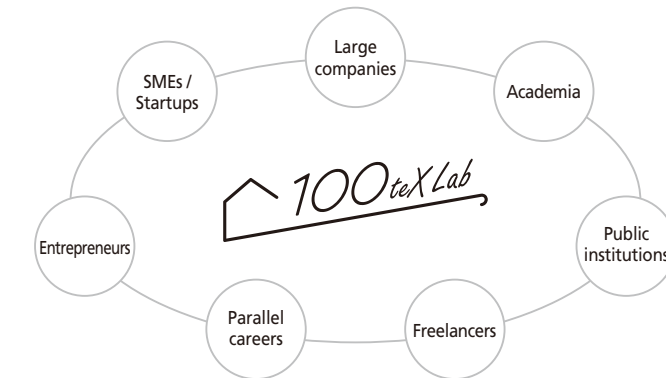
The OSAKI Group is strengthening cooperation among its group R&D divisions to realise further synergies. At the same time, we efficiently move forward with our development by pursuing open innovation through collaboration with partner companies, universities and research institutions, the outsourcing of development and the utilisation of external resources.

In November 2018, OSAKI established an open innovation laboratory in Gotanda, Tokyo, where OSAKI ELECTRIC was founded, as a venue for collaborative creation with universities, local governments and startups.

The role of the new laboratory is to provide a place that will give rise to projects that will form the cornerstones for building the society of the next 100 years. It is also aimed at

ensuring a better society by collaborating in the creation of new value that surpasses industrial and corporate barriers.

At the laboratory, OSAKI aims to leverage its strengths in measurement and control technology while collaborating with university research laboratories, local governments and startups to accelerate development of advanced IoT and AI technologies. The endeavors will include the building of new business models, development of IoT devices and utilisation of big data to deliver new energy solutions.



Laboratory Project

Demonstration experiment on non-disease improvement in cooperation with local governments

The laboratory launched a Regional Health Promotion Project in November 2018. Under this project, the Tokyo Institute of Technology's Research Group for the Future of Sports and Health Science and aiwell Inc., in Kakegawa City, Shizuoka Prefecture, conducted a demonstration experiment relating to the construction of a health promotion platform for non-disease improvement. The experiment was started on 12th February 2019 and ran for about six weeks. OSAKI ELECTRIC collected and provided information such as home life data using smart meters and activity amount monitoring using indoor sensors.



Measuring health data of Kakegawa citizens participating in the project

CUSTOMER'S VOICE

Reasons for participating in the laboratory project and expectations

Origin Wireless Japan, Inc.'s patented technology, Time Reversal Machine™ (TRM), is a sensing technology that uses reflective changes in Wi-Fi radio waves to determine indoor conditions. Wi-Fi radio waves can be used for much more than just communications. Application of Wi-Fi signals to indoor monitoring and simple security is one of the possibilities of this technology.

The technology requires indoor infrastructure such as Wi-Fi communication terminals, power and installation locations. I believe the TRM technology is a good match with the "watch series" services and next-generation smart meters.

When we were asked to participate in the collaborative endeavors for the demonstration experiment in Shizuoka, we gladly accepted the request. I anticipate a future in which there will be a harmonious opening up between OSAKI's indoor infrastructures and TRM.



Tomoyuki Kakutani
Director
Origin Wireless Japan, Inc.

Chapter 4 ESG Section



High-quality production lines at Saitama Factory, Japan

Value creation capabilities

OSAKI Group's corporate vision is to become a "Global Energy Solution Leader." We are committed to delivering energy solutions that create value, and have won the trust

of society by responding to the demands of stakeholders and assuming responsibility for the social impact of our activities.

OSAKI Group approach to ESG

Environment: OSAKI Group delivers smart meters and energy-saving services which contribute to the reduction of CO₂ emissions, and as a responsible manufacturer, our business operations are environmentally friendly.

Social: The measurement and control technology we have refined over the years is applied to products and services to improve safety and security. Recognising that diversity of personnel is an essential part of resolving social

issues, the OSAKI Group is committed to ensuring workplace diversity.

Governance: OSAKI ELECTRIC regularly evaluates the effectiveness of Board of Directors' activities in a continuous effort to improve the Board's function, and has established a Nomination and Remuneration Advisory Committee to ensure fairness, objectivity and transparency.

Environment

Effect of business operations on the environment

Solving Environmental Issues

Providing products and services that help to reduce CO₂ emissions

Along with its smart meters, the OSAKI Group provides other products and services for optimising energy usage.

Reducing Group environmental footprint

Recycling

We promote recycling by manufacturing environmentally friendly product and by reducing chemical and other waste, increasing our recycling rate.

Social

Solving social issues through socially responsible operations

Measurement and control technologies

Using measuring and connection technologies to provide society with new value in terms of increased safety and security

We use AI and IoT technologies to create comfortable, safe and secure environments for buildings, commercial complexes, and residential housing.

Diversity

Diverse human resources working together

New value created by people collaborating across borders, industries and organisations

Governance for the Environment and Society

Governance

Elevate corporate value and minimise risk

Management

Effectiveness of the Board

Yearly evaluation to improve Board's effectiveness
→ Continuous improvements

Supervision

Nomination and Remuneration Advisory Committee

A Nomination and Remuneration Advisory Committee was set up in February 2019, chaired by an independent director. A majority of the new committee's members are independent officers.
→ For fairness, objectivity and transparency

Board of Directors & Auditors



Mitsuyasu Watanabe
President and COO

Dear Stakeholders

I greet you on behalf of the Board of Directors as Chairperson of the Board.

OSAKI ELECTRIC places great importance on the interests of shareholders and stakeholders, and recognises that the enhancement of corporate governance is an essential management issue in the long-term maximisation of corporate value. We are making constant improvements to elevate management efficiency and transparency, and achieve fairness.

Within the Company's corporate governance, the Board of Directors is a body that assesses the overall direction and strategy of the business, as well as deciding on matters stipulated by law and important management matters, and oversees the status of the execution of business operations.

The Board of Directors consists of 15 directors, two of whom are independent directors. The independent directors provide advice on overall management, strengthening decision-making and supervision. The Board is regularly evaluated to ensure the Company is being run properly. We recognise the importance of a good balance between the Board's supervision and executive

decision-making. We are always ready to make adjustments to Board composition and operation in response to future changes in business models and strategies.

On 13th February 2019, the Company established a Nomination and Remuneration Advisory Committee to serve as an advisory body to the Board. The committee strengthens the fairness and transparency of relevant procedures. We are also appointing directors with global perspectives. We are improving internal systems and workplace environments to make it easier for women to work, and are actively recruiting female employees, including for management positions.

The Company has a Board of Corporate Auditors consisting of four auditors, two of whom are independent officers. The auditors provide a check function from outside the company that ensures the objectivity and neutrality of management oversight.

We shall continue to improve our corporate governance and increase our corporate value. In these endeavours, I ask for your warm guidance and encouragement.

Board of Directors



Yoshihide Watanabe
Chairman and CEO
(Representative Director)



Mitsuyasu Watanabe
President and COO
(Representative Director)



Haruyuki Kawabata
Executive Vice President
(Representative Director)



Kazuo Nemoto
Senior Managing Director
Head of Administration
Division



Ryuichi Ueno
Managing Director
Head of Corporate Strategy
Division



Satoshi Komazawa
Managing Director
Head of Research &
Development Division

Atsumi Hatakeyama
Director
Head of Manufacturing
Division

Takehiko Ota
Director
Head of Domestic Sales
Division

Jun Abe
Director

Hiroyuki Hatakeyama
Director

Noriyuki Tokumoto
Director

Nobuyuki Ono
Director

Hiroyuki Yokoi
Director

Seiji Takashima
Director (Independent)

Nobuhiro Kasai
Director (Independent)

Statutory Auditors

Choichiro Hori
Standing Auditor

Toshio Yamanaka
Auditor

Shigehiko Yamamoto
Auditor (Independent)

Kumiko Kitai
Auditor (Independent)

March 2007
Managing Advisor, JAFECO Co., Ltd.
June 2008
Auditor, OSAKI ELECTRIC Co., Ltd.
(to date)

June 2014
Director (Independent), Kyowa Exeo Corp.
(Retired June 2019)
June 2014
Director (Independent), Sumitomo Mitsui Construction Co., Ltd.
(Retired June 2019)
July 2014
Established Kachidoki Legal Office (to date)
June 2019
Auditor, OSAKI ELECTRIC Co., Ltd. (to date)

Discussion with Independent Directors

OSAKI ELECTRIC carries out a new growth strategy to continuously improve corporate value in a changing business environment. We asked two independent directors about OSAKI ELECTRIC's strengths, and their evaluations and expectations for the Mid-term Management Plan.



Seiji Takashima Director (Independent)

June 1996 Senior Vice President, NIPPON TELEGRAPH AND TELEPHONE CORPORATION (Retired February 1999)
 June 2003 President and Representative Director, KYOWA EXEO CORPORATION
 August 2008 Chairman and Representative Director, KYOWA EXEO CORPORATION (Retired June 2012)
 June 2014 Director, OSAKI ELECTRIC Co., Ltd. (to date)



Nobuhiro Kasai Director (Independent)

January 2009 President & CEO, ROHDE & SCHWARZ JAPAN K.K. (Retired June 2014)
 June 2016 Director, OSAKI ELECTRIC Co., Ltd. (to date)
 October 2016 Head of Sales Division, Phase One Japan Co., Ltd. (to date)

—From your perspective as independent directors, what are OSAKI ELECTRIC's strengths and challenges?

Takashima OSAKI ELECTRIC has been a stable supplier of high-quality electric meters to major power companies over decades. It's a highly respectable company with great track records. Since taking my position as an independent director, I took it as my responsibility to remind the company how favorable the business environment has been, and I have continued to point out to the Board of Directors that they should not take the company's good position for granted.

Kasai I agree. I think that being in a good position has been our greatest strength. By establishing close relationships with its customers,

the OSAKI Group can estimate future demand up to several years ahead and the technology required to meet the upcoming demand, making it easier to formulate management strategies. Looking ahead, it will be necessary to take on challenges in new markets, anticipating needs and developing new businesses.

—What are your thoughts on OSAKI's business environment and the management issues associated with it?

Takashima In Japan, replacement demand for smart meters has run its course and is temporarily on the downturn. On the other hand, in 2012 we acquired EDMI, the Singapore-based smart meter company, and expanded our global business. I think this was a well-timed

acquisition. The engine of our future growth is in the global market. The biggest issue is how quickly we can establish a business base that will expand sales and profits globally. It is important to make bold changes in the management and corporate culture to achieve our vision of becoming a "Global Energy Solution Leader."

Kasai For OSAKI, expanding business in the global market is the key to its future growth. We, the Members of the Board at OSAKI ELECTRIC, must remind ourselves that global business operations are very different from Japan. EDMI has excellent human resources who are familiar with global markets. While OSAKI ELECTRIC has been successful in Japan, to become a truly international company, a stronger global perspective must be integrated

into the management structure. I will firmly support our global growth, utilizing my own many years of experience in international business development.

—OSAKI ELECTRIC has announced its first Mid-term Management Plan. Which of the factors did you most place importance when formulating the Mid-term Management Plan?

Takashima As the company undergoes major changes in its business environment, it is important to determine the company's medium-to long-term goals and formulate specific tactics to achieve them. Based on this perspective, I regard the Mid-term Management Plan as important and valuable to the Group. I also note that the president himself explained the strategy to the shareholders and investors, as well as delivered the message to employees that the OSAKI group must change. In my role as an independent director, I believe my mission is to check the progress of the Mid-term Management Plan and to monitor the plan-do-check-act (PDCA) cycle. There will be times where some adjustments should be made to the strategies, and I will make it my responsibility to thoroughly evaluate these adjustments.

Kasai Since I joined the Board, I have continued to point out the

importance of setting operating profit targets. In the past, business strategies and targets were discussed based on sales and gross profits at in-house meetings, but from a stakeholder's perspective, strategies to expand operating profits are important. I believe we have answered to stakeholders' expectations when the Company presented its Mid-term Management Plan with mid-term operating profit targets.

—OSAKI ELECTRIC established a new Nomination and Remuneration Advisory Committee in February 2019. Please tell us your thoughts regarding corporate governance.

Takashima Four of the seven members of the newly established Nomination and Remuneration Advisory Committee are independent directors and auditors. I serve as a Chairman of the Committee. With the new committee established, I expect we will become more objective and fair in the eyes of our stakeholders when looking at the composition of the Board of Directors, and the evaluation and the functionality of the board meetings. There are many items that should be addressed to strengthen governance, and we will address them one by one and increase management transparency.

Kasai I think that the composition

of the Board of Directors will change as the business changes. When the value of global business increases within the Group, I expect, officers outside of Japan would join the Board to reflect the opinions of the international market. We are also aware of diversity in the Board members from a gender-free perspective.

—What are your future aspirations and missions as independent directors of the Board?

Takashima I will advise and support the management team in operations that will improve ROE. OSAKI ELECTRIC, like many Japanese companies, used to prioritise financial soundness by returning debt. We should now utilise capital effectively, thereby increasing corporate value. I will continue to monitor and give advice on management plans, progress and performance.
Kasai OSAKI ELECTRIC has been actively investing in future development, such as by acquiring EDMI, as well as launching new businesses and establishing an open innovation laboratory for collaborating with other industries. Each and every employee plays a leading role in realizing growth. We will continue to work together to take on new challenges and provide support for future growth.





Corporate Governance

We are improving our governance to sustain growth and increase corporate value.

Fundamental approach

In line with its corporate philosophy, OSAKI Group emphasises the interests of shareholders and other stakeholders. The enhancement of governance is important for the

long-term maximisation of corporate value, and we will continue to work to increase management efficiency, transparency and fairness.

Basic policy

Following its fundamental approach, the basic policy of the OSAKI Group for corporate governance is as follows.

1. Ensure the substantial rights and equality of shareholders.
2. Maintain good relationships with stakeholders, including business partners, shareholders, financial institutions, employees and local communities.

3. Ensure transparency through the timely disclosure of corporate information.
4. Ensure that Board directors and corporate auditors fulfil their fiduciary and accountability responsibilities to shareholders.
5. Engage in constructive dialogue with shareholders.

Management structure

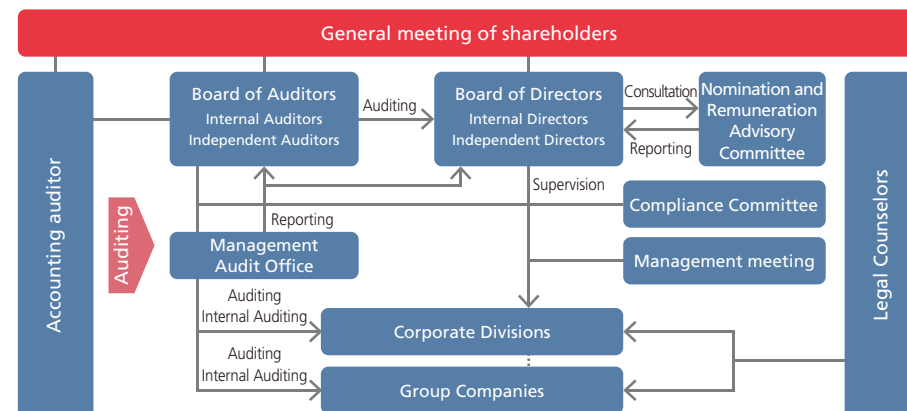
OSAKI ELECTRIC has a board of four auditors that includes two independent auditors, providing an auditing function for objective management oversight.

The Board of Directors has 15 members, two of whom are independent directors. Independent directors take part in management and can provide appropriate advice concerning overall management of the Company. This reinforces the decision-making and supervision of the Board and improves enterprise value.

The Board of Directors decides matters established by law and important management matters, and oversees the execution status of business activities. It meets once a month, or as required, to respond flexibly to changes in the management environment and keep the business operating efficiently. This is aided by a management meeting of senior directors held once a week to discuss the execution of daily opera-

tions and management issues.

In February 2019, a Nomination and Remuneration Advisory Committee was established as an advisory body to the Board of Directors. The new committee strengthens the fairness, objectivity and transparency of nomination and remuneration procedures.



Independent officers

The company seeks persons who have extensive management experience and practical knowledge as well as keen insight based on those qualities. These persons are appointed as directors or auditors who are independent of the management team. We expect these officers to provide

good, independent advice, supervision and auditing of our business operations and activities.

Criteria used by OSAKI ELECTRIC to determine the independence of these officers are based on the listing guidelines of the Tokyo Stock Exchange.

Nomination and Remuneration Advisory Committee

On 13th February, 2019, OSAKI ELECTRIC established a Nomination and Remuneration Advisory Committee as an advisory body to the Board of Directors. The new committee strengthens the fairness, objectivity and transparency of procedures relating to the nomination and remuneration of directors and auditors.

The Advisory Committee has seven members, the majority of whom are independent directors or auditors. The chairman is an independent director.

The role and purview of the Advisory Committee are as shown here.

1. Matters concerning the appointment and dismissal of directors and auditors
2. Independence standards for independent officers
3. Matters concerning the selection and dismissal of representative directors
4. Matters concerning the selection and dismissal of executive directors
5. Director remuneration system and remuneration determination policy
6. Details of remuneration for individual directors
7. Remuneration limits for directors and auditors
8. Other matters deemed necessary by the Board of Directors

Evaluating the effectiveness of the Board of Directors

OSAKI ELECTRIC conducts regular analysis and evaluation of the functioning of the Board of Directors to make continuous improvements as required.

Starting from the fiscal year ended 31st March, 2019, a

questionnaire is given each year to all directors and corporate auditors. This is done under the supervision of an outside consultant and the results are used to check the current status of the Board's function.



Compliance

The OSAKI Group promotes activities to ensure that employees comply with legal requirements and observe high ethical standards.

Basic policy

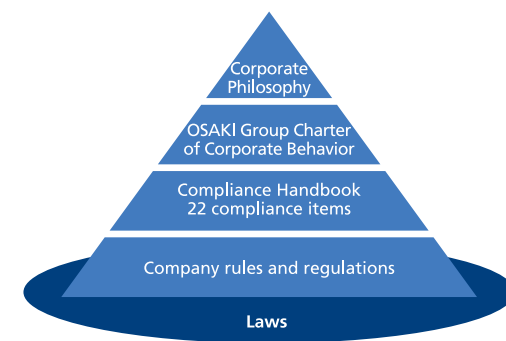
The basic Group policy is that officers and employees shall comply with the letter and spirit of laws, show social common sense in their actions and fulfil their social respon-

sibilities at a high ethical level under the principles set out by the Group's Charter of Corporate Behaviour.

Compliance code of practice

The code of practice is based on the Corporate Philosophy, with the Charter of Corporate Behaviour forming the action guidelines that define the basic policies and principles of compliance. These include 22 compliance items of the OSAKI Group Compliance Handbook, and internal rules and regulations based on legal requirements, which officers and employees are required to observe.

Compliance Code of Practice



Compliance manual

Based on the compliance policy, the Compliance Handbook includes a compliance manual of 22 items showing guidelines related to specific compliance actions to be taken by all executives and employees. The handbook is handed out to promote compliance educational activities.



OSAKI Group Helpline

To strengthen compliance management, the OSAKI Group has established a helpline system to handle information or consultations related to organisational or individual violations of law and fraudulent acts.

Such information is reported internally, as well as

externally via a law firm that is independent of the company. Information is reported anonymously in verbal, written form or by email, etc. Whistleblowers are assured that they will not be subject to dismissal or other unfair treatment for their action.



Risk Management

The OSAKI Group takes precautions to minimise risks.

Basic policy

The basic policy shows a commitment to the continuous and stable development of the business by identifying and evaluating risks in advance and taking countermeasures.

Risk management identifies, evaluates and minimises

latent risks in daily work operations, and crisis management is used to minimise the effect of disruptive and unexpected events and get back on track.

Guidelines

The following action guidelines have been established in line with the basic policy.

1. The highest priority is on ensuring the quality and safety of products and services. To that end, we strive to eliminate and mitigate factors that adversely affect all stakeholders.

2. We are a committed supplier of products and services that are widely used throughout society. We provide a stable supply of products and services.
3. Officers and employees obey laws, rules and regulations in a spirit of compliance, and act ethically based on their best judgment.

Process

Risk management is performed according to the following procedure.

1. Risk identification
 - i. Identify actual or potential risks in the operations of each department.
 - ii. Compliance, quality, environment, product liability, export and control committees each identifies actual and potential risks.
2. Risk analysis and evaluation
 - i. Each department and committee evaluates the impact

- and possibility of occurrence of each identified risk and creates a risk map.
 - ii. A company-wide risk map is created based on the risk maps submitted by each department and committee.
3. Response to risk
 - i. Take measures to avoid, reduce and control evaluated risks.
 - ii. Establish an emergency response plan when risks become apparent.

Information security management

Recognizing the importance of information assets, the OSAKI Group considers it has a social obligation to protect information.

The energy management department has an information security management system (ISMS) to protect customer and corporate information assets from tampering, leakage and loss, and to quickly provide required information. If an information security incident does occur, the damage can be contained, recovery is quick and recurrence

prevented. In 2017 the ISMS received ISO/IEC 27001 certification. The system ensures the confidentiality, integrity and availability of important information assets and their continued effectiveness.





Together with Employees

OSAKI respects diversity in the workplace and encourages its employees to play an active role in promoting a fair and transparent work environment. Employees have access to development programmes for advancing their careers.

Diversity

We respect diversity in the workplace and strictly forbid any form of prejudice based on race, nationality, gender or age and any other forms of disrespect against diversity.

Goal 1: By 31st March, 2021, to have a ratio of female employees of 17%, compared to 12% in 2016.

Supporting increased participation of female employees

As an equal opportunity employer, OSAKI ELECTRIC is strengthening the recruitment of women.

Goal 2: Provide managers and supervisors with awareness-raising education on career development, diversity and work-life for female employees, achieve a 100% participation rate in the programme and cultivate awareness and culture.

Promoting work-life balance

OSAKI ELECTRIC makes continuous efforts to improve the work environment so that all employees can make full use of their abilities. The company is promoting a healthy work-life balance through the following initiatives.

Reducing overtime

Measures are taken to reduce overtime work including no-overtime days.

Parenting and nursing care support

Employee benefits include paternal and nursing care leave, and exemption from or restrictions on overtime work for parent employees.

Mental health

As part of occupational safety and health measures, a stress check system has been established to raise awareness and support coping with stress. Stress check manuals have been

issued, and under a stress check plan and schedule, surveys are conducted by the company's occupational physicians and public health nurses.

Language training

As part of the company's educational programme, language training is conducted in London and Singapore. Employees attend language schools and receive practical work experience at a local Group company. The programme

is designed to cultivate a global sense acquired through diverse experiences as well as improve international communication skills and the ability to adapt to different cultures.

Personnel system

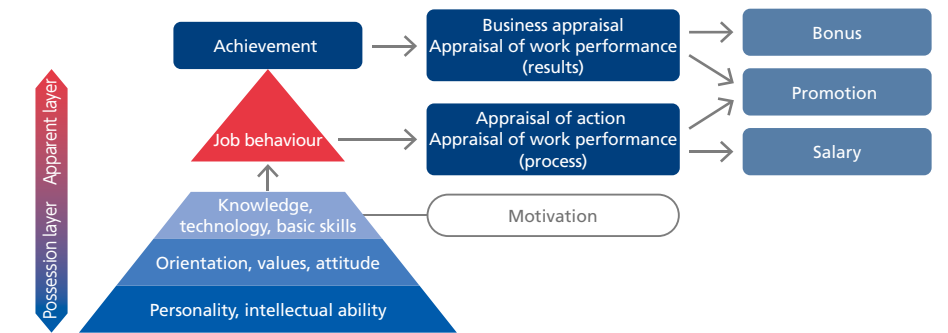
Self-assessment system

OSAKI ELECTRIC provides an opportunity for employees to evaluate their contribution to the company. This process includes face-to-face interviews with supervisors once a year where employees can discuss their goals and achievements as well as motivation and career interests. Transfers and relocations of employees are carried out after careful evaluation of their personality and competence.

Personnel assessment

Promotions and evaluation are based on a fair and transparent assessment system. Employees set their own goals in line with management policy and their performance and achievements are evaluated twice a year.

The OSAKI ELECTRIC Personnel System

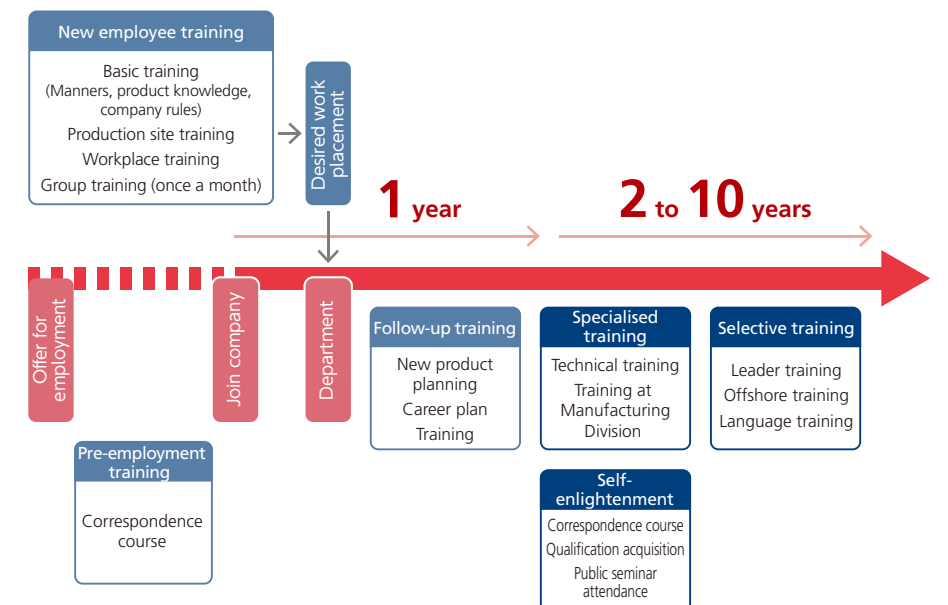


Career advancement programmes

OSAKI ELECTRIC offers a range of career advancement programmes to develop high-grade personnel.

Training begins from the first day at the company and includes several programmes to determine individual competencies. There also are training programmes for managers and engineers.

Image of the training system





Together with Shareholders and Investors

The OSAKI Group discloses corporate information in a fair and timely manner. Constructive dialogue with stakeholders is used to build relationships of trust and improve corporate value.



Together with Society

OSAKI ELECTRIC contributes to society through activities in various fields.

Investor briefings

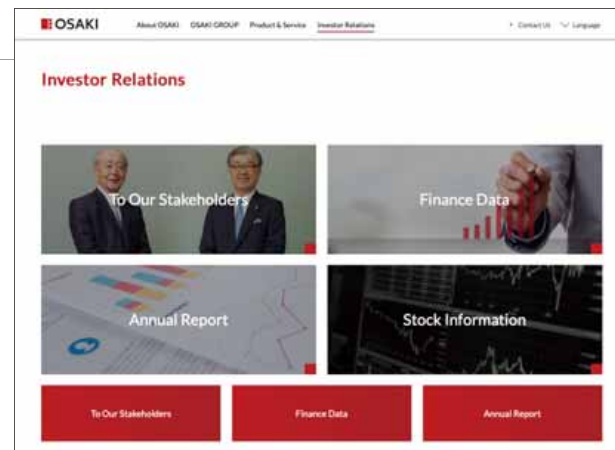
In May 2019, a briefing session on financial results and the Mid-term Management Plan was held for institutional investors and analysts. Briefings will be held twice a year for full-year financial results and second-quarter results.



Providing information via the website

To provide a better understanding of the Group, we provide fair and accurate information and enhanced disclosure in line with market requirements.

Information is distributed via the Timely Disclosure Network (TDnet) of the Tokyo Stock Exchange. The information is also posted on the Investor Relations section of the OSAKI ELECTRIC website and includes financial information as well as IR materials and stock information.



Corporate report

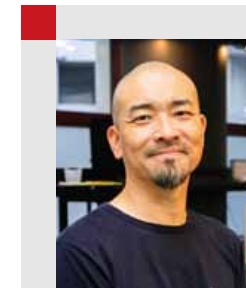
The OSAKI Group issues a Corporate Report to provide shareholders, stakeholders and investors with information including management strategies, business activity reports, and ESG (Environment, Society, Governance) initiatives.



Energy Design Hub

OSAKI ELECTRIC supports Energy Design Hub, a global network for broader cooperation in energy design activities. It is a design activity that reinterprets the creative act from an energy perspective. The aim of Energy Design Hub is to

establish and develop this new area of energy design by collecting and sharing expertise and data on these activities and exchanging human resources, goods and projects.



Takuya Onishi
Representative of ENERGY MEET
Architect
Associate Professor, Faculty of Environment and Information Studies, Keio University

When I lived in Thailand, I realised that energy is closely related to many social issues, so I started an energy design company. I also have a research lab at Keio University where students work on creative projects with me. When I was planning an event to discuss energy design, I got to know OSAKI's new lab. It is a place for thinking about innovation for the next 100 years. People who are interested in energy can come there to collaborate on creative projects. This fitted in perfectly with my talk, creating a very enjoyable collaborative environment that the participants enjoyed very much.



Handball team: Supporting sports and community

OSAKI ELECTRIC has been supporting handball events for over 50 years. The company has a handball team, "OSAKI OSOL."

OSAKI OSOL contributes to communities by taking part

in youth handball classes and regional sporting events.

The Company takes part in community activities that go beyond athletic sports. Employees engage in volunteer activities for removing earth and sand in areas affected by heavy rains.

OSAKI Sports Foundation

OSAKI ELECTRIC established the Foundation in 1996. It supports the development of corporate sports and the expansion of the Japanese sporting population. It also helps the next generation of athletes through subsidies, research, surveys and sporting exchange events.



Fujio Kariya, NHK's executive commentator, giving a talk in July 2019 at an OSF corporate sports exchange event.



Together with Customers and Business Partners

The OSAKI Group ensures the quality and safety of products and services. We promote fair and appropriate transactions with business partners and socially responsible procurement.



Environmental Initiatives

The OSAKI Group conducts environmental activities in various fields.

Quality

The OSAKI Group places the highest priority on ensuring the quality and safety of its products and services. We engage in sincere dialogue on products and services to maintain the trust of our customers.

We are a responsible supplier of products and services that are widely used throughout society. It is our social mission to provide a stable supply of products and services.

Quality management system

The OSAKI Group makes continuous improvements in quality-related activities. In 1996, OSAKI obtained ISO 9001 quality management certification. As of 2019, we have obtained ISO 9001: 2015 certification for design, develop-

ment and manufacturing at the Research & Development and Manufacturing Divisions, and IWATE OSAKI ELECTRIC.



Designated manufacturer

On 23rd February 1999, OSAKI ELECTRIC became the first manufacturer in Japan designated by the Ministry of Economy, Trade and Industry. As a designated manufacturer, OSAKI ELECTRIC ships out self-inspected products

with a guaranteed quality equal to the certification of the Japanese Electric Meters Inspection Corporation.



Promoting fair business

The OSAKI Group conducts procurement with the emphasis on fair and free competition, transparent transaction and an awareness of our social responsibility. The Group also maintains a sound relationship with government agencies for the following two matters.

Product liability management

We act in full compliance with the Product Liability Act and promote product safety measures, the prevention of accidents and the taking of appropriate measures in the event of an accident group-wide.

Security export control

OSAKI Group has established a Security Export Control Committee headed by the president. The Committee is composed of administrative, sales and technical departments, and is responsible for developing regulations, reviewing and approving export transactions, and providing Group companies with guidance.

OSAKI ELECTRIC Environmental Charter

OSAKI ELECTRIC contributes to society by pursuing energy solutions and creating new value through energy management based on measurement, control and IT products and systems. The Company's environmental philosophy of

contributing to the conservation of the environment and the local community states that it shall contribute to the environmental conservation of the region and the planet.

Action Guidelines (OSAKI ELECTRIC)

1. Recognizing the vital importance of protecting the planet's environment, we shall strive to remove environmental pollutants, save resources and energy, and use waste reduction and recycling to continuously reduce our environmental impact in all of our business activities.
2. Establish and maintain an environmental management system for continuous environmental conservation.
3. Comply with environmental laws and regulations and conserve the environment of local communities.
4. Use environmental audits to evaluate and review the implementation status of specific environmental objectives and targets.
5. Promote their understanding of these guidelines among employees, and raise their awareness of environmental improvements.
6. Strive to develop as a company rich in humanity by providing each employee with a clean and healthy work environment.

Smart eco-activities

OSAKI ELECTRIC and its subsidiaries in Japan focus their strengths in energy measurement to resolve environmental issues.

OSAKI ELECTRIC production lines apply smart eco practices. OSAKI electricity meters and control devices are used and the data analysed to reduce the amount of power used while ensuring that employees have a comfortable workplace. The smart meters and demand management services provide new value to customers and contribute to a low-carbon and recycling-oriented society.



OSAKI ELECTRIC Environmental Conservation Ecology Mark



ISO14001 certified

Green procurement

In all its operations, OSAKI ELECTRIC tries to remove environmental pollutants and save resources and energy. We use waste reduction and recycling to decrease our environmental impact.

In response to regulations and societal demands for environmental initiatives OSAKI ELECTRIC has introduced "green procurement standards" and conducts surveys on the environmental impact of suppliers and the materials

procured to evaluate and promote environmentally friendly materials procurement.



Chapter 5

Data Section

Consolidated Balance Sheets

March 31, 2018, and 2019

ASSETS	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Current assets:			
Cash and cash equivalents	¥ 10,752	¥ 13,892	\$ 125,167
Deposits	3,018	2,601	23,442
Notes and accounts receivable - trade	17,730	19,836	178,726
Merchandise and finished goods	5,116	6,484	58,420
Work in process	2,407	3,766	33,935
Raw materials and supplies	5,102	9,436	85,021
Other current assets	1,873	2,510	22,619
Allowance for doubtful accounts	(717)	(605)	(5,456)
Total current assets	45,285	57,923	521,876
Non-current assets:			
Property, plant and equipment			
Buildings and structures	23,123	23,242	209,410
Less-accumulated depreciation	(13,191)	(13,675)	(123,214)
Total buildings and structures	9,931	9,566	86,195
Machinery, equipment and vehicles	14,004	13,963	125,807
Less-accumulated depreciation	(9,784)	(10,102)	(91,019)
Total machinery, equipment and vehicles	4,219	3,861	34,787
Land	12,503	12,503	112,658
Leased assets	2,052	1,986	17,895
Less-accumulated depreciation	(803)	(805)	(7,255)
Total leased assets	1,249	1,180	10,639
Construction in progress	50	186	1,677
Other fixed assets	7,676	7,454	67,164
Less-accumulated depreciation	(6,878)	(6,629)	(59,726)
Total other fixed assets	798	825	7,437
Net property, plant and equipment	28,752	28,124	253,396
Intangible assets			
Goodwill	835	615	5,548
Other intangible assets	1,130	1,115	10,047
Total intangible assets	1,966	1,730	15,595
Investments and other assets			
Investment securities	5,948	5,735	51,674
Net defined benefit asset	1,083	1,054	9,504
Deferred income taxes	1,197	1,150	10,364
Other assets	1,553	2,597	23,405
Allowance for doubtful receivables	(2)	(2)	(24)
Total investments and other assets	9,780	10,535	94,923
Total fixed assets	40,499	40,391	363,916
TOTAL	¥ 85,785	¥ 98,314	\$ 885,792

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Current liabilities:			
Notes and accounts payable, trade	¥ 7,235	¥ 10,468	\$ 94,320
Electronically recorded obligations - operating	4,025	4,038	36,390
Short-term debt	1,585	10,703	96,434
Accrued income taxes	754	841	7,585
Provision for bonuses	1,682	1,733	15,622
Provision for directors' bonuses	24	0	2
Provision for product warranties	55	46	420
Other current liabilities	4,909	5,426	48,890
Total current liabilities	20,272	33,260	299,667
Long-term liabilities:			
Long-term debt	1,559	36	327
Lease obligation	613	767	6,917
Accrued retirement allowances for directors	138	108	979
Net defined benefit liability	2,180	2,254	20,308
Deferred income taxes	2,337	2,265	20,407
Other long-term liabilities	758	740	6,671
Total long-term liabilities	7,588	6,172	55,612
Total liabilities	27,861	39,432	355,279
Equity:			
Shareholders' equity			
Common stock:			
Authorized - 100,000,000 shares			
Issued 2019 - 49,267,180 shares and			
Issued 2018 - 49,267,180 shares	7,965	7,965	71,770
Capital surplus	8,750	8,750	78,844
Retained earnings	26,841	27,669	249,295
Treasury stock, at cost:			
346,095 shares in 2019 and			
461,938 shares in 2018	(297)	(223)	(2,009)
Total shareholders' equity	43,260	44,162	397,899
Accumulated other comprehensive income			
Unrealized gains on securities	1,586	1,412	12,726
Foreign currency translation adjustments	1,556	1,763	15,892
Remeasurements of defined benefit plans	390	356	3,212
Total accumulated other comprehensive income	3,534	3,532	31,831
Stock acquisition rights	475	474	4,278
Non-controlling interests	10,654	10,710	96,504
Total equity	57,924	58,881	530,513
TOTAL	¥ 85,785	¥ 98,314	\$ 885,792

Consolidated Statements of Income

Years ended March 31, 2018, and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Net sales	¥ 78,780	¥ 82,089	\$ 739,610
Cost of sales	56,800	61,824	557,027
Gross profit	21,979	20,264	182,583
Selling, general and administrative expenses	16,435	15,965	143,850
Operating income	5,544	4,299	38,733
Non-operating income:			
Interest income	21	24	222
Dividend income	140	149	1,347
Foreign exchange gain	34	—	—
Dividend income of insurance	10	48	440
Others	152	196	1,772
	359	419	3,783
Non-operating expenses:			
Interest expenses	101	149	1,345
Loss on retirement of non-current assets	109	123	1,111
Foreign exchange loss	—	105	946
Others	58	47	432
	269	425	3,836
Ordinary income	5,634	4,293	38,680
Extraordinary gains:			
Gain on liquidation of subsidiaries	—	68	619
	—	68	619
Extraordinary losses:			
Impairment losses	—	27	246
Loss on sales of land	66	—	—
Loss on disaster	—	57	514
	66	84	760
Income before income taxes and minority interests	5,568	4,277	38,539
Income taxes			
Current	1,682	1,672	15,071
Deferred	304	(2)	(26)
	1,986	1,669	15,044
Profit	3,582	2,607	23,494
Profit attributable to non-controlling interests	915	801	7,219
Profit attributable to owners of parent	¥ 2,666	¥ 1,806	\$ 16,274

Consolidated Statements of Comprehensive Income

Years ended March 31, 2018, and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Profit	¥ 3,582	¥ 2,607	\$ 23,494
Other comprehensive income			
Unrealized gains on securities	19	(174)	(1,568)
Foreign currency translation adjustments	381	207	1,866
Remeasurements of defined benefit plans	123	(34)	(308)
Share of other comprehensive income of entities accounted for using equity method	(0)	(0)	(0)
	523	(1)	(12)
Comprehensive income	¥ 4,105	¥ 2,606	\$ 23,482
Comprehensive income attributable to owners of the parent	3,189	1,805	16,262
Comprehensive income attributable to non-controlling interests	915	801	7,219

Consolidated Statements of Changes in Equity

Years ended March 31, 2018, and 2019

	Millions of yen				
	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at March 31, 2017	¥ 7,965	¥ 8,719	¥ 25,248	¥ (297)	¥ 41,637
Change in treasury shares of parent arising from transactions with non-controlling shareholders		31			31
Cash dividends paid			(1,073)		(1,073)
Profit attributable to owners of parent			2,666		2,666
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock					
Net changes of items other than shareholders' equity					
Balance at March 31, 2018	7,965	8,750	26,841	(297)	43,260
Change in treasury shares of parent arising from transactions with non-controlling shareholders					
Cash dividends paid			(977)		(977)
Profit attributable to owners of parent			1,806		1,806
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock			(1)	74	73
Net changes of items other than shareholders' equity					
Balance at March 31, 2019	¥ 7,965	¥ 8,750	¥ 27,669	¥ (223)	¥ 44,162

	Thousands of U.S. dollars				
	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at March 31, 2018	\$ 71,770	\$ 78,844	\$ 241,835	\$ (2,681)	\$ 389,767
Change in treasury shares of parent arising from transactions with non-controlling shareholders					
Cash dividends paid			(8,804)		(8,804)
Profit attributable to owners of parent			16,274		16,274
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock			(9)	674	664
Net changes of items other than shareholders' equity					
Balance at March 31, 2019	\$ 71,770	\$ 78,844	\$ 249,295	\$ (2,009)	\$ 397,899

	Millions of yen						
	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total equity
	Unrealized gains on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at March 31, 2017	¥ 1,567	¥ 1,175	¥ 267	¥ 3,010	¥ 405	¥ 10,377	¥ 55,431
Change in treasury shares of parent arising from transactions with non-controlling shareholders							31
Cash dividends paid							(1,073)
Profit attributable to owners of parent							2,666
Purchase of treasury stock							(0)
Disposal of treasury stock							
Net changes of items other than shareholders' equity	19	380	123	523	69	276	869
Balance at March 31, 2018	1,586	1,556	390	3,534	475	10,654	57,924
Change in treasury shares of parent arising from transactions with non-controlling shareholders							
Cash dividends paid							(977)
Profit attributable to owners of parent							1,806
Purchase of treasury stock							(0)
Disposal of treasury stock							73
Net changes of items other than shareholders' equity	(174)	207	(34)	(1)	(0)	56	54
Balance at March 31, 2019	¥ 1,412	¥ 1,763	¥ 356	¥ 3,532	¥ 474	¥ 10,710	¥ 58,881

	Thousands of U.S. dollars						
	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total equity
	Unrealized gains on securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at March 31, 2018	\$ 14,295	\$ 14,026	\$ 3,520	\$ 31,843	\$ 4,283	\$ 95,993	\$ 521,887
Change in treasury shares of parent arising from transactions with non-controlling shareholders							
Cash dividends paid							(8,804)
Profit attributable to owners of parent							16,274
Purchase of treasury stock							(1)
Disposal of treasury stock							664
Net changes of items other than shareholders' equity	(1,568)	1,865	(308)	(12)	(5)	510	493
Balance at March 31, 2019	\$ 12,726	\$ 15,892	\$ 3,212	\$ 31,831	\$ 4,278	\$ 96,504	\$ 530,513

As of the beginning of the fiscal period under review, we apply the Partial Amendments to Accounting Standard for Tax Effect Accounting and have retroactively applied said accounting standard to the consolidated balance sheet, consolidated statement of income, and consolidated statement of changes in equity for the previous consolidated accounting period.

Consolidated Statement of Cash Flows

Years ended March 31, 2018, and 2019

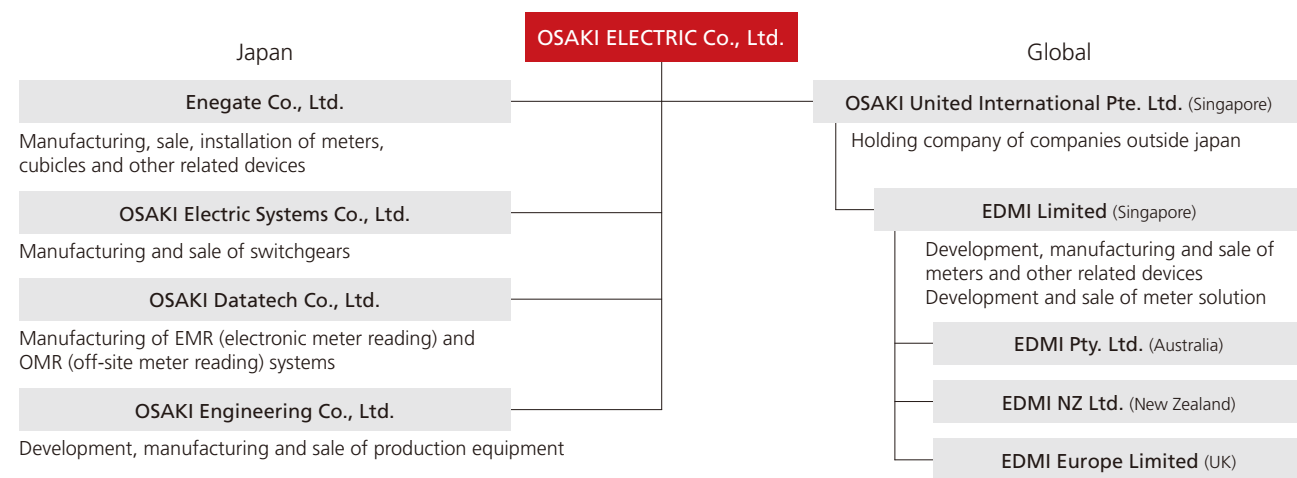
	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 5,568	¥ 4,277	\$ 38,539
Depreciation and amortization	2,820	2,634	23,739
Impairment losses	—	27	246
Amortization of goodwill	200	204	1,839
Increase (decrease) in allowance for doubtful receivables	254	(98)	(888)
Increase (decrease) in accrued bonuses allowance	(32)	67	604
Increase (decrease) in accrued bonuses allowance for directors	(31)	(23)	(212)
Increase (decrease) in allowance for product warranties	4	(8)	(78)
Increase (decrease) in accrued retirement allowances for directors	14	(29)	(264)
Increase (decrease) in net defined benefit liability	127	73	662
Decrease (increase) in net defined benefit asset	33	(21)	(191)
Interest and dividend income	(161)	(174)	(1,570)
Interest expenses	101	149	1,345
Loss on disposal of property, plant and equipment	109	123	1,111
Loss (gain) on sales of land	66	—	—
Loss (gain) on liquidation of subsidiaries	—	(68)	(619)
(Increase) decrease in notes and accounts receivable	1,294	(2,067)	(18,625)
(Increase) decrease in inventories	1,968	(7,101)	(63,984)
Increase (decrease) in notes and accounts payable	(1,426)	3,270	29,469
Other, net	(502)	417	3,759
Interest and dividend received	163	176	1,586
Interest paid	(101)	(149)	(1,346)
Income taxes paid	(2,360)	(1,602)	(14,435)
Net cash provided by (used in) operating activities	8,110	76	688
Cash flows from investing activities:			
Payments for property, plant and equipment	(3,707)	(1,611)	(14,515)
Proceeds from sales of property, plant and equipment	163	40	367
Payments for intangible assets	(627)	(322)	(2,906)
Payments for long-term deposits	—	(1,000)	(9,009)
Other, net	(133)	74	673
Net cash provided by (used in) investing activities	(4,305)	(2,818)	(25,389)

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net	(2,404)	8,781	79,118
Proceeds from long-term debt	135	—	—
Payments for long-term debt	(1,503)	(1,253)	(11,292)
Repayment of lease obligation	(66)	(67)	(603)
Cash dividends paid	(1,072)	(977)	(8,804)
Dividends paid to non-controlling interests	(598)	(743)	(6,701)
Payments for treasury stock	(0)	(0)	(1)
Other, net	—	0	1
Net cash provided by (used in) financing activities	(5,510)	5,739	51,716
Effect of exchange rate changes on cash and cash equivalents	(11)	(277)	(2,499)
Net increase (decrease) in cash and cash equivalents	(1,716)	2,720	24,515
Cash and cash equivalents at beginning of year	15,417	13,701	123,444
Cash and cash equivalents at end of year	¥ 13,701	¥ 16,422	\$ 147,959

Company Profile (As of 31st March 2019)

Company Profile		
Established:	26th January 1937	
Capital:	¥7,965 million	
Number of Employees:	3,383 (consolidated)	
Offices:	Headquarters	2-10-2 Higashi-Gotanda, Shinagawa-ku, Tokyo 141-8646 Phone: +81-3-3443-7171
	Saitama Operation Center	1131 Fujikubo, Miyoshicho, Irumagun, Saitama 354-8501 Phone: +81-49-258-1205
	Sapporo Office	Sumitomo Seimei Sapporo Bldg., 5-2-12 Kitagojounishi, Chuo-ku, Sapporo, Hokkaido 060-0005 Phone: +81-11-251-6622
	Sendai Office	Oak Sendai Bldg., 2-5-1 Honcho, Aoba-ku, Sendai, Miyagi 980-0014 Phone: +81-22-223-3747
	Nagoya Office	Chikusa First Bldg. Kato, 3-23-10 Aoi, Higashi-ku, Nagoya, Aichi 461-0004 Phone: +81-52-933-2229
	Osaka Office	Sanei Bldg., 3-20-9 Toyosaki, Kita-ku, Osaka, Osaka 531-0072 Phone: +81-6-6373-2556
	Hiroshima Office	Nakamachi Mitsui Bldg., 9-12 Nakamachi, Naka-ku, Hiroshima, Hiroshima 730-0037 Phone: +81-82-243-1611
	Okinawa Office	1-22-18 Nagata, Naha, Okinawa 902-0077 Phone: +81-98-832-7406

OSAKI Group Companies



OSAKI ELECTRIC's Consolidated Subsidiaries: 38 Companies

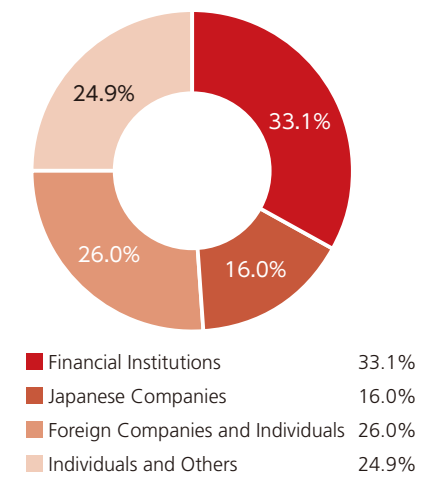
Stock Information (As of 31st March 2019)

Common Stock	
Authorised:	100,000,000
Issued:	48,921,085 (Excluding treasury stocks of 346,095 shares)
Number of Shareholders:	4,516

Major Shareholders		
	Number of shares (Thousand shares)	(%)
Japan Trustee Services Bank, Ltd. (Trust Account)	3,769	7.7
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,684	7.5
GOVERNMENT OF NORWAY	1,986	4.0
Osaki Electric cooperation company shareholding commission	1,598	3.2
MUFG Bank, Ltd.	1,552	3.1

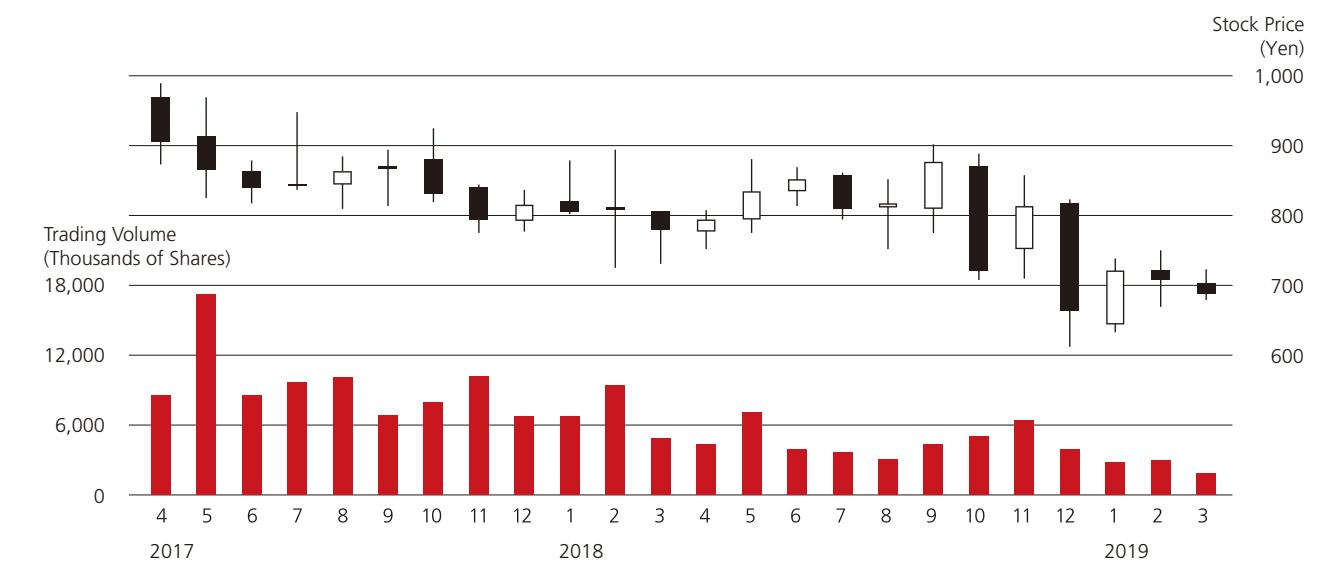
Note: Percentages of voting rights are calculated after deducting treasury stocks, and rounded down to 1 decimal place.

Breakdown of Shareholders



Note: Treasury stocks are included in "Individuals and Others."

Stock Price Range and Trading Volume (Tokyo Stock Exchange)





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

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