

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, JAFCO 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

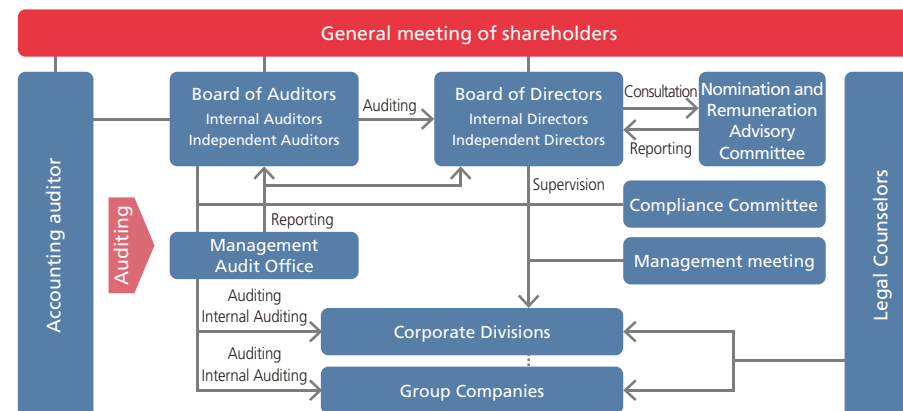
OSAKI ELECTRIC has a board of four auditors that includes two independent auditors, providing an auditing function for objective management oversight.

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

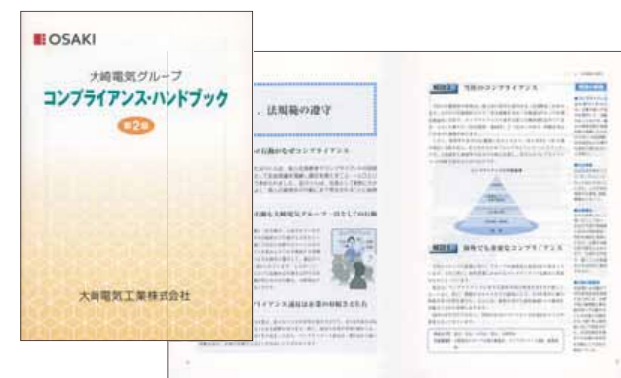
The code of practice is based on the Corporate Philosophy, with the Charter of Corporate Behaviour forming the action guidelines that define the basic policies and principles of compliance. These include 22 compliance items of the OSAKI Group Compliance Handbook, and internal rules and regulations based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

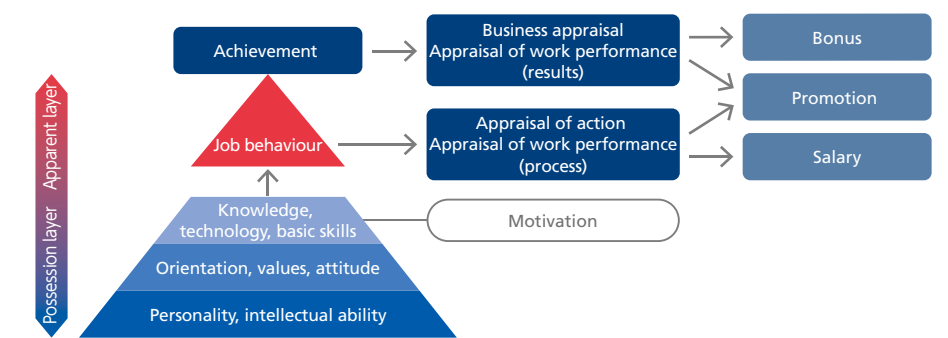
Self-assessment system

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

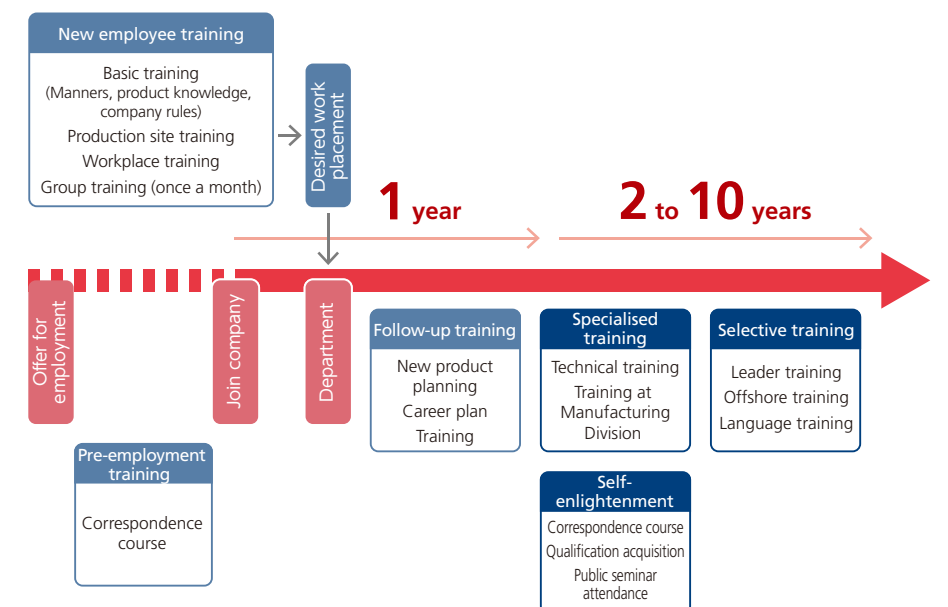


Career advancement programmes

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

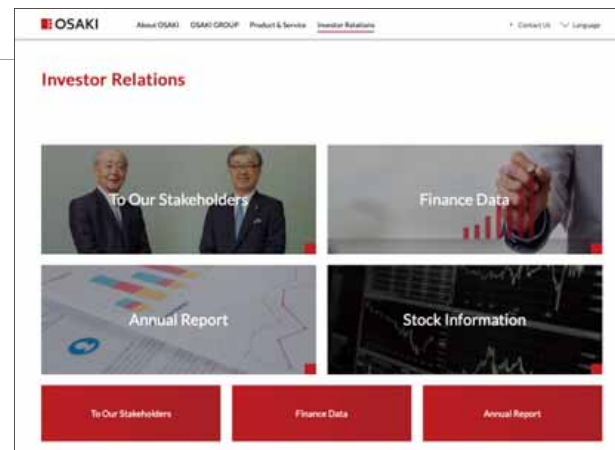
In May 2019, a briefing session on financial results and the Mid-term Management Plan was held for institutional investors and analysts. Briefings will be held twice a year for full-year financial results and second-quarter results.



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

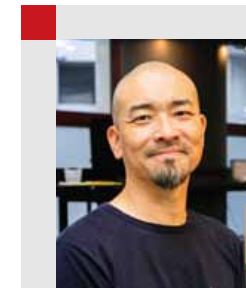
The OSAKI Group issues a Corporate Report to provide shareholders, stakeholders and investors with information including management strategies, business activity reports, and ESG (Environment, Society, Governance) initiatives.



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.

