



OSAKI Group Integrated Report

2021

 OSAKI

Global Energy Solution Leader

Providing tomorrow's energy solution for a better society

The OSAKI Group's Value Creation

- 4 Message from the Chairman
- 5 History
- 7 Top Message
- 9 Value Creation Process
- 11 Materiality for Sustainability
- 15 Financial and Non-financial Highlights
- 17 Mid-term Management Plan (Fiscal 2021–2025)
- 19 Analysis of Financial Results, Shareholder Return Policy, and Management Indicators

Business Strategies for Value Creation

- 21 Smart Meters & Solutions in Japan
- 24 Smart Meters & Solutions in Japan: New Businesses
- 25 Smart Meters & Solutions Overseas

Foundation of Value Creation

- 29 Corporate Governance
- 31 Board of Directors, Statutory Auditors & Executive Officers
- 33 Messages from Independent Directors & Auditors
- 35 Compliance
- 36 Risk Management
- 37 Environmental Initiatives
- 39 Together with Employees
- 40 Together with Customers and Business Partners
- 41 Together with Society
- 43 Together with Shareholders and Investors

Data Section

- 45 Consolidated Balance Sheets
- 47 Consolidated Statements of Income
- 48 Consolidated Statements of Comprehensive Income
- 49 Consolidated Statements of Changes in Equity
- 51 Consolidated Statements of Cash Flows
- 53 Company Profile
- 54 Stock Information
Trend of Business Results

●Reporting Period
April 1, 2020 to March 31, 2021
* It also contains some latest initiatives and policies to provide updated information.

●Editing Policy
OSAKI Group Integrated Report 2021 serves to provide our shareholders, investors, and other stakeholders with a clear overview of our Group's initiatives for sustainable growth.
The Integrated 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 Integrated Report 2021 contains forward-looking statements such as the future business performance of the OSAKI Group. 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 Integrated Report, OSAKI ELECTRIC Co., Ltd. is written as OSAKI ELECTRIC or the Company, and OSAKI ELECTRIC Group as OSAKI, the OSAKI Group or the Group.

Chapter 1

The OSAKI Group's Value Creation



First-floor entrance at OSAKI ELECTRIC's headquarters



Y. Watanabe

Yoshihide Watanabe
Chairman and CEO

Messages 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.

While capturing the top position in Japan for smart meters, we welcomed EDM I Limited, a global manufacturer of smart meters, to the OSAKI Group in 2012 as we accelerate our global expansion. As of December 2021, the OSAKI Group operates in more than 100 countries and regions, including Japan, Oceania, Europe, and various emerging countries.

The OSAKI Group's corporate vision is to be a "Global Energy Solution Leader" that takes on social challenges related to energy. We will bring together the Group's power measurement and control technology and our global business network to provide solutions for climate change and decarbonisation, which are major issues facing the international community.

In closing, we ask for your continued understanding and support.

OSAKI Group Vision

Global Energy Solution Leader

History

Over the 100 years since being founded, continued to evolve and expand the power measurement and control technology required by the times. Going forward, we will continue to provide a diversity of energy solutions and strive to achieve further business expansion and development.

History of OSAKI Group expansion

August 1916
Founded as Kogyo Seisakujo in Higashi-Gotanda, Shinagawa-ku, Tokyo.

January 1937
Reorganised as a joint stock company.

April 1941
Acquired and merged with OSAKI Kogyo; corporate name changed to OSAKI ELECTRIC Co., Ltd., and lineup of meter transformers readied.

1960-1968
Meter manufacturing company established by joint investments with power companies:
● 1960 Kyuki Electric Corporation (now Kyuden Technosystems Corporation)
● 1961 Chubu Seiki Co., Ltd.
● 1968 Tohoku Electric Meter Industry Co., Inc.

January 1962
IPO on the second section of the Tokyo Stock Exchange

October 1980
Listed on the first section of the Tokyo Stock Exchange.

April 1990
Established OSAKI Engineering Co., Ltd.

November 2002
Itron Datatech, with strength in energy metering systems, is acquired as a subsidiary (now OSAKI Datatech Co., Ltd.).

February 2007
M&A (Japan)
Enegate Co., Ltd. became a subsidiary.

February 2012
M&A (Singapore)
Acquired EDM I as a subsidiary. Sales ratio outside Japan increased significantly.

August 2016
100th Anniversary

1916-1950s

1960s-1970s

1980s-1990s

2000s

2010s

History of products and solutions

1932
First in Japan
Production of thermal over-current circuit breaker; patent awarded.

1949
Initial electricity meter model developed.



Mechanical electricity meter

1956
Started selling magnetic current limiter.



Current limiter

1961
Top market share attained for induction-type electricity meters for power companies.

1970
First in Japan
Remote control operations commenced under automated distribution system.



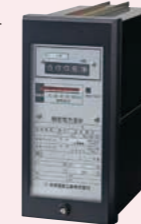
Automated distribution system

1978
Commercialisation of demand controllers



Demand controller unit

1982
First commercial development of electronic electricity meter



Semi-electronic electricity submeter

1987
Development of high-voltage electronic electricity meter



High-voltage electronic electricity meter

2001
First in industry
Development of in-line electricity meter for distribution panel



Compact electronic electricity meter

2003
Started providing Demand Management Services.

2008
First in Japan
Installation of smart meter started; participated in joint development and installation project.



Smart meter (OSAKI ELECTRIC and Enegate)

2012-
Expansion of smart meters for overseas



Smart meter (EDMI)

2017
Launched "watch series."

2018
Launched keyless entry system OPELO.



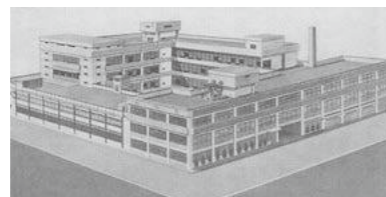
OPELO

History of OSAKI ELECTRIC Corporate Headquarters / Operating Divisions

1945-1952
October 1952 Established the first headquarters office.



1957-1961
June 1957 The headquarters office building was rebuilt. The building was expanded in 1961.



September 1963
Constructed Saitama Factory (now Saitama Operation Center) in Miyoshi Village (currently Miyoshi Town), Saitama Prefecture. Started operation.



April 1994
Completed the headquarters building (now OSAKI ELECTRIC Building). Moved headquarters office functions and started operations.



May 2009
Moved headquarters functions to Higashi Gotanda Square, and started operations.



November 2018
Established an open innovation laboratory at the OSAKI ELECTRIC Building.



Top Message



A Solution Company That Solves Energy-Related Challenges with Power Measurement and Control Technology

The environment surrounding the OSAKI Group is undergoing dramatic change as the COVID-19 pandemic that began to spread in 2020 keeps having an enormous impact worldwide while climate change is causing extreme weather events. Within this world of growing uncertainty, we discussed once again how the OSAKI Group can contribute to a sustainable society and what it takes to be the company that is continuously essential to society. We have concluded that we must leverage the power measurement and control technology cultivated up until now to contribute to the building of an energy supply infrastructure that is friendly to the earth and society.

Controlling energy consumption is essential for both realising an enriched society and reducing the environmental footprint. For this reason, it is important to measure when, where, how much, and in what way energy is consumed and then use this information to forecast amounts of future consumption. For example, efficient energy consumption can be achieved by automatically controlling the use of energy by utilising IoT, AI, and other technologies. We believe that the mission of the OSAKI Group is to contribute to the building of a sustainable energy supply infrastructure through the power measurement and control technology we have accumulated to date.

All-Important Decarbonisation Initiatives

Decarbonisation is a major issue for the international community within the energy environment and one of the Sustainable Development Goals (SDGs). As such, the OSAKI Group recognises decarbonisation as its top management priority and is strengthening its promotion of the energy solution business towards this goal.

The OSAKI Group utilises its strength, namely electricity usage measurement technology, to collect data on when,

where, how much, and in what way the CO₂-emitting electricity is used. This data plays a key role in considering measures for decarbonisation.

By concentrating and utilising the Group's technologies and know-how and promoting research and development, we will contribute to improving efficient energy use throughout the entire global community while also promoting activities for decarbonisation at our own bases.

Creating New Added-Value Together with Business Partners

OSAKI ELECTRIC established the open innovation laboratory "NEXT 100teX Lab," where we are pushing ahead with new value creation via collaboration with various university laboratories, local governments, and venture companies.

Through these partnerships, we will continue efforts to create new businesses for the realisation of a bountiful earth and enriched society.

Building a Workplace That Respects Human Rights and Recognises Each Other's Differences

To ensure that the OSAKI Group achieves sustainable growth as a "Global Energy Solution Leader," I believe it is important to create a corporate culture that takes ownership of environmental conservation and social issues and takes on the challenge of resolving these issues. In addition, I would like to foster a corporate culture in which all employees act spontaneously towards the realisation of a sustainable society.

For this reason, we will focus on creating a workplace that mutually recognises each other's differences and appreciates diversity so that individual employees can demonstrate their abilities and grow. Furthermore, we will respect the human rights of all people involved in our business activities encompassing the Group and the entire supply chain,

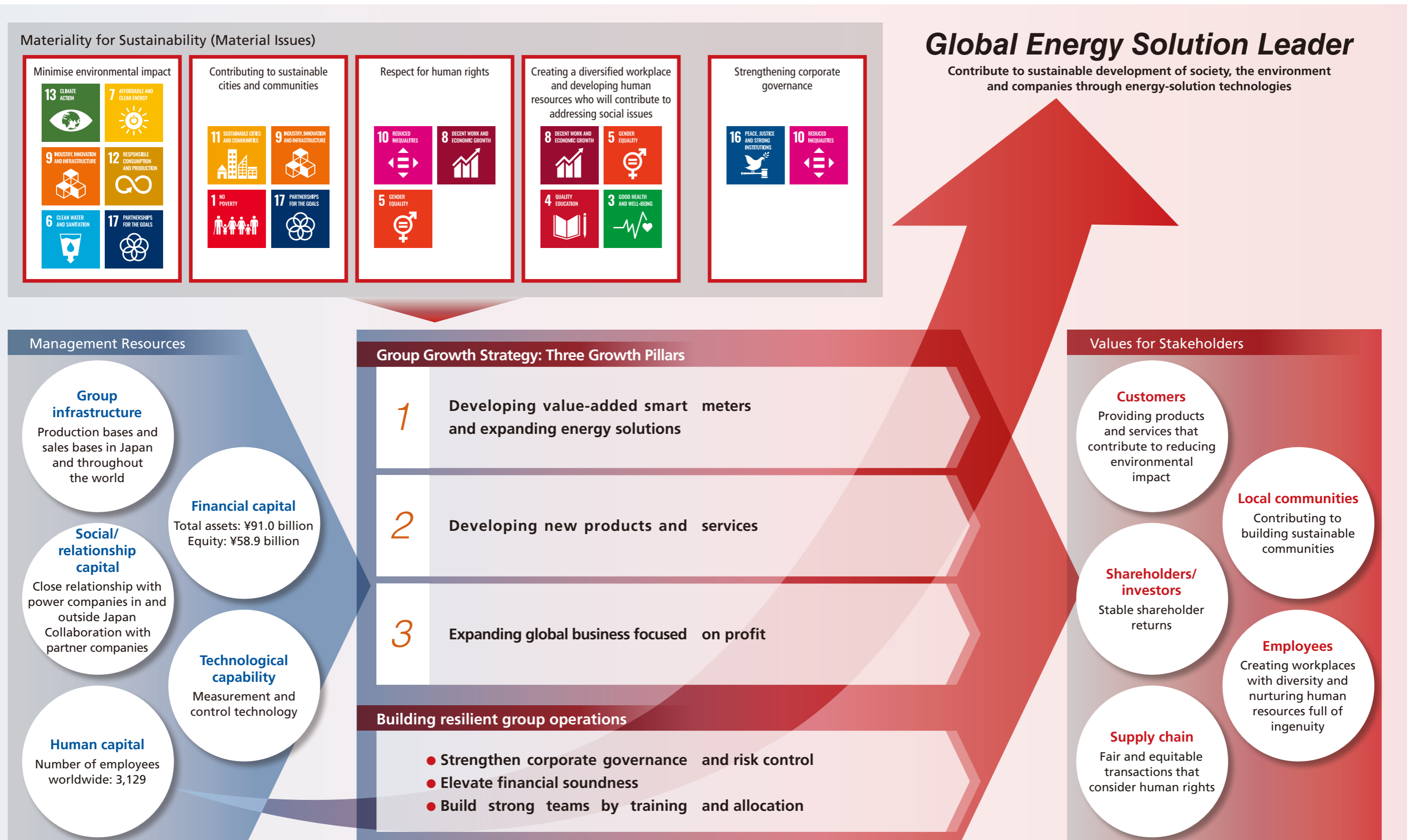
never infringe on human rights, and promote Group businesses based on high morals.

To become a global company needed by society 100 years from now, the OSAKI Group is committed to contributing to the creation of an enriched future by continuing to grow and evolve with society.

We ask for and appreciate your kind support.

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

Value Creation Process



Materiality for Sustainability

Group's Direction for Sustainability

With a vision to become a "Global Energy Solution Leader," the OSAKI Group will contribute to sustainable development of society and conserving the environment through its

energy-solution technologies by collaborative efforts with its stakeholders, and pursue its own sustainable growth.

Materiality for Sustainability

Taking diversifying social issues and the Group's business characteristics into account, the OSAKI Group has identified material issues that it will prioritise. By strengthening

business activities in its areas of priority, we aim to realise a sustainable society and achieve stable growth for the Group.

1. Minimise environmental impact

The OSAKI Group develops and deploys products and services that will minimise negative impact on the environment. We are also committed to take measures to reduce the impact to the environment through our business activities.



■ Contribution by smart meters

Smart meters are important infrastructure equipment with data collection and control functions and being installed all over the world. The OSAKI Group contributes to improving energy efficiency by providing technologies for measuring and controlling through smart meters worldwide.



■ Promoting solutions to support decarbonisation

Utilising O-SOL, total solutions including energy management systems (EMS) and smart metering systems (SMS), we will contribute to reducing the environmental impact of society by visualisation of CO₂ emissions, support for the planning of CO₂ reduction plans, and implementation of plans to reduce CO₂ emissions.

■ Promotion of research and development

The Research and Development Center in Japan pursues development of smart meters that contribute to more efficient use of electricity in society. The Group also collaborates with other organisations actively through open innovation to contribute to decarbonisation.

Furthermore, we are developing total solution services in Oceania that combine smart meters and head-end systems for better energy consumption efficiency. We aim to deliver the total solution services to other regions in the future.

■ Reducing greenhouse gas emissions at manufacturing sites

We promote the reduction of greenhouse gases emitted particularly at manufacturing sites in and out of Japan. We declared our commitment and support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. We will strengthen our organisational framework to follow the financial disclosure guidelines recommended by the TCFD recommendations.



2. Contributing to sustainable cities and communities



Towards contributing to sustainable cities and communities in Japan, we are addressing particularly the issues related to labour shortages due to the declining birth rate and aging population, and building disaster-resilient cities. Overseas, we recognise the stable supply of electricity as issues to address and we are committed to building the basic power infrastructure worldwide by delivering smart meters. The OSAKI Group provides solutions to sustainable cities and communities through products and services based on its measuring and controlling technologies.

■ Creating value-added smart meters

Smart meters are equipped with reliable communication protocols and are remotely operable, which enable smooth power recovery. These functions can be applied in the event of a disaster, such as prevention of electrical fires and spotting locations of power outages. We are working to develop smart meters to create new added value.

■ Promoting smart building systems to realise labour-saving operations

We will contribute to the realisation of a sustainable society by introducing systems that contribute to the efficiency of facility management operations (facility inspections and facility security) by improving the level of service, in addition to operational efficiency improvements, such as the automated meter reading system (improving the efficiency of tenant meter reading) and support for the preparation of reports on environmental laws and regulations, which we have been developing in the past.

■ Cooperating with partners

OSAKI ELECTRIC launched NEXT 100teX Lab, an open laboratory, to promote collaboration across industries, university laboratories, local governments, and ventures. Together with our partners, we aim to create new solutions based on our development technologies for electric power measurement and control equipment with an aim to realise sustainable cities and communities.

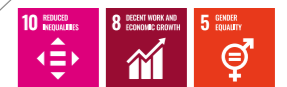


■ Contributing to global power infrastructure

EDMI, a subsidiary of OSAKI ELECTRIC, is expanding its business globally, including in Oceania and Europe as well as in Asia and the Middle East. We will further expand our solutions services for smart meters and software, and contribute to the stable and efficient supply of electricity worldwide.



3. Respect for human rights



The OSAKI Group is committed to ensuring that we do not violate human rights and that we are not complicit in the violation of human rights through our group or our supply chains. We support and respect international codes of human rights, including the United Nations International Bill of Human Rights, the United Nations Global Compact, and the ILO Declaration on Fundamental Principles and Rights at Work.

The Group states in "Osaki Group's Charter of Corporate Behavior" that the Group shall "conduct business that respects the human rights of all persons and take no part in any discriminatory action at all phases of our businesses." We conduct employee training and seminars on human rights, while conducting surveys of our business partners on human rights. In addition, we declared the statement on Modern Slavery acts in the United Kingdom and Australia, and work to prevent human rights infringement.

Materiality for sustainability

4. Creating a diversified workplace and developing human resources who will contribute to addressing social issues



The OSAKI Group emphasises the education of its employees for the development of a corporate culture where all employees have high moral standards for environmental conservation and social issues and are actively pursuing solutions for these issues. We are committed to providing a secure and safe work environment where diversity is mutually recognised and all employees can work to their fullest capabilities.

■ Establishment of a workplace environment that recognises and accepts differences

We promote the development of workplace environments and organisations so that employees with diverse attributes, values, and ideas can work comfortably and safely. We believe that the active participation by a diverse workforce contributes to the flexible resolution of important issues. In Japan, we are focusing on establishing a flexible work system where employees can choose various work styles according to their lifestyles and life events. Overseas, while diversity in workplaces is permeated, we are striving to elevate the quality of the work environment.

■ Cultivating corporate culture with rich ideas and high morals

We encourage employees to gain a variety of experience and knowledge so that they can respond flexibly and conceptually to changes and issues in society. In Japan, we provide opportunities for employees to step up in their career and gain new challenges and experience. We support employees' autonomous career advancement through a variety of training programs and job rotations. At the same time, employees are provided with flexible work styles and a unique leave system. Overseas, as our headquarters is based in Singapore and there are subsidiaries in Australia, UK, Malaysia, and other countries, we respect cultural diversity, and provide a work environment where highly specialised professionals in such areas as sales, R&D, operations, and administrative can demonstrate their capabilities. We are also working to invigorate intra-group communication to strengthen cooperation among different divisions.

■ Promoting health management

OSAKI ELECTRIC promotes health and productivity management by acquiring certification as an Excellent Health and Productivity Management Corporation (Large Corporate Group). We conduct ongoing activities, such as holding health seminars for employees and endorsing each project, such as the "Action for Companies Promoting Countermeasures against Cancer."



5. Strengthening corporate governance



In order to fulfil its responsibilities to stakeholders based on its corporate philosophy, the OSAKI Group strives to strengthen its Group management foundation and aims for sustainable growth.

■ Corporate governance

We recognise that strengthening corporate governance is an important management issue in maximising sustainable corporate value. We continue to make fair management judgment to further increase management efficiency and transparency.

■ Risk management

In ensuring the sustainable development of our business, we prevent and mitigate risks, and promote risk management to minimise damage from crises and ensure rapid recovery.

■ Compliance

To strengthen the governance system, the Group recognises the importance of all employees to comply with laws and regulations and act with a high sense of ethics. To ensure that all employees are aware of their actions, the OSAKI Group promotes and provides compliance manuals and a group helpline system.

Identification of Key Issues and PDCA (Plan-Do-Check-Act) Processes

STEP 1 Selection of social issues

We selected social issues that we should address from the perspectives of importance to the Group and high societal demands based on the Sustainable Development Goals (SDGs).

STEP 2 Identification of material issues

Of the social issues selected, we identified material issues that we should prioritise based on our strategies in the Mid-term Management Plan.

| Developing value-added smart meters and expanding energy solutions | Developing new products and services | Expanding global business focused on profit | Building resilient group operations |
|--|--|--|---|
| 1. Minimise environmental impact <ul style="list-style-type: none"> Contributions by smart meters Promoting solutions to support decarbonisation Promotion of R&D 2. Contributing to sustainable cities and communities <ul style="list-style-type: none"> Creating value-added smart meters | 2. Contributing to sustainable cities and communities <ul style="list-style-type: none"> Promoting smart building systems to realise labour-saving operations Cooperating with partners | 2. Contributing to sustainable cities and communities <ul style="list-style-type: none"> Contributing to global power infrastructure | 3. Respect for human rights 4. Creating a diversified workplace and fostering social issue-solving culture <ul style="list-style-type: none"> Establishment of a workplace environment that recognises and accepts differences Cultivating corporate culture with rich ideas and high morals Promoting health management 5. Strengthening corporate governance <ul style="list-style-type: none"> Corporate governance Risk management Compliance |

STEP 3 Validation and approval

OSAKI ELECTRIC's Board of Directors has discussed and approved the selection of social issues and identification of material issues.

STEP 4 PDCA management review

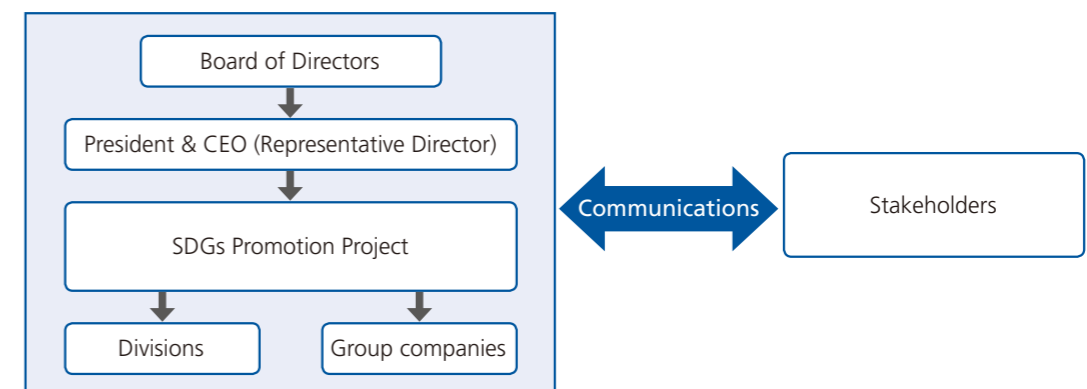
The Board of Directors monitors the progress and makes necessary adjustments to the Basic Sustainability Policy based on trends in social issues and changes in the business environment.

Structure to Promote

The OSAKI Group promotes all sustainability-related activities through the SDGs Promotion Project, headed by the Executive Vice President (Representative Director).

In April 2022, we will establish the Sustainability

Promotion Committee in place of the SDGs Promotion Project. Our Group's current sustainability promotion structure is described in below.



Financial and Non-financial Highlights (Year ended 31st March 2021)

Net sales

¥76,255 million
YoY -15.3%↓

Net sales declined mainly because the installation of smart meters was stagnant overseas due to the spread of COVID-19 and a decrease arising from large-scale projects in Iraq (Kurdistan Regional Government) in the previous fiscal year.

Operating income

¥2,684 million
YoY -27.3%↓

Operating income decreased on a consolidated basis due to significantly low profits overseas, offsetting higher profits in Japan arising from a reduction in selling, general and administrative expenses.

Profit attributable to owners of parent

¥482 million
YoY -59.7%↓

Profit decreased due to the decline in operating income.

Net income per share

¥9.84
¥24.47 for the year ended 31st March 2020

Profit decreased due to the decline in operating income.

Net assets

¥58,887 million
YoY +0.4%↑

Substantially the same as the preceding year's results.

Net assets per share

¥950.37
YoY -¥6.07↓

Declined due to an increase in minority interests.

Return on equity (ROE)

1.0%
2.5% as of the end of the previous fiscal year

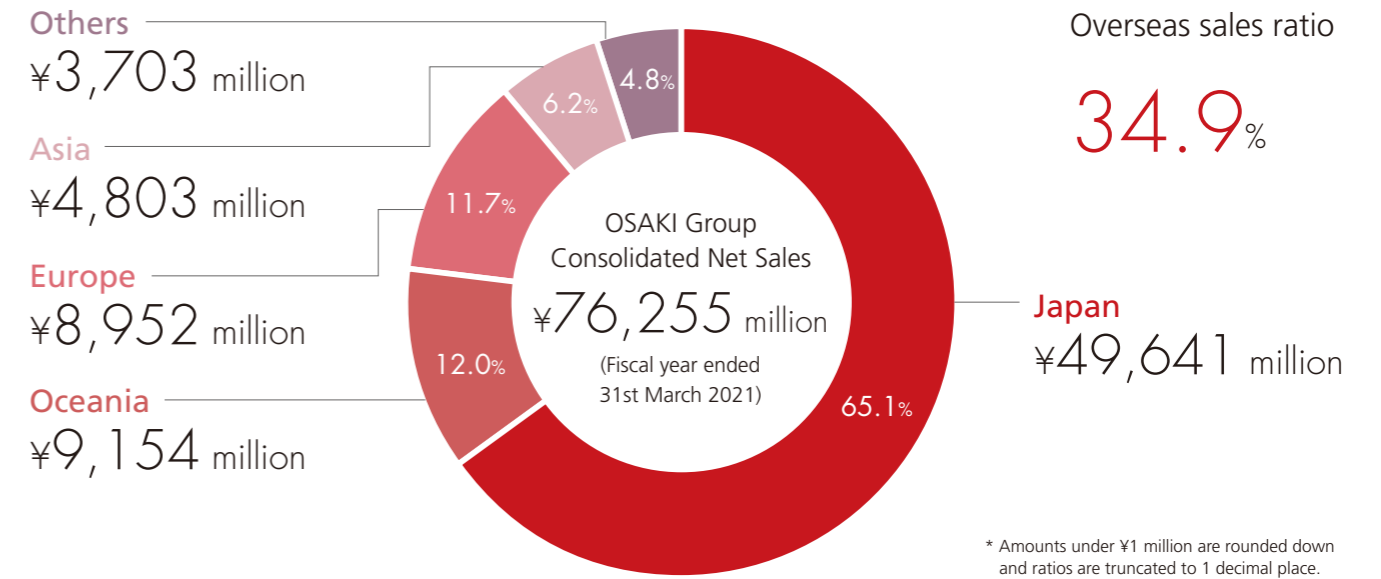
Declined corresponding to the decrease of profit attributable to owners of parent.

Equity ratio

51.2%
YoY +3.4 percentage points↑

Improved due to a decrease in loans payable.

Sales by region



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

3,129 / 32 nations

Ratio of female employees

OSAKI ELECTRIC: 19%
EDMI: 36%

Number of employees who took childcare leave (OSAKI ELECTRIC)

6 (Two of whom are male employees)

Average rate of annual paid leave taken (OSAKI ELECTRIC)

64%

Mid-term Management Plan (Fiscal 2021–2025)

In May 2019, we announced our medium-term growth strategy for the OSAKI Group as a five-year Mid-term Management Plan. We intend to review the numerical targets of the Mid-term Management Plan every year and make revisions accordingly.

Management Policies

The OSAKI Group's corporate vision is to be a "Global Energy Solution Leader" that takes on social challenges related to energy. The Group strives to create new value

throughout the world and achieve sustainable growth through our energy solutions aimed at combatting climate change and realising decarbonisation.

Business Outlook

Although the Mid-term Management Plan was announced in May 2021, since the latter half of the year we have been struggling to procure electronic components for smart meters, which are our main products in Japan and overseas, and it is difficult to reasonably calculate the procurement risk. Therefore, the Company decided to forgo the announcement of the full-year forecasts for fiscal 2021 on November 2, 2021.

We are promoting strategies based on our business

portfolio so that the Group can respond to changes in the business environment and achieve sustainable growth. The basic policy of the business portfolio strategy is to divide the business segment into sub-segments, implement PDCA (plan, do, check, act) management at the Board of Directors, and reflect it in the resource allocation in the Mid-term Management Plan. We plan to disclose these efforts together with the announcement of the Mid-term Management Plan.

Strategies Based on the Mid-term Management Plan

In carrying out the Mid-term Management Plan, OSAKI will take the following strategies.

(1) Developing value-added smart meters and expanding energy solutions

In Japan, we will accelerate R&D for next-generation smart meters expected to launch in fiscal 2025 and explore added value for new smart meters. Specifically, we will target markets that leverage OSAKI's strength in energy solutions, such as remotely controlling, measuring, and monitoring smart meters, and expand businesses related to energy management and labour saving to increase market share.

As a specific example, in energy management services, we provide services that not only save energy and reduce costs by automatically controlling power consumption but also support customers' efforts towards decarbonisation. In addition, we will work to provide new services, including smart building systems and optimisation of intra-factory networks utilising local 5G, to solve social issues such as a declining working population and carbon-free society.

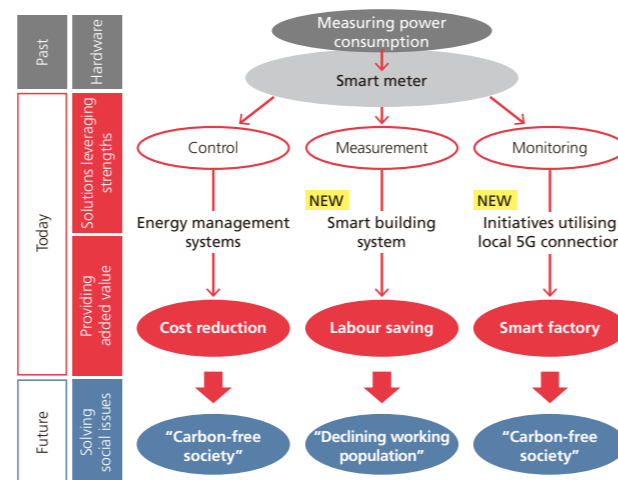
(2) Developing new products and services

We will leverage management resources and reinforce the framework to create and market new products and services. In addition, we will collaborate with various partners, including the open innovation laboratory "NEXT 100teX

Lab," to accelerate technology development and reinforce marketing.

For example, as a service to meet the "contactless" and "non-face-to-face" needs in times of the COVID-19 pandemic, we are cooperating with partner companies to provide unmanned viewings of rental properties using smart locks and offer smart entrances at construction sites.

Delivering solutions for social issues



We are also promoting the launch of new businesses that meet social needs by effectively utilising the OSAKI Group's management resources.

(3) Expanding global business focused on profit

The OSAKI Group is executing the following measures in the focus regions including Oceania, Europe with particular focus on the UK, and emerging countries in Asia, the Middle East, and Africa.

- Expand solution services that connect hardware and software
- Establish global development framework to accelerate next-generation hardware/software development
- Reinforce production structure and decentralise manufacturing sites for business continuity

In Oceania, we are currently providing solution services and have achieved stable and high profitability. Going forward, we will aim for stable growth by maintaining a high market share and continuing to upgrade our solutions.

In other regions, we will work to strengthen profitability by promptly responding to the needs for solution services in the Middle East, where high market potential is expected, in addition to Asia, Africa, and Europe.

In terms of production, we will work to formulate a business continuity plan (BCP) and decentralise our manufacturing sites. In addition, we will respond flexibly to year-by-year changes in demand by increasing the out-

sourcing ratio to achieve production efficiency.

As announced on May 11, 2021, the OSAKI Group will sell Quantum Automation Pte Ltd, which engages in the building management business mainly in Singapore, to Totech Corporation. By doing so, we will concentrate our overseas management resources on the meter business, which is the core business of the OSAKI Group, and aim to maximise corporate value on a global basis.

(4) Building resilient group operations

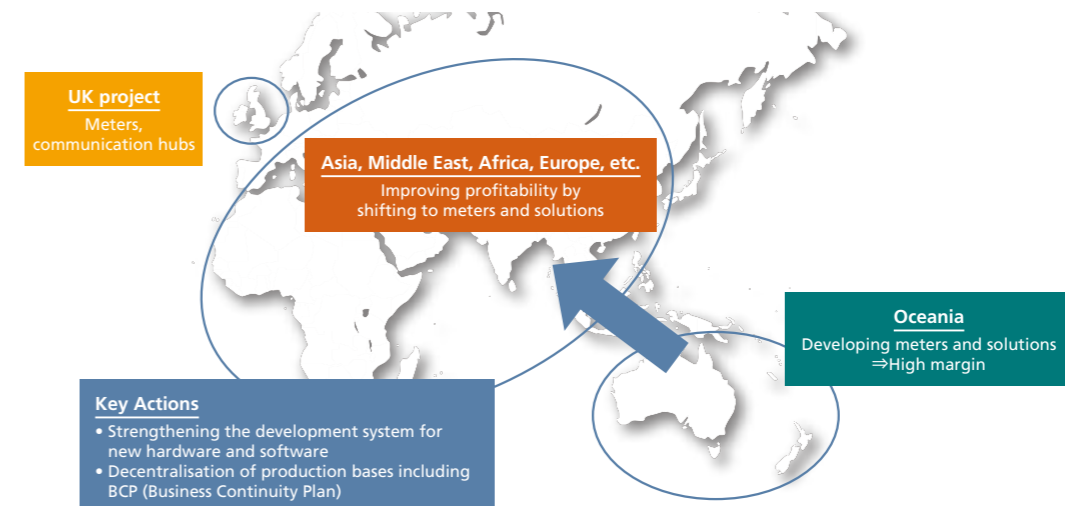
The OSAKI Group will strive to strengthen its management base by implementing the following measures and aim for more sustainable growth.

- Strengthen corporate governance and risk control
- Elevate financial soundness
- Build strong teams by training and allocation

We will focus not only on strengthening corporate governance, but also on managing risks amid the COVID-19 pandemic. In addition, we will strive to strengthen our financial position that is resilient to any changes in the business environment and develop human resources who will create business opportunities attuned to changes in society.

Since the business fields of the OSAKI Group are closely linked to the SDGs, we will continue to develop our business based especially on the keyword of solving social issues.

Improving profitability by expanding the area where meters and solutions are deployed



Analysis of Financial Results, Shareholder Return Policy, and Management Indicators

Analysis of Financial Results for Fiscal 2020

In fiscal 2020, the business environment was severe due to the sudden stagnation of social and economic activities due to the impact of the global spread of COVID-19. Under such conditions, while responding to COVID-19-induced changes in the business environment, the OSAKI Group has been promoting the four priority strategies of the Mid-term Management Plan, which are “developing value-added smart meters and expanding energy solutions,” “developing new products and services,” “expanding global business focused on profit,” and “building resilient group operations.”

In Japan, net sales were in line with the initial plan due to such factors as solid sales of smart

meters. Operating income outperformed the initial plan thanks to improvements in the production efficiency of smart meters and a reduction in selling, general and administrative (SG&A) expenses.

Overseas, net sales decreased from the previous fiscal year because the impact of lockdown to prevent the spread of COVID-19 was larger than expected. In terms of profits, although we made efforts to reduce SG&A expenses, we did not reach the target laid out in the initial plan due to the recording of a write-down of parts inventory.

The consolidated financial results are shown in the table below.

| | FY2020 | Compared to the previous year | | Compared to the initial plan | |
|---|--------|-------------------------------|-----------|------------------------------|-----------|
| | | Amount | Ratio (%) | Amount | Ratio (%) |
| Net sales | 76,255 | (13,813) | (15.3) | (3,744) | (4.7) |
| Operating income | 2,684 | (1,006) | (27.3) | 1,184 | 79.0 |
| Ordinary income | 2,888 | (656) | (18.5) | 1,288 | 80.5 |
| Profit attributable to owners of parent | 482 | (714) | (59.7) | 382 | 382.3 |

(¥ million)

Shareholder Return Policy

We regard the return of profits to shareholders as one of our important management policies, and our basic policy is to distribute results in accordance with business performance while assuming that we continue to pay stable dividends to our shareholders.

Specifically, we will determine the dividend on equity (DOE) ratio of 2% or the dividend payout ratio of 30%, whichever is higher. In addition, with the aim of improving capital efficiency, we will continue to review the acquisition of treasury stock based on a comprehensive consideration of cash on hand, necessary working capital, recent performance, share price, and whether or not there are any investment projects.

With regard to internal reserves, with the aim of expanding corporate value over the long term, we will use them as a source of funds for R&D investment and capital investment to strengthen competitiveness, as well as for future business development, including M&A, in an effort to improve business performance.

Management Indicators

We put strong emphasis on improving the efficiency of shareholders' equity and aim to continuously improve ROE (Return on Equity).

Chapter 2

Business Strategies for Value Creation



Smart meter line-up in Japan (top); EDMI in Australia (bottom)

Smart Meters & Solutions in Japan



Takehiko Ota
Managing Executive Officer
Head of Domestic Sales Division

Efforts to Realise a Decarbonised Society

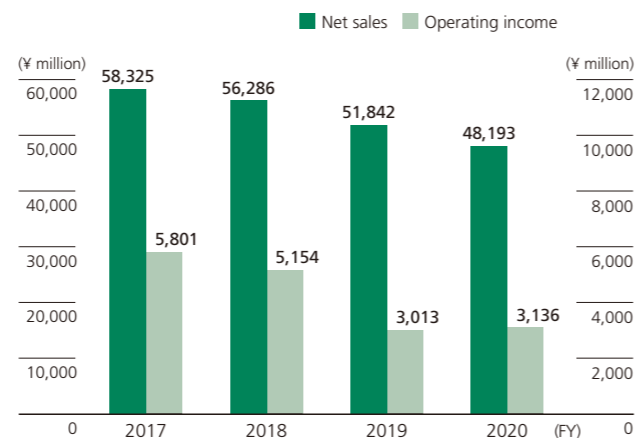
OSAKI ELECTRIC has contributed to efficient use of electric power by providing the technology to accurately measure invisible energy and the technology to realise the monitoring of usage information and controlling consumption. With this power measurement and control technology based on our smart meters as the starting point, we are using new technologies such as IoT and AI to optimise power consumption and provide labour-saving solutions in operations related to social infrastructures.

In fiscal 2021, there is an increasing need for specific decarbonisation solutions. Continuing on from the previous fiscal year, there is expected to be strong demand for contactless and non-face-to-face services to curtail the spread of COVID-19 infections. We will take on the challenge of creating new value by supporting the decarbonisation efforts of our customers and contributing to the creation of a post-pandemic society.

Fiscal 2020 Financial Results

In Japan, net sales declined 7.0% compared to the preceding year to ¥48,193 million due to the peaking of demand for smart meters, the sluggish pace of meter installations due to the spread of COVID-19 infections, and curbs on investment by customers. On the other hand, operating income rose 4.1% year on year to ¥3,136 million due to reductions in selling, general and administrative expenses. In this operating environment, the OSAKI Group will expand solution services for social issues by providing energy management systems that utilise smart meters and creating new products and businesses, such as the OPELO keyless entry system.

Net Sales and Operating Income of Smart Meters & Solutions in Japan



Fiscal 2021 Business Strategy

It is expected that smart meters will be installed in all households and buildings by fiscal 2024. Domestic demand for smart meters, our mainstay product, will decrease accordingly until the next cycle of replacement demand. Based on the fiscal 2021 plan, we will provide an energy management system that realises smart power usage, further expand sales of smart locks while developing technologies for labour savings and decarbonisation through alliances with partner companies, as well as strengthening marketing prowess.



Mid-term Management Plan

Smart meters are used for much more than just measuring electricity usage for collecting charges. They are regarded as key devices that collect data to understand when, where, how much, and in what way electricity (which emits CO₂) is used. In addition, through their remote-control and monitoring functions, smart meters also contribute to labour savings and decarbonisation.

Smart building systems and optimised factory networks that utilise local 5G are among new products and services that OSAKI ELECTRIC is working to deliver to resolve social issues that include a shrinking labour force and decarbonisation.



UPDATE

Smart, Decarbonised Factories That Utilise Local 5G

In April 2021, OSAKI ELECTRIC, in collaboration with Trust Smith & Company and ABIT Corporation, launched a verification test project at the Saitama Operations Center that involves transportation automation using automated guided vehicles (AGV) and plant monitoring using local 5G and smart meters.

As manufacturing facilities increasingly turn to digital transformation (DX), there is a growing focus on the high-speed, large-capacity data communication capabilities of local 5G to solve line stability and

security issues. The project's objective is to reduce on-site labour requirements and improve productivity by using smart meters for monitoring equipment failures and AGVs for transportation. It will also be used to verify if using smart meters and remote automated control to manage power consumption and CO₂ emissions levels contributes to decarbonising the facility.

In this way, OSAKI ELECTRIC's aim is to propose specific solutions to energy-related social issues in collaboration with the most suitable partner companies.



Verification test project using smart meters



Meter board with local 5G



Local 5G device



Base station

TOPIC

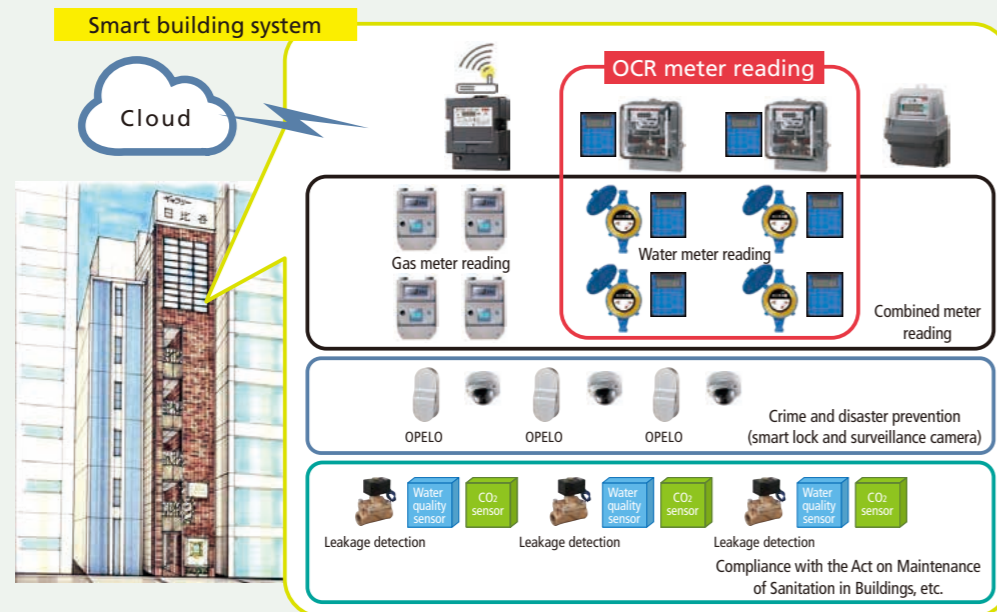
Labour-Saving Smart Building System

OSAKI ELECTRIC is developing a total solution system for automated, remote building management that eases the management of office buildings and commercial facilities.

In Japan, there is a shortage of personnel for managing buildings, caused by the high turnover as managers age and leave. In response, OSAKI ELECTRIC has initiated a trial smart building system for application to aging commercial buildings. This system realises billing for each tenant by remotely reading meters for electricity, gas, and water with the mechanical meter

equipped with an optical character reader (OCR) and enables cloud management of the results. It is expected that the asset value of the buildings will increase due to the energy saved by the automatic controlling of air conditioning and lighting as well as crime prevention based on the use of smart locks.

The smart building system will improve the efficiency of the building management work and contribute to solving the social issue of the declining labour force.



VOICE

The impetus for developing the smart building system came from the idea that people's lives can be enriched by utilising smart meters that are installed everywhere. The system would provide integrated building management that does not require on-site patrols or visual inspections, leading to savings on labour and changes in the way people work.

For developing the system, it was very important to cooperate and collaborate with venture companies having the requisite technical capabilities. We want to improve the system and increase value-added by combining our strengths with those of other companies.



Takeshi Tsuchiya
Head of Sales Dept. II and
Head of SMS Section
Energy Solution
Management Dept.

Smart Meters & Solutions in Japan: New Businesses

Solution Business

The OSAKI Group aims to contribute to society by creating new value through products and services that enable power to be "visualised" by measuring and digitalising its usage.

In recent years, in addition to the electricity meters and smart meters that have been our main products, we have applied the measured data in combination with environmental sensors, IoT, apps, and portals to control energy and the environment with the "watch series." We have also started to offer the OPELO keyless entry system. Being adopted in a wide range of business formats including retail stores and rental real estate, it provides contactless and non-face-to-face services that are attracting attention in the post-COVID-19 era.



Smart Solutions for Social Issues

A priority strategy of the Mid-term Management Plan is to develop value-added smart meters and expand energy solutions. In line with this policy, the OSAKI Group is promoting smart solution systems that combine energy measurement technology with automatic control enabled by AI and IoT and the construction of networks.

While the original application of smart meters has been

to measure electricity usage for billing, they are also attracting attention as a key device for decarbonisation. We will continue to contribute to solving social issues such as the shrinking size of the labour force and decarbonisation by developing smart solutions that add control technology to the measurement technology we have cultivated since its inception.

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 start-ups.

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

start-ups to accelerate development of advanced IoT and AI technologies. The endeavours will include the building of new business models, development of IoT devices, and utilisation of big data to deliver new energy solutions.



Smart Meters & Solutions Overseas



How New Seng
Chief Executive Officer
EDMI Limited

Driving Global Growth in Response to Worldwide Increased Demand for Smart Meters

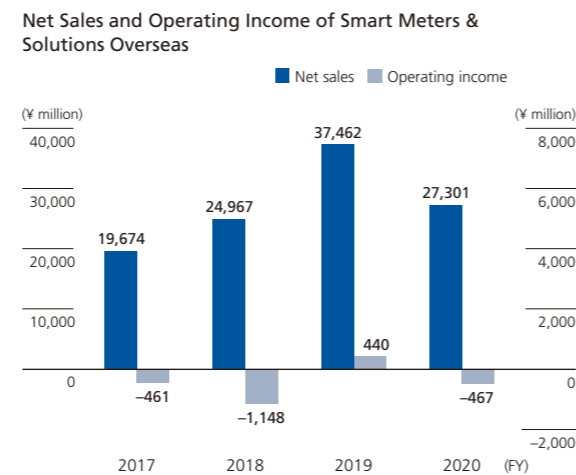
Since its establishment in Australia in 1978, EDMI Limited has been delivering high-quality products and services and expanding its customer base primarily in Oceania and Asia to meet the needs of the regions.

As the number of smart meters rolled out continues to increase in the UK and emerging countries, EDMI is continuing to expand the scope of its customer offerings, including the delivery of end-to-end solutions and to be a company with sustainable recurring profit as a trusted supplier to many of the world's leading utility businesses.

Fiscal 2020 Financial Results

Overseas, sales declined in fiscal 2020 due to the sluggish pace of smart meter installations caused by lockdowns to prevent the spread of COVID-19 as well as delays in the implementation of projects in emerging countries such as Asia and the Middle East. As a result, compared to the previous year, net sales decreased 27.1% to ¥27,301 million. Operating income decreased by ¥907 million to a loss of ¥467 million, notwithstanding a decrease in selling, general and administrative expenses.

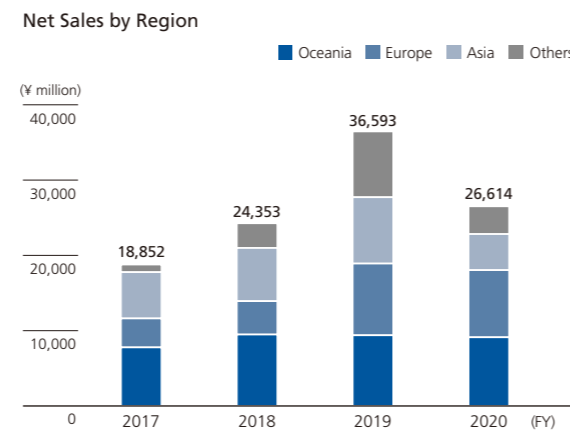
With overseas business expected to grow over the medium term, we are working to strengthen the development of the system to accelerate the transition to a business model centred on solutions. At the same time, we have started to decentralise production, including through outsourcing, to diversify risk in the midst of the COVID-19 pandemic.



Fiscal 2021 Business Strategy

The OSAKI Group made advance investments for smart meter projects with a central focus on the UK market, in which shipments to customers have been increasing since fiscal 2019. We also have secured a market share of more than 70% in Oceania, where government-led initiatives are underway to install smart meters. Furthermore, demand for smart meters and higher-end metering systems is rising in emerging countries in Asia and the Middle East, providing opportunities to improve earnings. Going forward, we will promptly respond to this increasing demand as we focus on becoming a truly global corporate group.

In fiscal 2021, we anticipate stable growth in Oceania, where profit margins are high, and increased shipments for the UK project. Looking to the future, with demand in emerging countries also expected to increase as COVID-19 wanes, overseas operations are projected to enter a stable growth period that will make up for the valley of domestic demand.

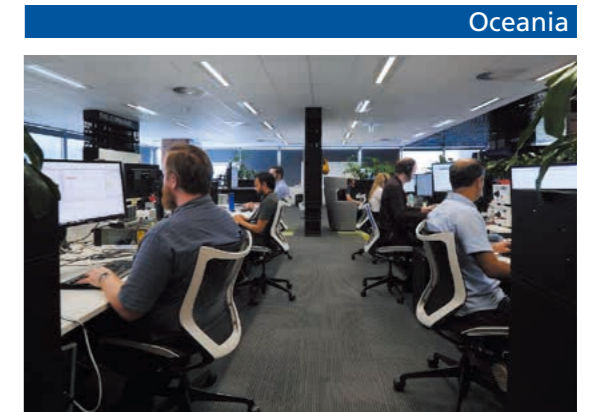


* Calculated based on securities report classification (External sales, including of Japanese exports abroad)

Aiming for Stable Growth in Oceania

The installation of smart meters in Oceania is actively continuing to ensure efficient energy usage and cost control. EDMI maintains a high market share and profitability by providing smart meters and solution services.

We were able to steadily grow in fiscal 2020 due partly to the rapid response of the government to the COVID-19 pandemic. From fiscal 2021 onwards, demand is expected to be stable, including from the installation of new smart meters in Australia and renewal demand in New Zealand. As a market leader in Oceania, EDMI is aiming for stable growth by providing high value-added smart meter solutions.



Continuing to Participating in and Contributing to the Smart Grid Conversion Project

Smart grid conversion is underway in the UK to adopt renewable energy for a decarbonised society. Under this trend, EDMI is taking part in the residential smart meter rollout in the UK.

In fiscal 2020, UK sales fell short of the plan as smart meter installations slowed due to lockdowns carried out to contain the spread of COVID-19. However, orders have been on the rise since the end of the fiscal year, with a gradual increase in the pace of installations.

In view of the spread of COVID-19, the UK government has announced that it will extend the project deadline from the initial 2024 to mid-2025. Accordingly, the OSAKI Group expects sales to remain stable until fiscal 2025.



Improving Profitability by Transitioning to Solution Services

In emerging markets such as Asia, the Middle East, and Africa, needs vary greatly by country and region. Accordingly, EDMI is focusing on improving profitability in the region as a whole by developing services in line with customer needs, such as prepayment solutions to secure bill collection and cluster metering solutions with a function to prevent tampering.

In fiscal 2020, sales were negatively impacted by the suspension of tender bidding procedures and the stagnation of sales activities due to the spread of COVID-19. However, it is very possible that markets in the region will expand, and we will continue to promote our business with a view to providing a prompt response to demand for solution services.



Chapter 3 Foundation of Value Creation



Production lines to manufacture high-quality products

Value Creation Capabilities

The 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.

This chapter presents our environmental, social, and governance initiatives.

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 the Board of Directors' activities in a continuous effort to improve the Board's function, and has established a Nomination and Remuneration Advisory Committee, as well as an executive officer system, 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 CO ₂ 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 products 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

Elevate corporate value and minimise risk

| | |
|-------------------------------------|--|
| Supervisory and executive functions | Executive officer system |
| | Nomination and Remuneration Advisory Committee |

Introduction of executive officer system in June 2020
The main role of the Board of Directors is to supervise management decision-making and business execution.
Clarification of executive authority and responsibility
→ For a management system that quickly responds to changes in the business environment

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

| | |
|------------|----------------------------|
| Management | Effectiveness of the Board |
|------------|----------------------------|

Yearly evaluation to improve Board's effectiveness
→ Continuous improvements



Corporate Governance

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

Fundamental Approach

In line with its corporate philosophy, the 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

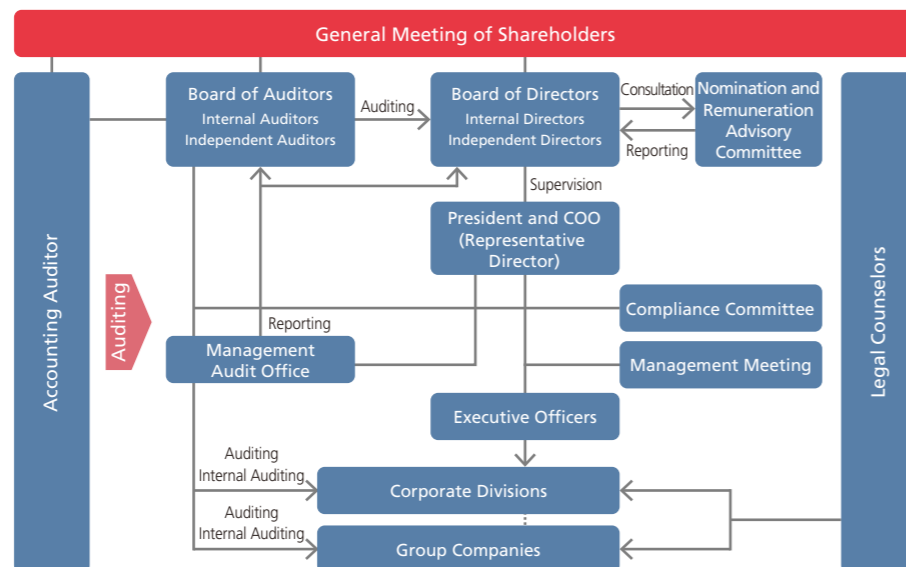
OSAKI ELECTRIC has a board of four auditors that includes two independent auditors, providing an auditing function for objective management oversight. The Board of Directors consists of seven members, two of whom are independent directors.

The independent directors and auditors were selected for their extensive management experience and practical knowledge, and the insight based on those qualities, and the external monitoring they perform will strengthen management monitoring and oversight functions.

Furthermore, the introduction of an executive officer system in June 2020 has further enhanced the supervisory function of the Board of Directors and at the same time ensured the speed and flexibility of executive functions, forming an ideal corporate governance system.

The Board of Directors supervises executive directors and executive officers to ensure the fairness and transparency of management and decides on matters that based on law and regulations cannot be delegated to directors.

Authority regarding other matters to be resolved and decided on is delegated to executive directors and executive



officers, and the Board of Directors conducts appropriate supervision based on status reports.

The Board of Directors meets once a month, or as needed, to flexibly respond to changes in the business environment and conduct efficient management. The Board of Directors is assisted by management meetings of internal directors held once a week, or as needed, to make routine business decisions and deliberate management issues. In addition, as a general rule, executive officer meetings are

held once a month to promote company-wide information sharing and expedite business operations.

The Management Council is convened as deemed necessary to make preliminary deliberation on important matters such as those to be discussed at Board of Directors meetings while the Group Executive Meeting is held once a month to share information on business activities of OSAKI ELECTRIC, Enegate Co., Ltd. and EDMI Limited.

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

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, auditors, and executive officers
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 and executive officers with a role
5. Director and executive officer remuneration system and remuneration determination policy
6. Details of remuneration for individual directors and executive officers
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.

Board of Directors, Statutory Auditors & Executive Officers

Board of Directors

Yoshihide Watanabe Chairman and CEO (Representative Director)

Jul. 1980 Director, OSAKI ELECTRIC Co., Ltd.
 Jul. 1984 Managing Director
 Jul. 1986 Senior Managing Director
 Jun. 1987 Executive Vice President (Representative Director)
 Nov. 1988 President and COO (Representative Director)
 Jan. 1989 Director, Tohoku Electric Meter Industry Co., Inc. (to date)
 Mar. 1989 Director, KYUSHU DENKI SEIZO Co., Ltd. (currently Kyuden Technosystems Corporation) (to date)
 Feb. 2007 Director, Enegate Co, Ltd. (to date)
 Jan. 2009 Chairman and CEO, OSAKI ELECTRIC Co., Ltd. (to date)
 Mar. 2012 Chairman, SMB United Limited (currently OSAKI United International Pte. Ltd.) (to date)



Mitsuyasu Watanabe President and COO (Representative Director)

Aug. 1986 Joined OSAKI ELECTRIC Co., Ltd.
 Jun. 1988 Director
 Jun. 1994 Managing Director
 Jun. 2004 Senior Managing Director
 Jan. 2009 Executive Vice President (Representative Director)
 Mar. 2012 Chief Executive Officer, SMB United Limited (currently OSAKI United International Pte. Ltd.) (to date)
 Jun. 2014 President and COO (Representative Director), OSAKI ELECTRIC Co., Ltd.
 Jun. 2020 President and COO (Representative Director) (to date)



Haruyuki Kawabata Executive Vice President (Representative Director)

Apr. 1970 Joined OSAKI ELECTRIC Co., Ltd.
 Jun. 2000 Director
 Jun. 2004 Managing Director and Head of Administration Division
 Jun. 2011 Managing Director and Head of Domestic Sales Division
 Jun. 2012 Senior Managing Director and Head of Domestic Sales Division
 Jun. 2014 Executive Vice President (Representative Director)
 Jul. 2014 Director, OSAKI United International Pte. Ltd. (to date)
 Jun. 2016 Executive Vice President (Representative Director)
 Jun. 2020 Executive Vice President (Representative Director) (to date)



Kazuo Nemoto Senior Managing Executive Officer Head of Administration Division

Apr. 1977 Joined OSAKI ELECTRIC Co., Ltd.
 Jun. 2006 Director
 Jun. 2007 Director and Deputy Head of Administration Division
 Jun. 2011 Managing Director and Head of Administration Division
 Jun. 2018 Senior Managing Director and Head of Administration Division
 Jun. 2020 Senior Managing Executive Officer and Head of Administration Division (to date)



Ryuichi Ueno Managing Executive Officer Head of Corporate Strategy Division

Jul. 2010 Joined OSAKI ELECTRIC Co., Ltd. Deputy General Manager of International Division
 Jun. 2013 Director and Deputy Head of Corporate Strategy Division
 Jun. 2014 Managing Director and Deputy Head of Corporate Strategy Division
 Jun. 2018 Managing Director and Head of Corporate Strategy Division
 Jun. 2020 Managing Executive Officer, Head of Corporate Strategy Division (to date)



Seiji Takashima Director (Independent)

Jun. 2012 Advisor, KYOWA EXEO CORPORATION (Retired September 2015)
 Jun. 2014 Director, OSAKI ELECTRIC Co., Ltd. (to date)
 Oct. 2015 Honorary Advisor, KYOWA EXEO CORPORATION (to date)



Nobuhiro Kasai Director (Independent)

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



Statutory Auditors

Choichiro Hori Standing Auditor

Jul. 2006 Tokyo Electric Power Company (currently Tokyo Electric Power Company Holdings, Inc.)
 Jul. 2008 Seconded to Toko Electric Corporation (currently TAKAOKA TOKO CO., LTD.)
 Oct. 2011 Seconded to OSAKI ELECTRIC Co., Ltd. General Manager of Domestic Sales Division
 Jun. 2012 Director and Deputy Head of Domestic Sales Division
 Jun. 2018 Standing Auditor (to date)

Toshio Yamanaka Auditor

Apr. 1973 Joined OSAKI ELECTRIC Co., Ltd.
 Dec. 2000 CEO, Iwate Osaki Electric Co., Ltd.
 Nov. 2002 Director, Osaki Datatech Co., Ltd.
 Jun. 2005 General Manager of Finance & Accounting Department, OSAKI ELECTRIC Co., Ltd.
 Jun. 2007 Director and General Manager of Finance & Accounting Department
 Jun. 2011 Director and Deputy Head of Administration Division
 Jun. 2014 Auditor (to date)

Shigehiko Yamamoto Auditor (Independent)

Mar. 2007 Managing Advisor, JAFCO Co. Ltd.
 Jun. 2007 Outside Director, NEC Capital Solutions Limited (retired in June 2014)
 Jun. 2008 Auditor, OSAKI ELECTRIC Co., Ltd. (to date)

Kumiko Kitai Auditor (Independent)

Jun. 2011 Auditor (Independent), TAKARA HOLDINGS INC. (to date)
 Jun. 2014 Director (Independent), Sumitomo Mitsui Construction Co., Ltd. (Retired June 2019)
 Jul. 2014 Established Kachidoki Legal Office (to date)
 Jun. 2019 Auditor, OSAKI ELECTRIC Co., Ltd. (to date)

Executive Officers

Satoshi Komazawa
Managing Executive Officer
Head of Research & Development Division

Atsumi Hatakeyama
Managing Executive Officer
Head of Manufacturing Division

Takehiko Ota
Managing Executive Officer
Head of Domestic Sales Division

Jun Abe
Executive Officer

Hiroiyuki Hatakeyama
Executive Officer

Noriyuki Tokumoto
Executive Officer

Nobuyuki Ono
Executive Officer

Hiroshi Takahashi
Executive Officer

Toshiaki Takada
Executive Officer

Messages from Independent Directors & Auditors

OSAKI ELECTRIC carries out a new growth strategy to continuously improve corporate value in a changing business environment. Here are messages from independent directors and auditors.



Seiji Takashima
Director (Independent)

Companies are constantly required to undergo change and create new value. In addition, technological innovations and progress in digital and AI technology are influencing social life in ever stronger ways. Amid this trend, the OSAKI Group has formulated a Mid-term Management Plan aimed at becoming a "Global Energy Solution Leader" and is working on transforming itself.

In February 2019, we established a Nomination and Remuneration Advisory Committee, of which I am the chairman. My desire is to further revitalise business execution through a policy of incentivising remuneration based on the achievement of individual efforts and results.

In June 2020, we adopted an executive officer system that separated management from business execution. The Board of Directors aims for management that boldly takes on the task of self-transformation over a medium- to long-term vision by creating products and services with added value based on smart meter technology in Japan and working to improve earnings and achieve further expansion in overseas markets with greater growth opportunities.



Shigehiko Yamamoto
Auditor (Independent)

The OSAKI Group has long maintained a solid business performance and financial position supported by the stability of its business foundation. In recent years, however, despite extensive cost-cutting measures, profit margins in the smart meter business have continued to decline due to changes in the demand structure and the impact of price competition, both in Japan and overseas. The situation has been exacerbated by the global spread of the COVID-19 virus. At the same time, with the strengthening of the Corporate Governance Code and the need to work towards creating a sustainable society, corporate obligations are increasing and becoming more diverse.

To adapt to these rapid changes in the external environment, the OSAKI Group set forth its corporate vision to be a "Global Energy Solution Leader," and in 2020 implemented a Mid-term Management Plan.

Companies with an extensive history are often unwittingly harbouring various beliefs, doctrines, and mindsets that may not be in the organisation's best management interests, such as, for example, sectionalism, a don't-rock-the-boat attitude, an introverted tendency, a reluctance to take ownership for actions taken, formalism, and overt self-righteousness. As an independent corporate auditor, I believe that my role should be fulfilled not only in terms of responsibilities based on laws and regulations, such as by auditing the execution of the business by directors, but also by watching out for such organisational risks.

As an independent officer stipulated by the Tokyo Stock Exchange, I look forward to contributing to the realisation of fair and transparent corporate management from the perspective of shareholders who hold the Company's shares purely for investment purposes.



Nobuhiro Kasai
Director (Independent)

The Japanese market for smart meters, which is the main business of the OSAKI Group, is stable, but room for growth is limited. To drive further growth and increase market value for the Group, in 2019 we formulated and announced the Mid-term Management Plan focused on the four pillars of "Expanding global business focused on profit," "Developing value-added smart meters," "Developing new products and services," and "Building resilient group operations." We have been implementing reforms by allocating management resources on these four pillars.

The global spread of the COVID-19 virus over the past two years has produced major restrictions on business activities in Japan and overseas. In addition, with the impact of the global shortage of semiconductors, the future outlook seems challenging. In response, we are reviewing the plan to put us back onto a growth trajectory. In my role as an independent director, I am committed to contributing to improving the interests of the Company's stakeholders.



Kumiko Kitai
Auditor (Independent)

Amid the major changes taking place in the business environment in Japan and overseas, the OSAKI Group is undertaking management strategies to improve earnings and strengthen corporate governance and risk management. At meetings of the Board of Directors and other management discussion meetings, frank discussions have been held with independent directors and auditors on current risks and medium- to long-term management policies from a strategic and holistic perspective. After repeated discussions at the Nomination and Remuneration Advisory Committee, an executive compensation system linked to short-term and medium- to long-term performance has been introduced.

In 2021, the Corporate Governance Code was revised, and the Company chose to apply for a Prime Market listing that requires an even higher level of corporate governance. Therefore, we shall be actively focusing on matters on which the Code places emphasis, such as responding to social and environmental sustainability issues and ensuring the diversity of core human resources within the company. We expect it will improve business opportunities and raise corporate value in addition to reducing risks.

My commitment is to contribute to ensuring the OSAKI Group's sustainable growth and robust corporate governance by gathering the necessary information and expressing my honest opinion concerning various aspects of auditing, including discussions at meetings of the Board of Directors.



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

responsibilities 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.

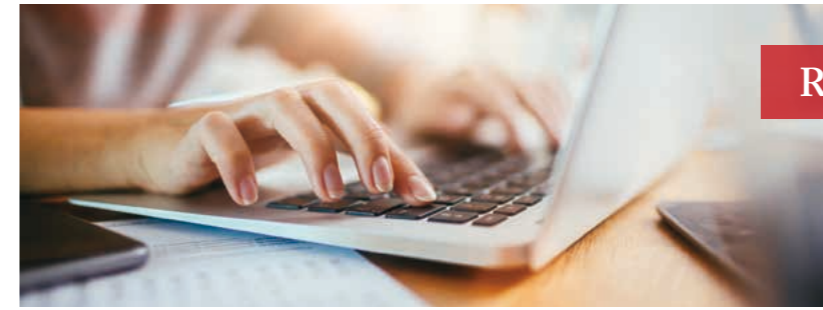


OSAKI Group Helpline

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.

In addition, business risks are monitored every month at management meetings and other meetings.

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.





Environmental Initiatives

The OSAKI Group conducts environmental activities in various fields.

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



ISO 14001 certified

Green Procurement

In all its operations, OSAKI ELECTRIC and some of its Group companies try 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.



Responding to Climate Change

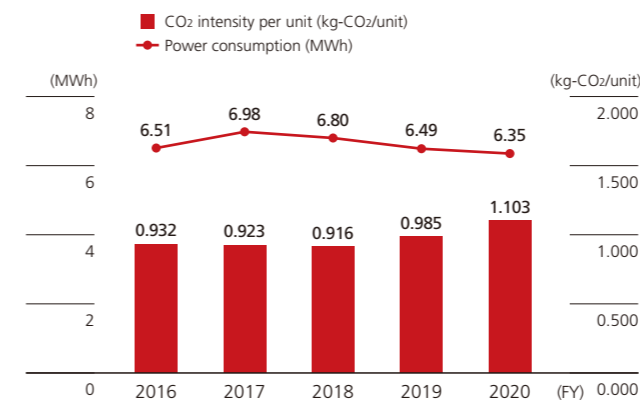
In November 2021, the OSAKI Group announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and joined the TCFD Consortium. The Group regards the response to environmental and climate change as an important management issue and contributes to the optimisation

of power consumption by measuring and controlling power usage.

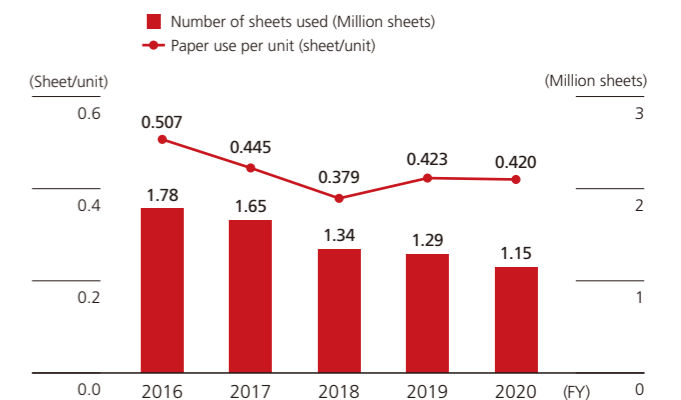
We will continue to contribute to the creation of a sustainable society by actively disclosing information in accordance with TCFD disclosure framework recommendations.

Decarbonisation Initiatives (Saitama Factory)

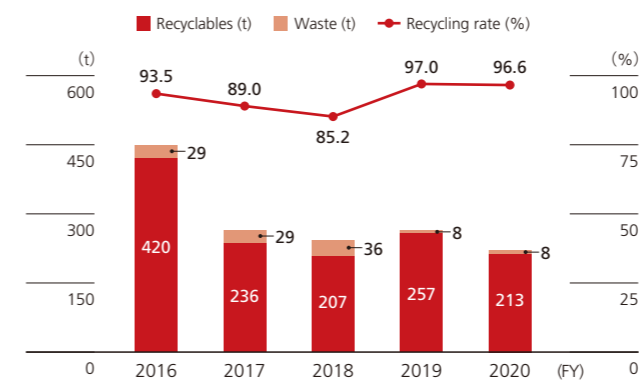
Power Consumption and CO₂ Intensity per Unit

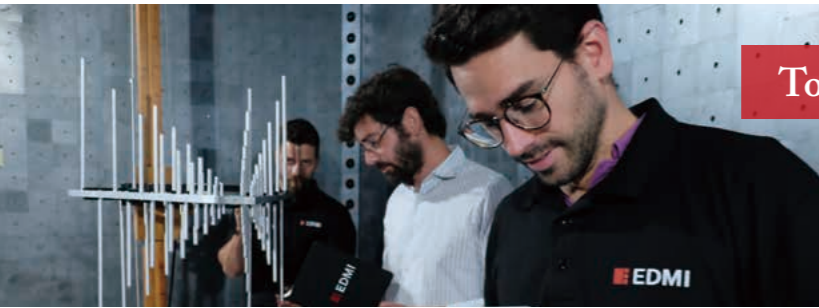


Number of Sheets Used and Paper Use per Unit



Recycling Rate





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.



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.

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.

Supporting increased participation of female employees

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

OSAKI ELECTRIC action plan goals

Goal 1: By 31st March 2026, to have a ratio of female employees of 23%, compared to 18% in 2021.

Goal 2: Provide career design training to raise the career awareness of female employees.

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.

Parenting and nursing care support

Employee benefits include parental and nursing care leave,

and exemption from or restrictions on overtime work for parent employees.

Promoting work style reforms

Reforms include reducing overtime, encouraging employees to take paid leave, and instituting telework.

Enhancing Health and Productivity Management

On 4th March 2021, for the second consecutive year OSAKI ELECTRIC was certified as a Health and Productivity Management Excellent Corporation (in the Large-scale Corporate Division).

* "Health and productivity management" is a registered trademark of Nonprofit Organization Kenkokeiei.



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.

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 2021, OSAKI

ELECTRIC and some of its Group companies have obtained ISO 9001:2015 certification.



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.

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.

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.



Together with Society

OSAKI ELECTRIC contributes to society through activities in various fields.

Decarbonisation Lessons by Top Management

Decarbonisation is a major issue for the international community and a top management priority for the OSAKI Group. We are promoting the reduction of CO₂ emissions through products and services that support the energy-saving activities of our customers and consider that we can also contribute to decarbonisation by helping the next generation to understand the current energy environment and various issues. To that end, we have started giving lessons at schools.

In July 2021, for example, OSAKI ELECTRIC President Mitsuyasu Watanabe gave a special lesson in English to about 100 elementary school students at an international school in Tokyo. This led the students to think about how to use energy in ways that are friendly to the planet, and to come up with many questions and suggestions in a direct and open way.

OSAKI ELECTRIC intends to further strengthen its efforts in the area of climate change and decarbonisation, while at the same time continuing to help educate the next generation to stimulate interest in the status of climate change and promote smart power utilisation.

In addition, we will set business goals and promote the decarbonisation of society through business activities and education for the next generation, as priority issues currently under consideration as goals 13 and 7 of the Sustainable Development Goals (SDGs) promotion project.



Sotokoto SDGs Award 2021

In 2021, OSAKI ELECTRIC was chosen as the recipient of the first Sotokoto SDGs Award, given out by the SDGs news site Sotokoto NEWS (with the Sotokoto magazine and Sotokoto Online), which is operated by Sotokoto Planet Co., Ltd. and Mirai Relations, Inc.

The new award will be bestowed each year for examples of SDG achievements and initiatives reported in the news that will help to create a better society and tomorrow. OSAKI ELECTRIC was selected for the dedication and determination it displays, starting with top management, in working to achieve the SDGs and contributing towards a decarbonised society.

We will continue to promote SDG activities and contribute to energy utilisation to form the foundation for creating a sustainable and prosperous society.



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.



Amin Koma
OSAKI ELECTRIC
Handball Team
OSAKI OSOL
Manufacturing Department

Since I was little, I have played handball and felt it was important to have aspirations and a goal of wanting to emulate good players. If you have a goal, you can make progress on your own and have fun doing it. We want children to have that kind of feeling of satisfaction, so we work on supporting sports in the local community and volunteering in disaster-stricken areas. After holding a handball class, it makes me very happy to hear that the children watched an OSAKI OSOL game. As a team, it motivates us in our activities and games as well.

I think that sports teams should actively participate in local events and volunteer activities and communicate with each other. I would like to support the revitalisation of communities and the growth of children through activities that convey the joy of sports.



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.



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.

Investor Briefing

In June each year, the OSAKI Group promptly provides fair and accurate information by holding a briefing session on the financial results and the Mid-term Management Plan, ensuring the building of long-term relationships of trust with shareholders and investors. To prevent the spread of infection during the COVID-19 pandemic, which made in-person communication difficult, teleconferencing was used to brief shareholders and investors.

We also strive to focus on actively expanding information disclosure in line with market requirements. Information is distributed in principle 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.

OSAKI ELECTRIC IR information: <https://www.osaki.co.jp/ja/ir.html>

Integrated Report

The OSAKI Group prepares and publishes an Integrated Report for the purpose of helping a wide range of stakeholders, which includes shareholders and investors, understand its future value creation efforts. In addition to management strategy, business activity report and ESG (environment, society, governance) initiatives that were published in the former Corporate Report, the Integrated Report, which has been published since 2021, includes our value creation story and sustainability basic policy.



Winner of "Most Liked!" IR Award

At the Best IR Award 2021 presentation sponsored by the Japan Investor Relations Association, OSAKI ELECTRIC was the winner of the "Most Liked!" IR Award.

The objective of the Best IR Award is to share the positive IR activities of companies that result in best practices. The award was given in recognition of IR activities devised to contribute to sustainability, such as decarbonisation achieved through our products and services, and its nurturing of the next generation who will carry the responsibility for realising a decarbonised society.



Chapter 4 Data Section



OSAKI ELECTRIC Saitama Factory

Consolidated Balance Sheets

March 31, 2020 and 2021

| ASSETS | Millions of yen | | Thousands of U.S. dollars* |
|---|-----------------|----------------|----------------------------|
| | 2020 | 2021 | 2021 |
| Current assets: | | | |
| Cash and cash equivalents | ¥10,517 | ¥12,502 | \$112,927 |
| Deposits | 2,421 | 4,722 | 42,659 |
| Notes and accounts receivable - trade | 22,063 | 17,887 | 161,573 |
| Merchandise and finished goods | 7,847 | 6,220 | 56,190 |
| Work in process | 2,559 | 2,175 | 19,649 |
| Raw materials and supplies | 10,086 | 7,262 | 65,595 |
| Other current assets | 2,016 | 2,770 | 25,021 |
| Allowance for doubtful accounts | (531) | (450) | (4,072) |
| Total current assets | 56,980 | 53,090 | 479,545 |
| Non-current assets: | | | |
| Property, plant and equipment | | | |
| Buildings and structures | 22,751 | 22,983 | 207,599 |
| Less-accumulated depreciation | (13,547) | (13,998) | (126,439) |
| Total buildings and structures | 9,204 | 8,985 | 81,159 |
| Machinery, equipment and vehicles | 14,662 | 14,576 | 131,664 |
| Less-accumulated depreciation | (10,800) | (11,547) | (104,305) |
| Total machinery, equipment and vehicles | 3,861 | 3,028 | 27,358 |
| Land | 12,483 | 12,483 | 112,762 |
| Leased assets | 3,717 | 3,702 | 33,444 |
| Less-accumulated depreciation | (1,395) | (1,578) | (14,260) |
| Total leased assets | 2,322 | 2,123 | 19,183 |
| Construction in progress | 132 | 113 | 1,028 |
| Other fixed assets | 7,552 | 7,090 | 64,044 |
| Less-accumulated depreciation | (6,804) | (6,369) | (57,537) |
| Total other fixed assets | 747 | 720 | 6,507 |
| Net property, plant and equipment | 28,752 | 27,455 | 247,999 |
| Intangible assets | | | |
| Goodwill | 405 | 191 | 1,728 |
| Other intangible assets | 1,030 | 988 | 8,932 |
| Total intangible assets | 1,435 | 1,180 | 10,660 |
| Investments and other assets | | | |
| Investment securities | 4,612 | 5,067 | 45,773 |
| Defined benefit asset | 876 | 1,384 | 12,507 |
| Deferred tax assets | 1,237 | 1,293 | 11,686 |
| Other assets | 4,070 | 1,518 | 13,712 |
| Allowance for doubtful receivables | (2) | (1) | (16) |
| Total investments and other assets | 10,793 | 9,262 | 83,663 |
| Total non-current assets | 40,981 | 37,898 | 342,323 |
| TOTAL | ¥97,962 | ¥90,989 | \$821,869 |

| LIABILITIES AND EQUITY | Millions of yen | | Thousands of U.S. dollars* |
|---|-----------------|----------------|----------------------------|
| | 2020 | 2021 | 2021 |
| Current liabilities: | | | |
| Notes and accounts payable – trade | ¥7,529 | ¥7,270 | \$65,674 |
| Electronically recorded obligations - operating | 3,057 | 2,632 | 23,780 |
| Short-term loans payable | 5,925 | 559 | 5,054 |
| Accrued income taxes | 912 | 722 | 6,528 |
| Provision for bonuses | 1,748 | 1,505 | 13,597 |
| Provision for directors' bonuses | 21 | 23 | 216 |
| Provision for product warranties | 29 | 156 | 1,417 |
| Other current liabilities | 6,710 | 6,089 | 55,007 |
| Total current liabilities | 25,934 | 18,962 | 171,277 |
| Non-current liabilities: | | | |
| Long-term loans payable | 6,583 | 6,210 | 56,092 |
| Lease obligation | 1,807 | 1,648 | 14,891 |
| Provision for directors' retirements benefits | 33 | 49 | 442 |
| Provision for repairs | 7 | 14 | 126 |
| Defined benefit liability | 2,276 | 2,346 | 21,195 |
| Deferred tax liabilities | 1,932 | 2,119 | 19,146 |
| Other non-current liabilities | 748 | 751 | 6,786 |
| Total non-current liabilities | 13,390 | 13,139 | 118,681 |
| Total liabilities | 39,324 | 32,101 | 289,958 |
| Equity: | | | |
| Shareholders' equity | | | |
| Common stock | 7,965 | 7,965 | 71,951 |
| Capital surplus | 8,750 | 8,750 | 79,043 |
| Retained earnings | 27,818 | 27,319 | 246,767 |
| Treasury stock | (223) | (140) | (1,273) |
| Total shareholders' equity | 44,312 | 43,895 | 396,489 |
| Accumulated other comprehensive income | | | |
| Unrealized gains on investment securities | 587 | 988 | 8,928 |
| Foreign currency translation adjustments | 1,706 | 1,216 | 10,986 |
| Remeasurements of defined benefit plans | 183 | 514 | 4,643 |
| Total accumulated other comprehensive income | 2,477 | 2,718 | 24,557 |
| Stock acquisition rights | 544 | 509 | 4,602 |
| Non-controlling interests | 11,303 | 11,764 | 106,260 |
| Total equity | 58,637 | 58,887 | 531,910 |
| TOTAL | ¥97,962 | ¥90,989 | \$821,869 |

* U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥110.71=U.S.\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2021.

Consolidated Statements of Income

Years ended March 31, 2020 and 2021

| | Millions of yen | | Thousands of U.S. dollars* |
|--|-----------------|---------|----------------------------|
| | 2020 | 2021 | 2021 |
| Net sales | ¥90,069 | ¥76,255 | \$ 688,788 |
| Cost of sales | 70,392 | 58,913 | 532,141 |
| Gross profit | 19,677 | 17,342 | 156,646 |
| Selling, general and administrative expenses | 15,986 | 14,657 | 132,395 |
| Operating income | 3,691 | 2,684 | 24,251 |
| Non-operating income: | | | |
| Interest income | 28 | 25 | 230 |
| Dividend income | 162 | 146 | 1,326 |
| Foreign exchange gain | 56 | — | — |
| Subsidy income | 31 | 459 | 4,150 |
| Others | 267 | 132 | 1,195 |
| | 545 | 764 | 6,903 |
| Non-operating expenses: | | | |
| Interest expenses | 503 | 384 | 3,473 |
| Loss on retirement of non-current assets | 105 | 77 | 700 |
| Others | 84 | 98 | 893 |
| | 692 | 560 | 5,066 |
| Ordinary income | 3,544 | 2,888 | 26,087 |
| Extraordinary losses: | | | |
| Impairment losses | 70 | 357 | 3,229 |
| | 70 | 357 | 3,229 |
| Income before income taxes and non-controlling interests | 3,474 | 2,530 | 22,857 |
| Income taxes | | | |
| Current | 1,376 | 1,174 | 10,612 |
| Deferred | (92) | (81) | (738) |
| | 1,283 | 1,093 | 9,874 |
| Profit | 2,190 | 1,437 | 12,983 |
| Profit attributable to non-controlling interests | 993 | 955 | 8,626 |
| Profit attributable to owners of parent | ¥ 1,197 | ¥ 482 | \$ 4,356 |

* U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥110.71=U.S.\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2021.

Consolidated Statements of Comprehensive Income

Years ended March 31, 2020 and 2021

| | Millions of yen | | Thousands of U.S. dollars* |
|---|-----------------|--------|----------------------------|
| | 2020 | 2021 | 2021 |
| Profit | ¥2,190 | ¥1,437 | \$ 12,983 |
| Other comprehensive income | | | |
| Unrealized gains on investment securities | (824) | 400 | 3,617 |
| Foreign currency translation adjustments | (57) | (490) | (4,427) |
| Remeasurements of defined benefit plans | (172) | 330 | 2,985 |
| Share of other comprehensive income of entities accounted for using equity method | (0) | — | — |
| | (1,055) | 240 | 2,175 |
| Comprehensive income | ¥1,135 | ¥1,678 | \$ 15,158 |
| Comprehensive income attributable to owners of the parent | 141 | 723 | 6,532 |
| Comprehensive income attributable to non-controlling interests | 993 | 955 | 8,626 |

* U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥110.71=U.S.\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2021.

Consolidated Statements of Changes in Equity

Years ended March 31, 2020 and 2021

| | Millions of yen | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Shareholders' equity | | | | |
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at March 31, 2019 | ¥7,965 | ¥8,750 | ¥27,669 | ¥(223) | ¥44,162 |
| Cumulative effects of changes in accounting policies | | | (69) | | (69) |
| Restated balance | 7,965 | 8,750 | 27,599 | (223) | 44,093 |
| Cash dividends paid | | | (978) | | (978) |
| Profit attributable to owners of parent | | | 1,197 | | 1,197 |
| Purchase of treasury stock | | | | (0) | (0) |
| Net changes of items other than shareholders' equity | | | | | |
| Balance at March 31, 2020 | 7,965 | 8,750 | 27,818 | (223) | 44,312 |
| Cash dividends paid | | | (979) | | (979) |
| Profit attributable to owners of parent | | | 482 | | 482 |
| Disposal of treasury stock | | | (1) | 82 | 80 |
| Net changes of items other than shareholders' equity | | | | | |
| Balance at March 31, 2021 | ¥7,965 | ¥8,750 | ¥27,319 | ¥(140) | ¥43,895 |

| | Thousands of U.S. dollars* | | | | |
|--|----------------------------|-----------------|-------------------|----------------|----------------------------|
| | Shareholders' equity | | | | |
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at March 31, 2020 | \$71,951 | \$79,043 | \$251,273 | \$(2,014) | \$400,253 |
| Cash dividends paid | | | (8,849) | | (8,849) |
| Profit attributable to owners of parent | | | 4,356 | | 4,356 |
| Disposal of treasury stock | | | (13) | 741 | 728 |
| Net changes of items other than shareholders' equity | | | | | |
| Balance at March 31, 2021 | \$71,951 | \$79,043 | \$246,767 | \$(1,273) | \$396,489 |

| | Millions of yen | | | | | | |
|--|---|--|---|--|--------------------------|---------------------------|--------------|
| | Accumulated other comprehensive income | | | | | | |
| | Unrealized gains on investment securities | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Stock acquisition rights | Non-controlling interests | Total equity |
| Balance at March 31, 2019 | ¥1,412 | ¥1,763 | ¥356 | ¥3,532 | ¥474 | ¥10,710 | ¥58,881 |
| Cumulative effects of changes in accounting policies | | | | | | | (69) |
| Restated balance | 1,412 | 1,763 | 356 | 3,532 | 474 | 10,710 | 58,812 |
| Cash dividends paid | | | | | | | (978) |
| Profit attributable to owners of parent | | | | | | | 1,197 |
| Purchase of treasury stock | | | | | | | (0) |
| Net changes of items other than shareholders' equity | (824) | (57) | (172) | (1,055) | 69 | 592 | (393) |
| Balance at March 31, 2020 | 587 | 1,706 | 183 | 2,477 | 544 | 11,303 | 58,637 |
| Cash dividends paid | | | | | | | (979) |
| Profit attributable to owners of parent | | | | | | | 482 |
| Disposal of treasury stock | | | | | | | 80 |
| Net changes of items other than shareholders' equity | 400 | (490) | 330 | 240 | (34) | 460 | 666 |
| Balance at March 31, 2021 | ¥988 | ¥1,216 | ¥514 | ¥2,718 | ¥509 | ¥11,764 | ¥58,887 |

| | Thousands of U.S. dollars* | | | | | | |
|--|---|--|---|--|--------------------------|---------------------------|--------------|
| | Accumulated other comprehensive income | | | | | | |
| | Unrealized gains on investment securities | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | Stock acquisition rights | Non-controlling interests | Total equity |
| Balance at March 31, 2020 | \$5,311 | \$15,413 | \$1,657 | \$22,382 | \$4,915 | \$102,099 | \$529,650 |
| Cash dividends paid | | | | | | | (8,849) |
| Profit attributable to owners of parent | | | | | | | 4,356 |
| Disposal of treasury stock | | | | | | | 728 |
| Net changes of items other than shareholders' equity | 3,617 | (4,427) | 2,985 | 2,175 | (312) | 4,160 | 6,023 |
| Balance at March 31, 2021 | \$8,928 | \$10,986 | \$4,643 | \$24,557 | \$4,602 | \$106,260 | \$531,910 |

* U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥110.71=U.S.\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2021.

Consolidated Statements of Cash Flows

Years ended March 31, 2020 and 2021

| | Millions of yen | | Thousands of U.S. dollars* |
|--|-----------------|---------|----------------------------|
| | 2020 | 2021 | 2021 |
| Cash flows from operating activities: | | | |
| Income before income taxes and minority interests | ¥ 3,474 | ¥ 2,530 | \$ 22,857 |
| Depreciation and amortization | 2,905 | 2,749 | 24,837 |
| Impairment losses | 70 | 357 | 3,229 |
| Amortization of goodwill | 201 | 197 | 1,783 |
| Increase (decrease) in allowance for doubtful accounts | (66) | (54) | (491) |
| Increase (decrease) in provision for bonuses | 19 | (222) | (2,013) |
| Increase (decrease) in provision for directors' bonuses | 20 | 4 | 36 |
| Increase (decrease) in provision for product warranties | (17) | 127 | 1,155 |
| Increase (decrease) in provision for directors' retirements benefits | (74) | 15 | 136 |
| Increase (decrease) in defined benefit liability | 22 | 69 | 631 |
| Decrease (increase) in defined benefit asset | (70) | (31) | (288) |
| Increase (decrease) in provision for repairs | 7 | 7 | 63 |
| Interest and dividend income | (190) | (172) | (1,557) |
| Interest expenses | 503 | 384 | 3,473 |
| Loss on retirement of non-current assets | 105 | 77 | 700 |
| (Increase) decrease in notes and accounts receivable – trade | (2,313) | 3,530 | 31,889 |
| (Increase) decrease in inventories | (968) | 4,265 | 38,531 |
| Increase (decrease) in notes and accounts payable – trade | (3,830) | (476) | (4,308) |
| Other, net | 1,415 | (1,264) | (11,417) |
| Subtotal | 1,214 | 12,094 | 109,248 |
| Interest and dividend received | 192 | 174 | 1,573 |
| Interest paid | (503) | (382) | (3,458) |
| Income taxes paid | (1,298) | (1,383) | (12,493) |
| Net cash provided by (used in) operating activities | (394) | 10,503 | 94,870 |
| Cash flows from investing activities: | | | |
| Payments for property, plant and equipment | (2,005) | (1,332) | (12,039) |
| Proceeds from sales of property, plant and equipment | 46 | 10 | 98 |
| Payments for intangible assets | (276) | (350) | (3,161) |
| Proceeds from sales of investment securities | 176 | 8 | 81 |
| Proceeds from refund of long term deposits | — | 500 | 4,516 |
| Payments for long-term deposits | (2,000) | — | — |
| Other, net | (60) | (24) | (223) |
| Net cash provided by (used in) investing activities | (4,120) | (1,187) | (10,728) |

| | Millions of yen | | Thousands of U.S. dollars* |
|--|-----------------|-----------------|----------------------------|
| | 2020 | 2021 | 2021 |
| Cash flows from financing activities: | | | |
| Increase (decrease) in short-term loans payable, net | ¥ (3,124) | ¥ (5,181) | \$ (46,804) |
| Proceeds from long-term loans payable | 6,543 | — | — |
| Repayments for long-term loans payable | (1,518) | (26) | (235) |
| Repayments of lease obligation | (191) | (258) | (2,335) |
| Cash dividends paid | (978) | (979) | (8,846) |
| Dividends paid to non-controlling interests | (401) | (494) | (4,464) |
| Payments for treasury stock | (0) | — | — |
| Other, net | — | 0 | 1 |
| Net cash provided by (used in) financing activities | 328 | (6,939) | (62,684) |
| Effect of exchange rate changes on cash and cash equivalents | 130 | (87) | (789) |
| Net increase (decrease) in cash and cash equivalents | (4,055) | 2,288 | 20,668 |
| Cash and cash equivalents at beginning of year | 16,422 | 12,366 | 111,702 |
| Cash and cash equivalents at end of year | ¥ 12,366 | ¥ 14,654 | \$ 132,371 |

* U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥110.71=U.S.\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2021.

Company Profile (As of 31st March 2021)

Company Profile

Established: 26th January 1937

Capital: ¥7,965 million (US\$71 million)*

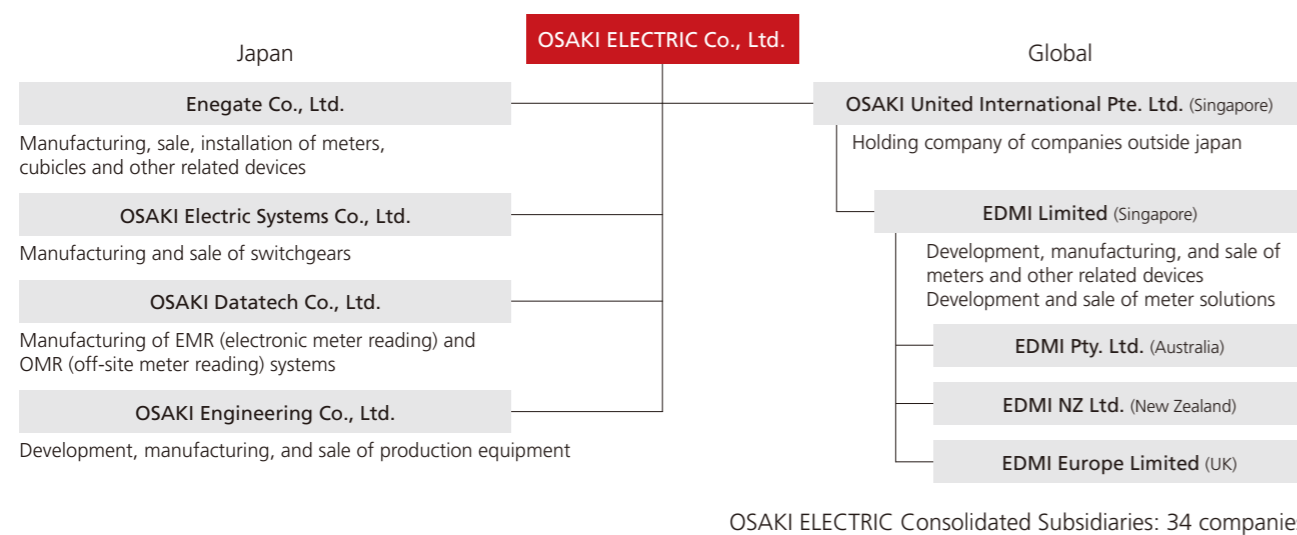
Number of Employees: 3,129 (consolidated)

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
- Sapporo Office:** Sumitomo Seimei Sapporo Bldg., 5-2-12 Kitagojounishi, Chuo-ku, Sapporo, Hokkaido 060-0005
- Sendai Office:** Oak Sendai Bldg., 2-5-1 Honcho, Aoba-ku, Sendai, Miyagi 980-0014
- Nagoya Office:** Chikusa First Bldg. Kato, 3-23-10 Aoi, Higashi-ku, Nagoya, Aichi 461-0004
- Osaka Office:** Sanei Bldg., 3-20-9 Toyosaki, Kita-ku, Osaka, Osaka 531-0072
- Hiroshima Office:** Nakamachi Mitsui Bldg., 9-12 Nakamachi, Naka-ku, Hiroshima, Hiroshima 730-0037
- Okinawa Office:** 1-22-18 Nagata, Naha, Okinawa 902-0077

* U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥110.71=U.S.\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2021.

OSAKI Group Companies



Stock Information (As of 31st March 2021)

Common Stock

Authorised: 100,000,000

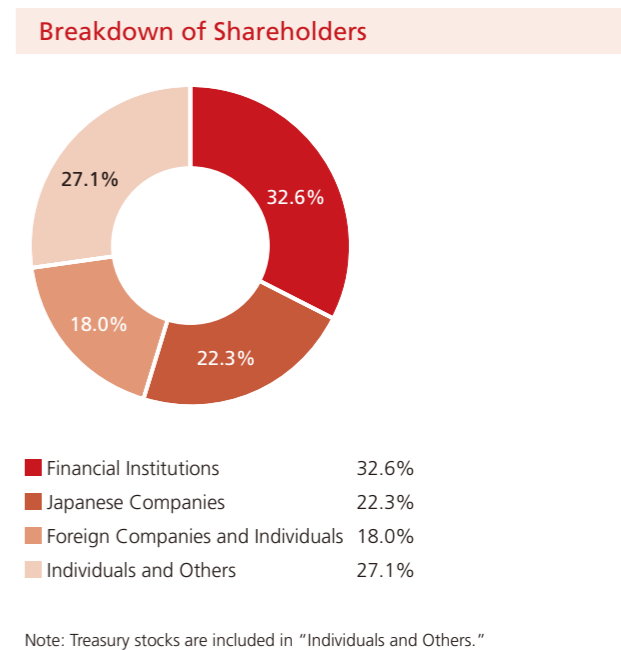
Issued: 49,048,418
(Excluding treasury stocks of 218,762 shares)

Number of Shareholders: 5,807

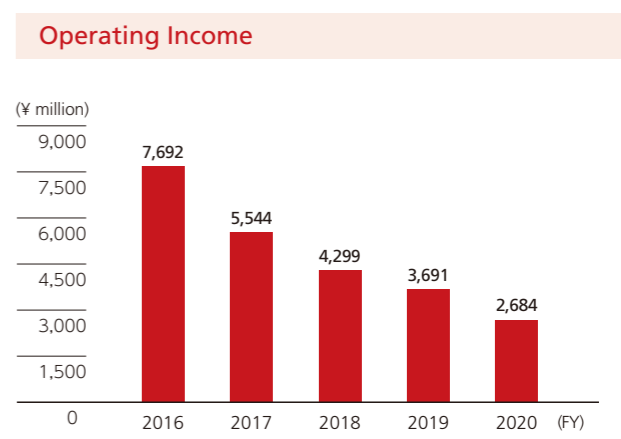
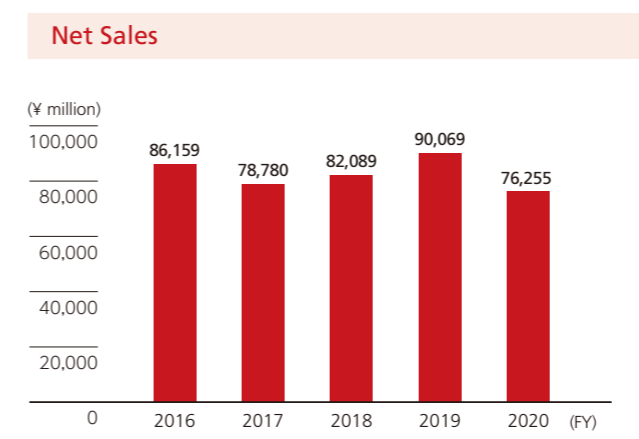
Major Shareholders

| | Number of shares (Thousand shares) | (%) |
|--|------------------------------------|-----|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 4,438 | 9.0 |
| Custody Bank of Japan, Ltd. (Trust Account) | 3,739 | 7.6 |
| HIKARI POWER LIMITED | 2,930 | 5.9 |
| GOVERNMENT OF NORWAY | 2,009 | 4.0 |
| Osaki Electric cooperation company shareholding commission | 1,754 | 3.5 |
| MUFG Bank, Ltd. | 1,552 | 3.1 |
| Kyuden Technosystems Corporation | 1,389 | 2.8 |
| Yasumitsu Shigeta | 1,379 | 2.8 |
| Yoshihide Watanabe | 1,152 | 2.3 |
| Fukoku Mutual Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.) | 1,104 | 2.2 |

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



Trend of Business Results





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

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