



ANNUAL REPORT
2023

OSAKI ELECTRIC CO., LTD.

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Financial Highlights

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

Years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2019	2020	2021	2022	2023	2023
For the year:						
Net sales	¥ 82,089	¥ 90,069	¥ 76,255	¥ 76,184	¥ 89,253	\$ 668,412
Operating income	4,299	3,691	2,684	1,277	2,226	16,677
Profit attributable to owners of parent	1,806	1,197	482	(658)	1,319	9,883
At year-end:						
Total assets	98,314	97,962	90,989	91,222	93,268	698,480
Total equity	58,881	58,637	58,887	57,611	58,629	439,073
Number of employees	3,383	3,557	3,129	2,961	2,813	
Per share of common stock:						
Profit	¥ 36.95	¥ 24.47	¥ 9.84	¥ (13.42)	¥ 27.86	\$ 0.20
Cash dividends	20.00	20.00	20.00	20.00	20.00	0.14
Equity	974.95	956.44	950.37	936.60	981.44	7.34

Notes: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥133.53=U.S.\$1
the approximate Tokyo foreign exchange market rate as of March 31, 2023

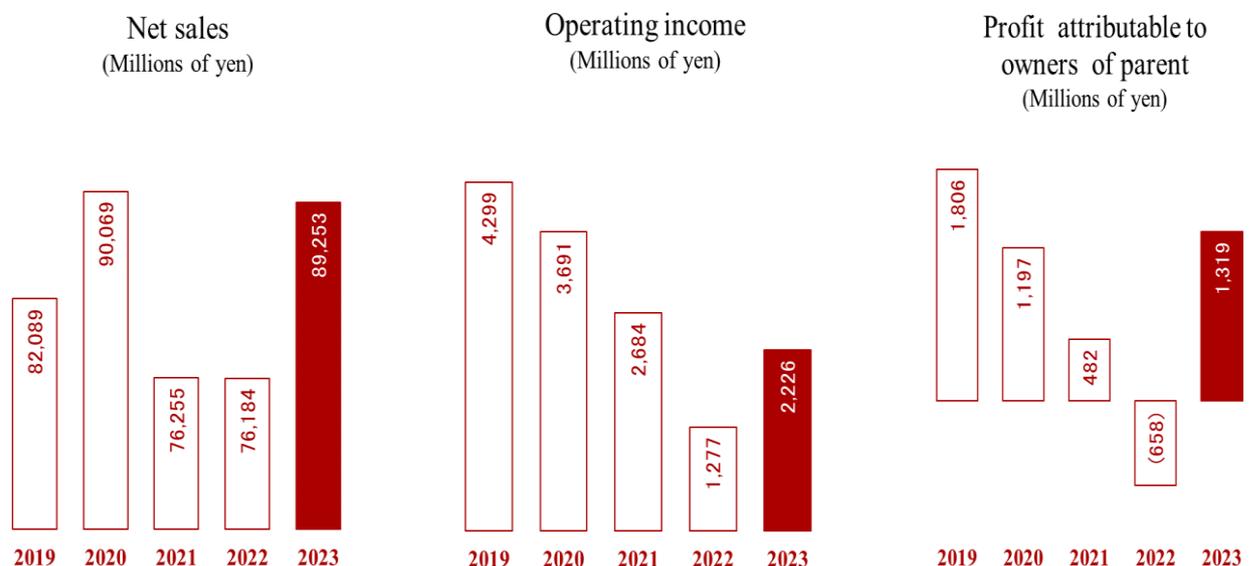
Business segments -

Smart meters & solutions in Japan: Smart meters, Instrument VCT, Energy solutions, Distribution panels

Smart meters & solutions overseas: Smart meters, Energy solutions

Real estate: Real estate leasing

*With respect to all of our shares in Osaki Engineering Co., Ltd., which had been classified as "Production equipment business" in the reportable segment, as a result of the sale on September 30, 2022, the Company was excluded from the scope of consolidation.



Message from the Chairman and President

TO OUR SHAREHOLDERS

Since its founding in 1916, OSAKI has remained committed to the effective application of energy through power measurement and control. Our core product, the smart meter, commands a top-class position within Japan, and accelerates global enterprise—an effort marked by bringing the global manufacturer of smart meters EDMI into our fold in 2012. OSAKI's business operation now spans over 100 countries across Japan, Oceania, Europe, ASEAN, Middle East, and Africa.

The OSAKI Group's corporate vision is to be a *Global Energy Solution Leader* that takes on social challenges related to energy, by pursuing new technologies and added value creation. We are committed to the development of a sustainable society and environment.

We believe that OSAKI has an exciting future ahead of us, and we ask that you join our journey to realize a better tomorrow.



Y. Watanabe
Chairman and CEO
OSAKI Electric Co., Ltd.



M. Watanabe
President and COO
OSAKI Electric Co., Ltd.

The forward-looking statements in this document are based on the best assumptions made by OSAKI (hereafter as “OSAKI” or “the Company”) as of June 29, 2023.

Management Policy

1. Basic Corporate Policy

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 pursue advanced technologies for energy solutions, to create new values which will contribute to a better society.

2. Medium- to Long-Term Management Strategies and Issues to Be Addressed

OSAKI anticipates a stagnant market condition in the Japanese smart meter business and will proceed to concentrate on expanding products and solutions related to energy management as a short-term strategy in the domestic domain. As for the overseas business, the Company has set an improvement in profitability as a top priority and will strive to minimize the impact of electronic shortages.

In the medium-term, the Company will expand green technology solutions business to support customers to accelerate decarbonization actions. In addition, the Company will reinforce the R&D and manufacturing framework in preparation for the introduction phase of the next-generation smart meters in Japan.

In the overseas business, the Company continue to focus on improving profitability. Accordingly, the Company will increase the ratio of solutions business, including smart meters and head-end systems, while streamlining organization functions such as R&D facilities and reinforcing supply chain management.

Strategies based on management policies

- i . Developing value-added smart meters and expanding energy solutions (Japan)
 - Accelerate R&D and reinforce manufacturing framework for next-generation smart meter.
 - Expand value-added energy saving solutions business in decarbonization, and develop and provide a packaged service leveraging green technology.

- ii . Developing new products and services (Japan)
 - Collaborate with various partners to accelerate technology development and reinforcing marketing
 - Leverage management resources and reinforce framework to create and market new products and services that will contribute toward building a sustainable society

- iii . Expanding global business focused on profit

OSAKI Group will execute the following measures in the focus regions including Oceania, Europe with particular focus on UK, and emerging countries in Asia and the Middle East.

 - Expand high-valued solution services suited to various markets
 - Streamline organizational functions including R&D locations
 - Reinforce supply chain management

- iv . Building resilient group operations
 - Strengthen the development and utilization of the Group’s human resources
 - Strengthen Group risk management
 - Strengthen financial structure and optimally allocate management resources
 - Promotion of sustainability response

v. Shared value

In carrying out the aforementioned strategies, OSAKI acknowledges the importance of shared value to achieve its mid-term management goals. Therefore, the Company will carry out internal campaigns to clarify important values and take thorough measures to share the OSAKI values once in for all among its employees and related stakeholders.

3. Mid-term Management Plan

	Fiscal Year ending March 31, 2024 Forecast	Fiscal Year ending March 31, 2025 Outlook	Fiscal Year ending March 31, 2026 Outlook	(Millions of yen) Fiscal Year ending March 31, 2028 Target
Net sales	88,000	91,000	98,000	
Operating income	2,800	4,000	5,500	
Ordinary Income	2,400	3,700	5,200	
Profit attributable to owners of parent	1,000	2,200	3,300	
ROE	2.5%	5.0%	7.0%	8.0% or more

4. Dividend Policy

The Company has established a basic policy to carry out the continual distribution of steady dividends to shareholders while providing additional performance-based dividends.

The basic policy states that, in principle, the amount distributed is higher of either a dividend payout ratio of 30% or 2% of DOE (dividend on equity).

With the goal of increasing capital efficiency, we continuously evaluate the share buy-back option while taking such factors as cash on hand, working capital, financial performance and stock price trend, and investment opportunities into consideration.

As part of our drive to increase our long-term growth in corporate value, we reinvest earnings towards R&D and capital expenditures that will increase our competitiveness. We also aim to use retained earnings effectively towards M&A and other business opportunities aimed at increasing earnings.

Our articles of incorporation allow for an interim dividend. Consequently, the basic policy establishes semi-annual dividends from surplus as an interim dividend and year-end dividend. The board of directors authorizes the interim dividend, and the General Shareholders Meeting authorizes the year-end dividend.

Dividends during the operating year of this report with record dates

Date of Resolution	Total Dividend (Millions of yen)	Dividend per Share (Yen)
Board of directors' resolution of November 8, 2022	474	10.00
Annual general shareholders meeting resolution of June 28, 2023	468	10.00

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Business update

1. Business Performance (Fiscal year ended March 31, 2023)

(1) Highlight of Operating Results of This Fiscal Year

- Consolidated sales increased by 17.2% year-on-year to 89,253 million yen. Operating income improved by 74.3% to 2,226 million yen. Net income attributable to owners of parent were 1,319 million yen in contrast to the loss of 658 million yen the previous fiscal year. This was due to the extraordinary income recorded from the sale of our overseas and domestic subsidiaries.
- In Japan, sales of smart meters and solutions increased from the previous fiscal year, resulting in a profit increase.
- In the overseas, shipments to Oceania showed healthy increase from the previous fiscal year while shipments to UK decreased due to a shortage of electronic components. On a U.S. dollar basis, overall sales decreased while increased on a Japanese yen basis factoring in the forex impacts. Overall profits decreased from sales decrease on a U.S. dollar basis and hikes in material costs.

Consolidated Financial Results

(Millions of yen)

	Fiscal Year ended March 31, 2022	Fiscal Year ended March 31, 2023	YoY Change		Initial Forecasts	Changes from Initial Forecasts	
			Amount	%		Amount	%
Net sales	76,184	89,253	13,069	+17.2%	80,000	9,253	+11.6%
Smart meters & solutions in Japan	46,006	54,427	8,420	+18.3%			
Smart meters & solutions overseas	30,068	34,613	4,545	+15.1%			
Production equipment	692	761	69	+10.0%			
Real estate	553	571	17	+3.2%			
Adjustment	(1,137)	(1,121)	15	—			
Gross profit	16,375	17,964	1,589	+9.7%			
Ratio to sales	21.5%	20.1%		(1.4)pt			
SG & A expenses	15,097	15,737	639	+4.2%			
Ratio to sales	19.8%	17.6%		(2.2)pt			
Operating income	1,277	2,226	949	+74.3%	1,000	1,226	+122.7%
Ratio to sales	1.7%	2.5%		+0.8pt	1.3%		+1.2pt
Smart meters & solutions in Japan	1,225	3,816	2,590	+211.4%			
Smart meters & solutions overseas	58	(1,886)	(1,944)	—			
Production equipment	(282)	9	291	—			
Real estate	271	295	23	+8.7%			
Adjustment	4	(7)	(12)	—			
Ordinary income	1,189	1,885	695	+58.5%	1,100	785	+71.4%
Profit attributable to owners of parent	(658)	1,319	1,978	—	1,500	(180)	(12.0)%
Net income per share (yen)	(13.42)	27.86	41.28	—			
ROE	(1.4)%	2.9%	—	+4.3pt			

Consolidated Sales by Region (Excluding intercompany sales)

(Millions of yen)

	Fiscal Year ended March 31, 2022	Fiscal Year ended March 31, 2023	YoY Change	
			Amount	%
Japan	47,048	55,450	8,401	+17.9%
Overseas	29,135	33,802	4,667	+16.0%
Oceania	10,642	15,628	4,986	+46.9%
Europe	11,351	10,142	(1,208)	(10.6)%
Asia	6,069	5,969	(100)	(1.6)%
Others	1,071	2,062	990	+92.4%
Total	76,184	89,253	13,069	+17.2%
Average exchange rate	¥109.90/USD	¥131.62/USD		

(2) Outlook for the Fiscal Year ending March 31, 2024

- Sales of Smart meters & solutions in Japan will remain stagnant up until the demand pick up until fiscal 2025 when the introduction of next-generation smart meters is anticipated. Profits are expected to decrease due to sales decrease aforementioned, in addition to material costs, which the Company has worked to contain to some degrees, are expected to raise from yen depreciation.
- As for Smart meters & solutions overseas, a shortage of electronic components is expected to resolve and shipments to UK will increase accordingly. Oceania is also showing steady growth, leading to overall sales to increase. Profits are expected to recover due to sales increase from aforementioned factors and a slowdown in material cost hikes, that were largely caused by material shortages.
- All in all, consolidated sales for the fiscal year ending March 31, 2024 are expected to decrease by 1.4% to 88,000 million yen. Operating income and ordinary income are expected to increase by 25.7% to 2,800 million yen and 27.3% to 2,400 million yen respectively. Profit attributable to owners of parent expected to decrease by 24.2% to 1,000 million yen.
- The dividend plan for the fiscal year ending March 31, 2024 is 20 yen per share per annum.

Consolidated Forecast

(Millions of yen)

	Fiscal Year ended March 31, 2023 Actual	Fiscal Year ending March 31, 2024 Forecast	YoY Change	
			Amount	%
Net sales	89,253	88,000	(1,253)	(1.4)%
Smart meters & solutions in Japan	54,427	50,500	(3,927)	(7.2)%
Smart meters & solutions overseas	34,613	38,000	3,386	+9.8%
Production equipment	761	—	(761)	—
Real estate	571	600	28	+4.9%
Adjustment	(1,121)	(1,100)	21	—
Operating income	2,226	2,800	573	+25.7%
Smart meters & solutions in Japan	3,816	1,900	(1,916)	(50.2)%
Smart meters & solutions overseas	(1,886)	600	2,486	—
Production equipment	9	—	(9)	—
Real estate	295	300	4	+1.6%
Adjustment	(7)	—	7	—
Ordinary income	1,885	2,400	514	+27.3%
Profit attributable to owners of parent	1,319	1,000	(319)	(24.2)%

2. Overview of Consolidated Financial Position

Total assets at March 31, 2023 were 93,268 million yen, a 2,045 million yen increase from March 31, 2022. This was mainly due to an increase in notes and accounts receivable-trade and contract assets, and inventory by 3,059 million yen and 2,967 million yen respectively while cash and cash equivalents decreased by 2,686 million yen.

Total liabilities were 34,638 million yen, a 1,028 million yen increase from March 31, 2022. This was mainly due to an increase in notes and accounts payable-trade and electronically recorded obligations-operating and tax payable by 1,681 million yen and 401 million yen respectively, despite a decrease in short-term and long-term borrowings at overseas subsidiaries by 1,419 million yen.

Net assets were 58,629 million yen, a 1,017 million yen increase from March 31, 2022. This was mainly due to an increase in foreign currency translation adjustments, capital surplus and non-controlling interest by 843 million yen, 362 million yen and 363 million yen respectively while treasury shares deducted from equity increased by 767 million yen.

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023	YoY Change
Total assets	91,222	93,268	2,045
Total liabilities	33,610	34,638	1,028
Total equity	57,611	58,629	1,017
Equity ratio	49.6%	49.2%	(0.3)pt

3. Cash Flows

Cash and cash equivalents at the beginning of the period were 12,718 million yen, a 2,616 million yen decrease from the beginning of the previous fiscal year ended March 31, 2022.

(Millions of yen)

	Fiscal Year ended March 31, 2022	Fiscal Year ended March 31, 2023	YoY Change
Cash flows from operating activities	4,422	260	(4,161)
Cash flows from investing activities	(1,219)	1,349	2,569
Cash flows from financing activities	(2,934)	(5,072)	(2,138)
Cash and cash equivalents at end of year	15,335	12,718	(2,616)

(1) Cash flows from operating activities

Net cash provided by operating activities for the year ended March 31, 2023 was 260 million yen. This was mainly due to a recording of 3,574 million yen in income before income taxes and minority interests, 2,587 million yen in depreciation and amortization, 1,982 million yen in increase in notes and accounts payable-trade offset the decrease in cash from an increase in trade receivables by 3,421 million yen, inventory by 2,593 million yen and a recording of tax payable in the amount of 851 million yen.

(2) Cash flows from investing activities

Net cash provided by investing activities for the year ended March 31, 2023 was 1,349 million yen. This was mainly due to an income from the sale of the consolidated subsidiaries in the amount of 3,638 million yen offset the payments for property, plant and equipment in the amount of 1,443 million yen.

(3) Cash flows from financing activities

Net cash used in financing activities for the year ended March 31, 2023 was 5,072 million yen. This was mainly due to a decrease in short-term and long-term loans payable overseas by 2,464 million yen, dividends paid to non-controlling interest in the amount of 1,486 million yen, and payments for treasury stock in the amount of 847 million yen.

4. Business Environment and Responses to Business Challenges

(1) Important Accounting Policy and Estimate

OSAKI Group consolidated financial statements are prepared based on accounting principles generally accepted in Japan. When preparing these consolidated financial statements, we apply various factors deemed reasonable based on past earnings and current conditions to make estimates and judgments. However, actual results may vary from these estimates due to uncertainties specific to estimates.

The significant accounting policies adopted by the Group in its consolidated financial statements are described in “1. Summary of Main Accounting Policies” in “Notes to Consolidated Financial Statements”.

And the significant accounting estimates and assumptions used in the preparation of the consolidated financial statements are described in “3. Significant Accounting Estimates” in “Notes to Consolidated Financial Statements”.

(2) Earnings Analysis for the Current Fiscal Year

Consolidated sales and operating income in Japan for the fiscal year ended March 31, 2023 exceeded the company forecasts at the beginning of the fiscal year, due to better-than-expected performance of smart meter and solutions business.

Consolidated sales overseas for the corresponding fiscal year exceeded the company forecast at the beginning of the fiscal year, due to steady shipments to Oceania and yen depreciation. Consolidated operating income fell short of the company forecast given that shipments to UK was strongly impacted by electronic component shortage in addition to a rise in material costs.

As a result, consolidated net sales and profits are as below.

(Millions of yen)

	Fiscal Year ended March 31, 2023 Actual	YoY Change		Changes from Initial Plan	
		Amount	%	Amount	%
Net sales	89,253	13,069	+17.2%	9,253	+11.6%
Operating income	2,226	949	+74.3%	1,226	+122.7%
Ordinary income	1,885	695	+58.5%	785	+71.4%
Profit attributable to owners of parent	1,319	1,978	—	(180)	(12.0)%

(3) Capital Sources and Capital Liquidity

The capital required for Group operating activities is mainly covered by cash inflows from operating activities. At the same time, we also maintain liquidity by using bank loans to meet obligations when necessary.

Capital resources are invested in increasing the added value of smart meters and solution services, to elevate corporate value over the next few years.

We engage in Group capital financing to promote the effective use of Group capital and increase capital efficiency. At the same time, we engage in capital procurement based on comprehensive evaluations of timing, and interest rate trends in domestic and overseas markets. We also consider the impact on our financial indicators such as our equity ratio and ROE.

Management resources are used towards investments for sustainable growth of the Group as well as to enhance shareholder returns.

5. Corporate Governance

(1) Fundamental Approach to Corporate Governance

The OSAKI Group recognizes that the enhancement of corporate governance is essential in terms of achieving management's goal of enhancing corporate value. We are committed to serving the interest of our stakeholders. Moreover, the OSAKI Group will further improve management efficiency and transparency, and aim for fair management practices.

(2) Overview of Corporate Governance Organization

OSAKI adopts a corporate auditor system. The Board of Auditors, which includes independent auditors, oversees management activities of the group. The Board of Auditors consists of four members, of whom two are independent auditors to maintain objectivity and provide external monitoring functionality over management activities. In addition, two auditors have vast experience in Accounting Division or worked at financial institutions, contributing to the Company with their knowledge in finance and accounting.

The Company introduced an executive officer system on June 25, 2020. With the introduction of the system, the Board of Directors will focus its source to making management decisions and overseeing operations, with aim to shifting its role to direct group governance. Under Representative Directors' supervision, the appointed executive officers execute their business operations with clear authorities and responsibilities. The Company aims to enhance maneuverability of the operations and further elevates corporate value.

Accordingly, members of the Board have reduced from 15 to 7, 3 of whom are independent directors. The introduction of an executive officer system to clarify supervisory and executive functions, and the resulting reduction in the number of directors, is a system that enables independent directors to exercise their functions even more effectively. We believe that this will further strengthen the oversight function of the Board of Directors and contribute to the enhancement of the corporate value of the Group as a whole.

In accordance with the "Statutes Partially Revising the Companies Law" (2014 Statute No. 90), the Company executed agreements, based on Article 427, Section 1 with the non-executive directors and auditors that limit liability for compensation of damages provided in Article 423, Section 1 of the Companies Law. Authorization of such limited liability based on the agreements is restricted to good intentions and no serious negligence in the execution of duties that caused the liability imposed on the director or auditor in subject, and the amount of limited liability for compensation of damages is set at the statutory figure.

In addition, the Company signed an officer liability insurance policy as set forth in Paragraph 1 of Article 430-3 of the Companies Act with an insurance company. Going forward, all loss or damages incurred from a claim against the insured during insurance coverage period will be covered by the insurance. However, there is a set of conditions where the insurance does not cover the damage, such as act of violations against laws or regulations by the insured while he or she is fully aware of the act.

Insured persons include, directors, corporate auditors and executive officers of the Company. All expenses related to the insurance, including premiums, are covered by the Company.

In principle, the Board of Directors holds monthly meetings and convenes further if necessary. Important matters are discussed at the Management Council prior to the board meetings, in aim to deliver meaningful discussions and clarify decision-making processes. This practice allows the Board to respond dynamically to management environment changes and service efficient operations.

As the assisting function to the board meeting, management meetings attended by directors (not including independent directors) are held weekly in principle, to consult and discuss management matters holistically which may impact the OSAKI group. In addition, a monthly executive officer meeting is held to enhance operations and functionalities.

As for group governance, the Company convenes group management meetings monthly in principle, and otherwise as necessary to monitor business activities of the Company, Enegate and EDMI Limited as group governance.

The Company has established a Nomination and Remuneration Advisory Committee to serve as an advisory body to the Board of Directors whose purpose is to improve fairness and transparency.

Overview of the Nomination and Compensation Advisory Committee

1. Structure

- (1) Comprised of three or more members who are directors and corporate auditors, the majority of which shall be appointed from among the independent directors and independent auditors.
- (2) The committee chairperson shall be appointed from among the independent directors.

2. Role

Of the following matters, the Committee shall debate on matters presented for advice by the Board of Directors and issue a response to the Board of Directors

- (1) Matters concerning the appointment or removal of directors and corporate auditors
- (2) Standards of independence for outside officers
- (3) Matters concerning the appointment or removal of the representative director
- (4) Matters concerning the appointment or removal of directors and executive officers
- (5) Policy on determining compensation systems for directors and executive officers and amounts
- (6) Details of individual compensation for directors and executive officers
- (7) Matters concerning limits on compensation amounts for directors and auditors
- (8) Other matters deemed necessary by the Board of Directors

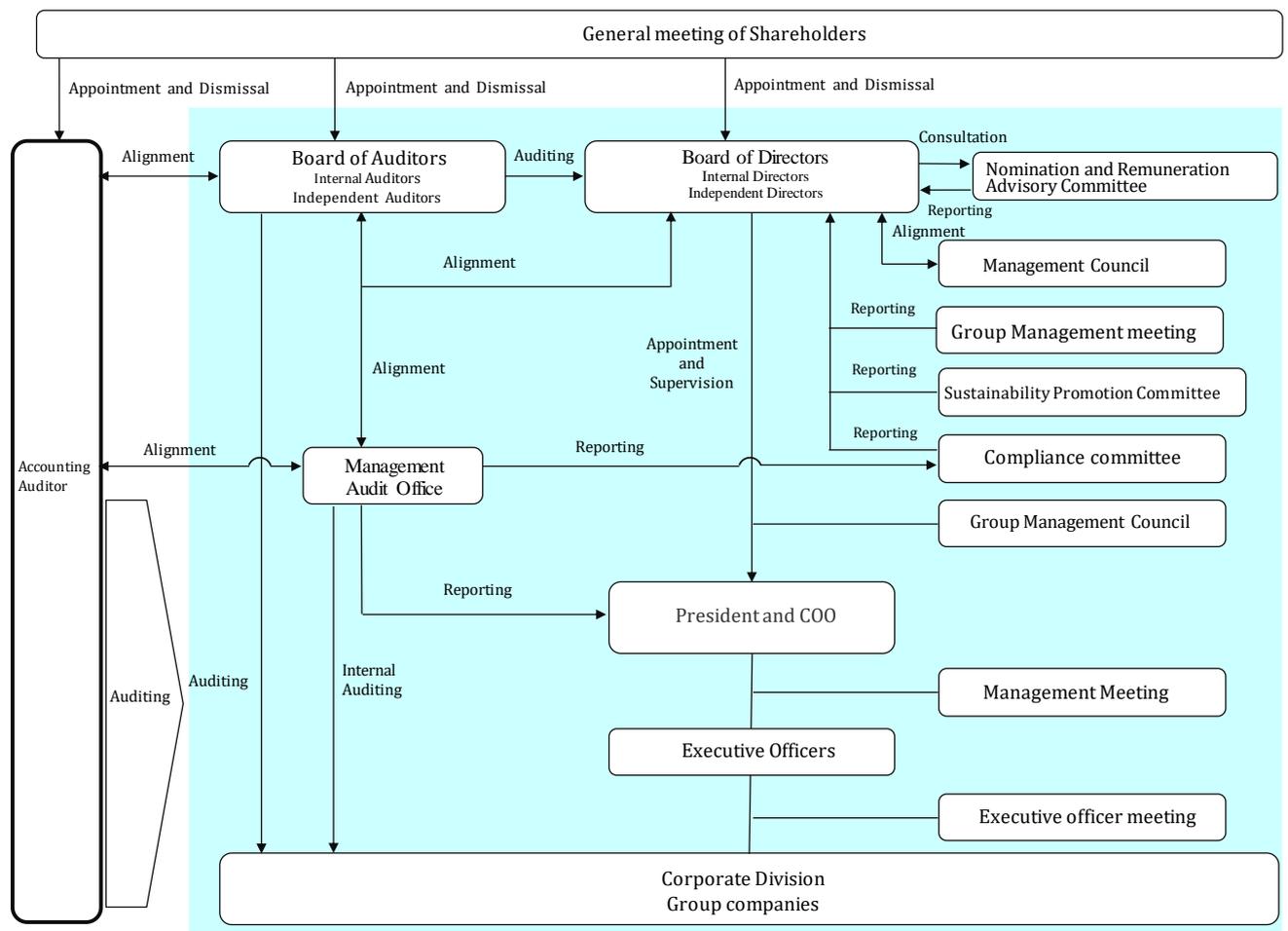
Overview of the Compliance Committee

In regard to compliance, the Compliance Committee was established to oversee compliance with all laws and regulations and social norms, and to set forth the code of practice and compliance manual at OSAKI Group companies to instill the purposes of compliance. The committee also issues the OSAKI Group Compliance Handbook to promote compliance awareness and maintain compliance organizations. Concerning legal and accounting matters, moreover, the committee receives appropriate advice from experts such as legal counsel and certified public accountants to satisfy legal requirements.

Overview of the Sustainability Promotion Committee

In regard to sustainability, the Sustainability Promotion Committee was established to systematically promote the Group's response to sustainability, contribute to the sustainable development of a society and conserving the environment, and aims for sustainable corporate growth through the reduction of the Group's risks and the expansion of profit opportunities. The Committee, which is chaired by the President and Representative Director, promotes and evaluates the Group's sustainability initiatives, and the content of the committee's deliberations is reported to the Board of Directors as appropriate.

Diagram of the Corporate Governance System



(3) Organization of Internal Control System

Based on the Companies Law and its enacted rules, we have established the following basic policy for structuring our internal control system, and maintain the system accordingly to secure proper operational duties.

a) Systems that secures conformance to the law and articles of incorporation with respect to the execution of duties by directors and employees of the Company and its subsidiaries

- * The Company establishes the compliance committee, which sets forth the code of practice and compliance manual at the Osaki Group companies. The company also issues and promotes the Osaki Group Compliance Handbook so that officers and employees of the Company and its subsidiaries observe the law, the articles of incorporation, internal company rules, and social norms and prevent any form of harassment.
- * Based on management rules of the Osaki Group, the Company shall plan and implement various measures to enhance the effectiveness of the internal controls system at each subsidiary and provide guidance and support to the subsidiaries.
- * The Internal Auditing Office conducts internal audits of the Company and those subsidiaries with no internal audit department in accordance to schedule, audits the appropriateness and efficiency of duties, and makes efforts for reinforcement and improvement of the compliance organization.
- * Through appropriate operations of the helpline system, the Osaki Group shall devise early detection and correction to violations of the law and unlawful conduct by officers and employees, and thus apply efforts to reinforce the compliance organization.

- * The Osaki Group shall conduct operations based on the basic internal controls policy related to financial reporting and secure the reliability of financial reporting required by the Financial Instruments and Exchange Law.
- * As a member of society, Osaki Group, based on its code of practice, shall refrain from holding any relations with anti-social forces that threaten the order and safety of civil society, and shall respond to any eventuality with a resolute attitude.

b) Organization for storing and managing information related to the execution of duties by directors of the Company

- * The Company shall record information and documents related to the execution of duties by directors on paper or electromagnetic media and appropriately stored and managed in accordance with the board of directors meeting rules and internal corporate rules.
- * Directors and corporate auditors of the Company are entitled to have access to these documents during business hours.

c) Rules and other organizations related to managing the risk of loss of the Company and its subsidiaries

- * At the Company, each department, as well as each committee (Compliance, Sustainability, Quality Control, Product Liability, Export Administration) of the Company, shall identify, analyze, and assess risks according to the Risk Management Rules and the Basic Policy for Risk Management, and prepare a Risk Map. Any recognized risk shall have necessary countermeasures instituted to reduce such a risk. The company shall instruct to all subsidiaries to induce comparable system and establish an organization that delivers the appropriate information to the Company in the event of any unforeseen developments.
- * The Internal Auditing Office audits the risk management status of the Company and those subsidiaries without its own internal audit office through an internal audit. The office reports the results periodically at board meetings of the Company, where improvement measures will be deliberated and decided.

d) Systems to secure efficient execution of duties by directors of the Company and its subsidiaries

- * The Company establishes goals of the Company and entire Osaki Group shared by directors at the beginning of each year and prepares a specific annual operating plan to achieve the goals. Furthermore, the achievement of the goals is reviewed monthly and quarterly. Feedback of the results to departments of the Company and subsidiaries secures effectiveness and efficiency of operations.
- * The Company convenes the board of directors' meetings monthly in principle, and otherwise as necessary to respond efficiently to dynamic changes in the management environment of Osaki Group. The Company hosts a management council prior to the board of directors' meetings to have discussions in depth and to clarify decision-making process.
- * In principle, the Company convenes management meetings weekly to conduct multi-faceted studies and discussions over management issues that affect the corporate Osaki Group.
- * The Company convenes executive meetings monthly in principle, and otherwise as necessary to share information by attending executives and to carry out prompt execution.
- * The Company convenes group management meetings monthly in principle, and otherwise as necessary to report business activities of the Company, Enegate and EDMI Limited as group governance.
- * Execution of daily duties at the Company and its subsidiaries shall be based in accordance with occupational duty authority rules and internal approval process rules.

e) Reporting systems to the Company regarding executing duties by board members of subsidiaries of the Company

- * Based on operating management rules of the Osaki Group, every subsidiary of the Company bears the obligation of reporting important management matters associated with a said subsidiary to the Company.
- * For subsidiaries within Japan, the Company in principle convenes group management council meetings to discuss business performance and other necessary matters of such subsidiaries. Major subsidiaries outside Japan periodically report business performance and other important management issues to the board of directors of the Company.

f) Items regarding employee status, employee independence from directors, and securing effectiveness of direction given to the said employee, whenever a corporate auditor of the Company requests placement of an employee for assistance in the auditor's duties.

- * Dedicated employees shall be placed to assist the duties of the auditors.
- * Such employees that assist the duties of the auditor shall not hold any co-duties in a post to execute operations of the Company, shall conduct their duties under the auditor's direction and command, and shall submit to transfers with the consent of the auditor.

g) Reporting system to corporate auditors by director or employee of the Company or by a director, corporate auditor, or employee of a subsidiary of the Company (including anyone who received a report from the foregoing), the organization to assure no unfavorable treatment as a consequence of such reporting to anyone who provides such reporting

- * Whenever a director, employee, or subsidiary's corporate auditor in the Osaki Group learns, in regard to execution of duties, of any facts concerning significant violation of the law or articles of incorporation, facts of unlawfulness, or facts that may impose significant damages to the Osaki Group, the Company shall secure an organization that reports such matters to the corporate auditors of the Company without delay.
- * The Company shall secure an organization where, in addition to items prescribed by law, directors, employees, and subsidiaries' corporate auditors in the Osaki Group shall report items that may have a serious effect on the Osaki Group, the implementation status of internal audits, and notifications regarding the group helpline system and their details to the corporate auditors of the Company without delay.
- * The Osaki Group shall refrain from imposing any unfavorable treatment like discharge or anything else to informants, for reasons of informing through the helpline system.

h) Items concerning policy associated with expenses incurred and liabilities processed in the execution of duties by corporate auditors of the Company

- * The directors of the Company shall execute necessary budgetary measures for the expenses associated with auditing, in order to secure smooth audits by the corporate auditors.

i) Systems to otherwise secure effective auditing by corporate auditors of the Company

- * The board of directors of the Company shall secure the attendance of corporate auditors to board meetings, management council, management meetings, and other important meetings of the Company in order to secure appropriateness of operations.
- * The representative director of the Company shall secure opportunities to regularly exchange opinions with the corporate auditors.

Consolidated Financial Statements

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Consolidated Balance Sheets

March 31, 2022, and 2023

ASSETS	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Current assets:			
Cash and cash equivalents (Note 4)	¥ 11,857	¥ 9,171	\$ 68,681
Deposits (Note 4)	3,546	4,611	34,533
Notes and accounts receivable - trade, and contract assets	17,436	20,495	153,493
Merchandise and finished goods	6,031	7,775	58,233
Work in process	3,165	2,673	20,023
Raw materials and supplies	6,911	8,626	64,604
Other current assets	3,234	3,778	28,295
Allowance for doubtful accounts	(530)	(514)	(3,853)
Total current assets	51,653	56,618	424,011
Non-current assets:			
Property, plant and equipment			
Buildings and structures	23,253	22,160	165,958
Less-accumulated depreciation	(14,372)	(13,820)	(103,504)
Total buildings and structures	8,880	8,339	62,453
Machinery, equipment and vehicles	15,344	15,993	119,773
Less-accumulated depreciation	(12,346)	(13,152)	(98,495)
Total machinery, equipment and vehicles	2,998	2,841	21,278
Land	12,830	12,090	90,543
Leased assets	3,527	3,389	25,381
Less-accumulated depreciation	(1,681)	(1,866)	(13,975)
Total leased assets	1,845	1,523	11,406
Construction in progress	526	74	555
Other fixed assets	7,303	7,418	55,554
Less-accumulated depreciation	(6,613)	(6,783)	(50,803)
Total other fixed assets	689	634	4,750
Net property, plant and equipment	27,770	25,502	190,987
Intangible assets			
Other intangible assets	868	735	5,506
Total intangible assets	868	735	5,506
Investments and other assets			
Investment securities (Note 6)	5,229	5,660	42,389
Defined benefit asset	1,525	1,571	11,768
Deferred tax assets	1,372	1,412	10,579
Other assets	2,805	1,770	13,260
Allowance for doubtful receivables	(3)	(3)	(23)
Total investments and other assets	10,930	10,412	77,975
Total non-current assets	39,568	36,649	274,469
TOTAL	¥ 91,222	¥ 93,268	\$ 698,480

See notes to consolidated financial statements

Consolidated Balance Sheets

March 31, 2022, and 2023

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Current liabilities:			
Notes and accounts payable - trade	¥ 7,324	¥ 8,172	\$ 61,203
Electronically recorded obligations - operating	2,965	3,799	28,452
Short-term loans payable	6,926	2,864	21,455
Accrued income taxes	502	904	6,772
Provision for bonuses	1,656	1,543	11,557
Provision for directors' bonuses	48	39	299
Provision for loss on liquidation of subsidiaries and associates	-	14	112
Provision for product warranties (Note 3)	473	576	4,316
Other current liabilities	6,604	7,092	53,118
Total current liabilities	26,502	25,008	187,288
Non-current liabilities:			
Long-term loans payable	-	2,642	19,786
Lease obligation	1,612	1,516	11,359
Provision for directors' retirements benefits	42	47	356
Provision for repairs	21	28	209
Defined benefit liability	2,479	2,404	18,007
Deferred tax liabilities	2,154	2,209	16,549
Other non-current liabilities	798	781	5,850
Total non-current liabilities	7,108	9,630	72,119
Total liabilities	33,610	34,638	259,407
Equity:			
Shareholders' equity			
Common stock (Note 8)	7,965	7,965	59,655
Capital surplus	8,750	8,759	65,597
Retained earnings	25,670	26,033	194,962
Treasury stock (Note 9)	(487)	(1,254)	(9,398)
Total shareholders' equity	41,900	41,503	310,817
Accumulated other comprehensive income			
Unrealized gains on investment securities	1,119	1,423	10,660
Foreign currency translation adjustments	1,667	2,510	18,804
Remeasurements of defined benefit plans	549	496	3,714
Total accumulated other comprehensive income	3,336	4,430	33,179
Stock acquisition rights (Note 10)	509	466	3,495
Non-controlling interests	11,865	12,228	91,580
Total equity	57,611	58,629	439,073
TOTAL	¥ 91,222	¥ 93,268	\$ 698,480

See notes to consolidated financial statements

Consolidated Statements of Income

Years ended March 31, 2022, and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Net sales	¥ 76,184	¥ 89,253	\$ 668,412
Cost of sales	59,808	71,288	533,876
Gross profit	16,375	17,964	134,535
Selling, general and administrative expenses (Note 11,12)	15,097	15,737	117,858
Operating income	1,277	2,226	16,677
Non-operating income:			
Interest income	21	21	161
Dividend income	155	229	1,718
Gain on sales of investment securities	-	98	739
Subsidy income	206	46	345
Others	144	120	901
	528	516	3,866
Non-operating expenses:			
Interest expenses	288	147	1,102
Foreign exchange loss	191	586	4,394
Others	136	124	928
	616	858	6,426
Ordinary income	1,189	1,885	14,117
Extraordinary gains:			
Gain on sales of property, plant and equipment (Note 13)	-	327	2,451
Gain on sale of shares of subsidiaries and associates (Note 14)	-	1,957	14,656
	-	2,284	17,108
Extraordinary losses:			
Impairment losses	74	-	-
Loss on sales of shares of subsidiaries and associates (Note 15)	-	580	4,347
Provision for loss on liquidation of subsidiaries and associates (Note 16)	-	14	111
	74	595	4,459
Income before income taxes and non-controlling interests	1,114	3,574	26,765
Income taxes			
Current	952	1,346	10,080
Deferred	61	25	193
	1,013	1,371	10,274
Profit	100	2,202	16,491
Profit attributable to non-controlling interests	759	882	6,608
Profit (Loss) attributable to owners of parent	¥ (658)	¥ 1,319	\$ 9,883

See notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

Years ended March 31, 2022, and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Profit	¥ 100	¥ 2,202	\$ 16,491
Other comprehensive income			
Unrealized gains on investment securities	131	303	2,275
Foreign currency translation adjustments	451	843	6,315
Remeasurements of defined benefit plans	34	(52)	(396)
	617	1,094	8,193
Comprehensive income	¥ 718	¥ 3,296	\$ 24,685
Comprehensive income (loss) attributable to owners of the parent	(40)	2,413	18,076
Comprehensive income attributable to non-controlling interests	759	882	6,608

Consolidated Statements of Changes in Equity

Years ended March 31, 2022, and 2023

	Millions of yen									
	Shareholders' equity									
	Common stock		Capital surplus		Retained earnings		Treasury stock		Total shareholders' equity	
Balance at March 31, 2021	¥	7,965	¥	8,750	¥	27,319	¥	(140)	¥	43,895
Cumulative effects of changes in accounting policies						(7)				(7)
Restated balance		7,965		8,750		27,312		(140)		43,888
Cash dividends paid						(981)				(981)
Loss attributable to owners of parent						(658)				(658)
Purchase of treasury stock (Note 9)								(406)		(406)
Disposal of treasury stock (Note 9)						(1)		59		58
Net changes of items other than shareholders' equity										
Balance at March 31, 2022		7,965		8,750		25,670		(487)		41,900
Cash dividends paid						(957)				(957)
Profit attributable to owners of parent						1,319				1,319
Purchase of treasury stock (Note 9)								(847)		(847)
Disposal of treasury stock (Note 9)				8				80		88
Net changes of items other than shareholders' equity										
Balance at March 31, 2023	¥	7,965	¥	8,759	¥	26,033	¥	(1,254)	¥	41,503

	Thousands of U.S. dollars									
	Shareholders' equity									
	Common stock		Capital surplus		Retained earnings		Treasury stock		Total shareholders' equity	
Balance at March 31, 2022	\$	59,655	\$	65,535	\$	192,248	\$	(3,648)	\$	313,790
Cash dividends paid						(7,169)				(7,169)
Profit attributable to owners of parent						9,883				9,883
Purchase of treasury stock (Note 9)								(6,350)		(6,350)
Disposal of treasury stock (Note 9)				62				600		663
Net changes of items other than shareholders' equity										
Balance at March 31, 2023	\$	59,655	\$	65,597	\$	194,962	\$	(9,398)	\$	310,817

	Millions of yen						
	Accumulated other comprehensive income				Stock Acquisition rights	Non-controlling interests	Total equity
	Unrealized gains on investment securities	Foreign Currency Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at March 31, 2021	¥ 988	¥ 1,216	¥ 514	¥ 2,718	¥ 509	¥ 11,764	¥ 58,887
Cumulative effects of changes in accounting policies							(7)
Restated balance	988	1,216	514	2,718	509	11,764	58,880
Cash dividends paid							(981)
Loss attributable to owners of parent							(658)
Purchase of treasury stock (Note 9)							(406)
Disposal of treasury stock (Note 9)							58
Net changes of items other than shareholders' equity	131	451	34	617	-	101	718
Balance at March 31, 2022	1,119	1,667	549	3,336	509	11,865	57,611
Cash dividends paid							(957)
Profit attributable to owners of parent							1,319
Purchase of treasury stock (Note 9)							(847)
Disposal of treasury stock (Note 9)							88
Net changes of items other than shareholders' equity	303	843	(52)	1,094	(42)	363	1,414
Balance at March 31, 2023	¥ 1,423	¥ 2,510	¥ 496	¥ 4,430	¥ 466	¥ 12,228	¥ 58,629

	Thousands of U.S. dollars						
	Accumulated other comprehensive income				Stock Acquisition rights	Non-controlling interests	Total equity
	Unrealized gains on investment securities	Foreign Currency Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at March 31, 2022	\$ 8,384	\$ 12,488	\$ 4,111	\$ 24,985	\$ 3,816	\$ 88,857	\$ 431,450
Cash dividends paid							(7,169)
Profit attributable to owners of parent							9,883
Purchase of treasury stock (Note 9)							(6,350)
Disposal of treasury stock (Note 9)							663
Net changes of items other than shareholders' equity	2,275	6,315	(396)	8,193	(320)	2,723	10,596
Balance at March 31, 2023	\$ 10,660	\$ 18,804	\$ 3,714	\$ 33,179	\$ 3,495	\$ 91,580	\$ 439,073

Consolidated Statements of Cash Flows

Years ended March 31, 2022, and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 1,114	¥ 3,574	\$ 26,765
Depreciation and amortization	2,536	2,587	19,375
Impairment losses	74	-	-
Amortization of goodwill	203	-	-
Increase (decrease) in allowance for doubtful accounts	31	(44)	(332)
Interest and dividend income	(177)	(251)	(1,879)
Interest expenses	288	147	1,102
(Increase) decrease in notes and accounts receivable - trade	1,240	(3,421)	(25,620)
(Increase) decrease in inventories	353	(2,593)	(19,419)
Increase (decrease) in notes and accounts payable - trade	36	1,982	14,849
Increase (decrease) in provision for bonuses	115	(71)	(536)
Increase (decrease) in provision for product warranties	315	127	951
Increase (decrease) in provision for directors' retirements benefits	(6)	4	34
Increase (decrease) in provision for directors' bonuses	22	(10)	(78)
Increase (decrease) in defined benefit liability	133	(75)	(563)
Decrease (increase) in defined benefit asset	(90)	(122)	(913)
Increase (decrease) in provision for repairs	7	7	52
(Gain) loss on sales of property, plant and equipment	(0)	(311)	(2,335)
Loss on retirement of non-current assets	55	28	211
Loss (gain) on sale of shares of subsidiaries and associates	-	(1,376)	(10,308)
(Gain) loss on sales of investment securities	-	(98)	(739)
Other, net	(378)	924	6,920
Interest and dividend received	179	252	1,893
Interest paid	(288)	(147)	(1,102)
Income taxes paid	(1,343)	(851)	(6,373)
Net cash provided by (used in) operating activities	4,422	260	1,953
Cash flows from investing activities:			
Payments for property, plant and equipment	(2,444)	(1,443)	(10,812)
Proceeds from sales of property, plant and equipment	7	671	5,025
Payments for intangible assets	(256)	(211)	(1,582)
Proceeds from sales of investment securities	-	99	747
Proceeds from sales of membership	2	-	-
Payments for long-term deposits	(1,000)	-	-
Proceeds from refund of long-term deposits	2,500	-	-
Payments for derivatives trading	-	(1,396)	(10,458)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	3,638	27,250
Other, net	(28)	(7)	(59)
Net cash provided by (used in) investing activities	(1,219)	1,349	10,109

Consolidated Statements of Cash Flows

Years ended March 31, 2022, and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Cash flows from financing activities:			
Increase (decrease) in short-term loans payable, net	(558)	2,812	21,060
Proceeds from long-term bank loans	-	2,632	19,713
Repayments for long-term loans payable	(10)	(7,909)	(59,230)
Repayments of lease obligation	(319)	(284)	(2,127)
Payments for treasury stock	(406)	(847)	(6,350)
Cash dividends paid	(981)	(957)	(7,173)
Dividends paid to non-controlling interests	(658)	(528)	(3,958)
Proceeds from share issuance to non-controlling shareholders	-	10	74
Other, net	-	0	0
Net cash provided by (used in) financing activities	(2,934)	(5,072)	(37,990)
Effect of exchange rate changes on cash and cash equivalents	411	845	6,330
Net increase (decrease) in cash and cash equivalents	680	(2,616)	(19,596)
Cash and cash equivalents at beginning of year	14,654	15,335	114,846
Cash and cash equivalents at end of year (Note 4)	¥ 15,335	¥ 12,718	\$ 95,249

See notes to consolidated financial statements

Notes to Consolidated Financial Statements

1. Summary of Main Accounting Policies

Osaki Electric Co., Ltd., (“the Company”) and its Japanese subsidiaries maintain financial accounting books according to accounting principles generally accepted in Japan and prepare financial statements accordingly. Foreign subsidiaries maintain financial accounting books according to accounting principles generally accepted in their country of presence and prepare financial statements accordingly.

(1) Important Matters Forming the Basis for Preparation of Consolidated Financial Statements

Scope of consolidation

The consolidated Financial Statement as of March 31, 2023 include the accounts of the Company and its 28 subsidiaries. Principal Consolidated Subsidiaries are described in the Companies section. One company increased due to the establishment of a new domestic subsidiary. Six companies have decreased due to the sale of a domestic subsidiary and overseas subsidiaries.

Disclosure about the application of the equity method

The Company does not account for Tohoku Electric Meter Industry Co., Inc. as an associate even though 20 percent of the voting right is owned because it is clear that the Company will not be able to exercise significant influence over the determination of the company's financial and operating or business policies based on an agreement with the parent company of the company.

Accounting periods of consolidated subsidiaries

Of the consolidated subsidiaries, the fiscal year-end date of 19 consolidated subsidiaries including Osaki United International Pte. Ltd. is December 31. In preparing the consolidated financial statements, the Company uses the financial statements as of that date, and makes necessary adjustments for significant transactions which occurred between their fiscal year-end date and the consolidated fiscal year-end date.

(2) Fundamental Policy of Consolidation and Accounting Treatment of Investment in Affiliates

The consolidated financial statements of the Company include accounts of the Company and subsidiaries for which the Company owns a simple majority or more of shares. Transactions, loans, and credits between consolidated companies are entirely eliminated.

(3) Foreign Currency Conversion

Monetary loans and credits in foreign currencies are converted into Japanese currency at the spot exchange rate on the consolidated financial closing date, and conversion differences are treated as income or loss. The assets and liabilities of foreign subsidiaries are converted into Japanese currency at the spot exchange rate on the financial closing dates of the respective subsidiaries, and revenues and expenses are converted to Japanese currency according to the average rate during the fiscal period. The conversion differences are included under foreign currency translation adjustments and non-controlling interests in equity.

(4) Cash and Cash Equivalents

Cash and cash equivalents include amounts converted easily to their stated values with slight fluctuation risks in value resulting from any variation in interest rate because of the short maturity period, and also high-liquidity investments that mature within three (3) months of their acquisition date.

(5) Marketable Securities

Securities other than shares that do not have a market value are calculated using the fair value method based on the quoted market value on the last day of the fiscal period (with the entire amount of valuation differences inserted directly into net assets, and the cost of sales calculated using the moving average method). Shares that do not have a market value are calculated using the moving average cost method.

(6) Inventories

Finished products and work in process are stated mainly at acquisition cost using the moving average method or total average method (asset values on the balance sheet are calculated by the book value write-down method based on decreased profitability). Build-to-order products are stated at acquisition cost using the specific identification method (asset values on the balance sheet are computed by the book value write-down method based on decreased profitability).

Raw materials and supplies are stated mainly at acquisition cost using the moving average method (asset values on the balance sheet are computed by the book value write-down method based on decreased profitability).

(7) Derivative

Financial derivative transactions are recognized using the market value method.

(8) Property, Plant and Equipment

Property, plant and equipment are stated at acquisition cost. By following the method and the identical standard provided in the Corporate Tax Law, depreciation expenses are computed mainly using the declining balance method for the Company and Japanese subsidiaries and the straight-line method for foreign subsidiaries.

(9) Intangible Assets

Intangible assets (excluding lease assets) are amortized using the straight-line method. Software used by the Company internally is amortized over the usable period (5 years).

(10) Leases Assets

For financed lease transactions without ownership transfer, the accounting treatment refers to ordinary sale and purchase transactions. The depreciation method of lease assets related to finance lease transactions without ownership transfer is the straight-line method that sets the lease period as the service life and the residual value as zero. The financial statements of overseas consolidated subsidiaries are prepared in accordance with International Financial Reporting Standards (IFRS). However, from the current consolidated fiscal year, IFRS No. 16 “Leases” (hereinafter IFRS No. 16) has been applied. Regarding the lease lessee, in principle all leases are recorded as assets and liabilities on the balance sheets, and the straight-line method is used for depreciation of the capitalized right-of-use assets.

(11) Allowance for Doubtful Accounts

To reserve against write-off losses for receivables, estimated uncollectable amounts are recorded according to historical write-off experience for general receivables and collection potential for individual receivables with specific write-off concerns.

(12) Provision for Bonuses

A provision is recorded on the basis of expected disbursement amounts in order to prepare for payment of employee bonuses.

(13) Provision for Directors' Bonuses

A provision is recorded on the basis of expected disbursement amounts in order to prepare for payment of director bonuses.

(14) Provision for Loss on Liquidation of Subsidiaries and Associates

A provision is recorded on the basis of expected disbursement amounts in order to prepare for future losses to be incurred in connection with liquidation of business of subsidiaries and associates.

(15) Provision for Product Warranties

A provision is recorded for estimated future payments to be made for compensation expenses related to products and services sold.

(16) Provision for Directors' Retirements Benefits

The disbursement required is recorded in accordance with internal rules in order to prepare for retirement benefits disbursed to directors.

(17) Provision for Repairs

A provision is recorded to this consolidated fiscal year in order to prepare for expenses of the scheduled maintenance for owned facilities.

(18) Accounting Method of Retirement Benefits

Method of allocating projected retirement benefit obligation to periods

In calculating retirement benefit obligations, the benefit formula basis is used to attribute expected retirement benefits to the periods up to the end of this consolidated fiscal year.

Method of recording actuarial gains and losses

Actuarial gains and losses are calculated by the straight-line method based on the number of years (10 years) within the average remaining service period of employees at the time of occurrence for each consolidated fiscal year from the next consolidated fiscal year.

Actuarial gains and losses of certain consolidated subsidiaries are fully expensed when it occurs.

Adoption of simplified accounting method by small enterprises, etc.

Certain consolidated subsidiaries apply a simplified accounting method to calculate net defined benefit liability and retirement benefit expenses, which uses the retirement benefit obligation as the amount that would be required if all employees voluntarily terminated their employment at the end of the fiscal year.

(19) The standards for recognition of significant revenues and expenses

OSAKI Group recognizes revenue based on the following five-step approach:

Step 1: Identify Contracts with Customers

Step 2: Identify Performance Obligations in the Contracts

Step 3: Calculate the Transaction Price

Step 4: Allocate the Transaction Price to Performance Obligations in the Contract

Step 5: Recognize Revenue when the Company Satisfies Performance Obligations

The Company manufactures and sells watt-hour meters and distribution panels etc., and for such product sales, it is determined that the performance obligation will be satisfied because the customer obtains control over the product at the time of delivery of the product, and we recognize the revenue.

However, for domestic sales of goods or products, revenue is recognized at the time of shipment except for some, because the period from the time of shipment to the time when control of the goods or products is transferred to the customer is normal.

For construction contracts, revenue is recognized over a period of time as performance obligations are satisfied.

The measurement of progress related to the satisfaction of performance obligations are based on the percentage of construction costs incurred by the end of each reporting period to total expected construction costs. If the degree of progress cannot be reasonably estimated, revenue is recognized on a cost recovery method only for the portion of costs incurred that is expected to be recovered.

The Company applies alternative treatment for construction contracts with very short construction period and recognizes revenue when the Company fully satisfies its performance obligations rather than recognizing revenue over a period of time. Revenue is recognized for the consideration promised in contracts with customers, net of discounts, rebates and returns.

In addition, for buy-sell transactions, the Company does not recognize revenue on the transfer of the goods to be paid, and does not recognize any extinguishment of such assets because the Company is substantially obligation to repurchase the goods to be paid, and it is recognized as inventory.

(20) Translation standard for the significant monetary assets and liabilities denominated in foreign currencies to Japanese yen

Foreign currency-denominated monetary receivables and payables are translated into yen at the spot exchange rate on the consolidated closing date, and the translation difference is treated as profit or loss.

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the rates of exchange in effect at the balance sheet date, and the differences arising from translation is recognized as gains and losses. Assets and liabilities of overseas subsidiaries are translated into Japanese yen at the spot exchange rate on the balance sheet date of the relevant subsidiaries and others. Revenues and expenses are translated into Japanese yen at the average exchange rate for the period. Translation differences are included in foreign currency translation adjustments and non-controlling interests in net assets.

(21) Significant hedge accounting method

Hedge accounting method

For interest rate swaps, if the requirements for special treatment are met, it is adopted. When an interest rate swaps meet certain conditions, the net interest amount to be paid or received under the contract is recognized as special treatment.

Hedge instruments and hedged items

(Hedge instruments) Interest rate swaps

(Hedge items) Interest on loan payables

Hedging policy

The Group Companies enter into interest rate swaps to hedge interest rate risk of loan payment and identify hedge items on a contract-by-contract basis.

Hedge effectiveness assessment method

Assessment of effectiveness is omitted if the criteria for special treatment of interest rate swaps are met.

(22) Scope of funds in consolidated statements of cash flows

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments that are readily convertible to cash and subject to an insignificant risk of change in value with original maturities of three months or less from the date of acquisition.

2. U.S. Dollar Amounts

U.S. dollar amounts presented in the financial statements are solely for the reference of the reader. These translations should not be construed as representations that the yen amounts actually represent or have been or could be converted into U.S. dollars. As the amounts shown in U.S. dollars are for reference only, the rate of ¥133.53 = U.S.\$1, the approximate current rate on Tokyo Foreign Exchange Market at March 31, 2023, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements.

3. Significant Accounting Estimates

Provision for product warranties

(Amounts Recorded in the Consolidated Financial Statements)

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Provision for product warranties	¥ 473	¥ 576	\$ 4,316

(Information on the description of significant accounting estimates related to the identified items)

The Group Companies provide an allowance for warranty costs in an amount that is expected to be incurred in the future to cover warranty costs related to products and services sold.

The amount of compensation is calculated based on reasonably expected amounts based on the quantity of the product and defect handling cost etc.

(Impact on the consolidated financial statements for the next consolidated fiscal year)

The estimates are uncertain and may differ from actual amounts incurred due to changes in circumstances and may require additional recording or reversal in the next consolidated fiscal year.

4. Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Cash and cash equivalents in the balance sheets	¥ 11,857	¥ 9,171	\$ 68,681
Deposits	3,546	4,611	34,533
Total	15,404	13,782	103,214
Time deposits (with maturities of more than three months)	(68)	(63)	(476)
Deposits (with maturities of more than three months)	-	(1,000)	(7,488)
Cash and cash equivalents in the cash flow statements	15,335	12,718	95,249

5. Lease

Sublease transaction, and the amount before deduction of interest equivalent amount recorded in the consolidated balance sheet

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Investments in leases			
Current assets	¥ 387	¥ 399	\$ 2,989
Investments and other assets	882	881	6,598

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Lease obligation			
Current liabilities	¥ 386	¥ 395	\$ 2,962
Non-current liabilities	881	879	6,585

The amounts of future lease payments under non-cancelable operating leases at March 31, 2022 and 2023 were as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Due within one year	¥ 2	¥ 6	\$ 47
Due after one year	0	0	2
Total	¥ 3	¥ 6	\$ 50

6. Investment Securities

Investments securities comprise the following:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Available-for-sale securities			
Acquisition cost	¥ 1,985	¥ 1,985	\$ 14,871
Fair value	3,467	3,901	29,217
Net unrealized gain	1,481	1,915	14,346

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Investments in non-public companies and others	¥ 1,761	¥ 1,758	\$ 13,171

7. Accrued Retirement Benefits

General outline of retirement benefit plans

The Company and certain domestic consolidated subsidiaries have defined benefit corporate pension plans and retirement lump-sum payment plans as defined benefit plans. In addition, we and certain of our domestic consolidated subsidiaries participate in multi-employer corporate pension fund plans. The plans are accounted for in the same manner as the defined contribution plans because the amount of plan assets corresponding to the Company's contributions cannot be reasonably calculated.

The retirement lump-sum payment plans of certain consolidated subsidiaries calculate net defined benefit liability and retirement benefit expenses using the simplified method.

In addition, certain domestic and overseas consolidated subsidiaries have defined contribution plans, and some domestic consolidated subsidiaries participate in the smaller enterprise retirement allowance mutual aid.

Defined benefit plan except plans applying the simplified method

(a) Movements in retirement benefit obligations:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Balance at beginning of year	¥ 4,958	¥ 5,023	\$ 37,621
Service cost	340	337	2,524
Interest cost	17	23	177
Actuarial losses	(36)	(177)	(1,328)
Benefits paid	(261)	(346)	(2,597)
Others	5	7	56
Balance at end of year	¥ 5,023	¥ 4,867	\$ 36,454

(b) Movements in plan assets:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Balance at beginning of year	¥ 4,186	¥ 4,333	\$ 32,450
Expected return on plan assets	16	21	162
Actuarial losses	132	(32)	(241)
Contributions from the employer	136	132	989
Benefits paid	(139)	(140)	(1,053)
Others	-	-	-
Balance at end of year	¥ 4,333	¥ 4,314	\$ 32,307

(c) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liabilities (assets) in the consolidated balance sheet:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Funded defined benefit obligations	¥ 2,807	¥ 2,742	\$ 20,538
Plan assets	(4,333)	(4,314)	(32,307)
	(1,525)	(1,571)	(11,768)
Unfunded defined benefit obligations	2,216	2,125	15,915
Net of liabilities and assets of consolidated balance sheet	¥ 690	¥ 553	\$ 4,146

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Net defined benefit liabilities	¥ 2,216	¥ 2,125	\$ 15,915
Net defined benefit assets	(1,525)	(1,571)	(11,768)
Net of liabilities and assets of consolidated balance sheet	¥ 690	¥ 553	\$ 4,146

(d) Breakdown of retirement benefit cost:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Service cost	¥ 340	¥ 337	\$ 2,524
Interest cost	17	23	177
Expected return on plan assets	(16)	(21)	(162)
Amortization of actuarial differences	(117)	(221)	(1,658)
Total	¥ 223	¥ 117	\$ 880

(e) Breakdown of remeasurements of defined benefit plans (before tax effect):

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Actuarial gains and losses	¥ (50)	¥ 76	\$ 571
Total	¥ (50)	¥ 76	\$ 571

(f) Breakdown of accumulated remeasurements of defined benefit plans (before tax effect):

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Unrecognized actuarial gains and losses	¥ (791)	¥ (714)	\$ (5,354)
Total	¥ (791)	¥ (714)	\$ (5,354)

(g) Allocation of plan assets as a percentage of total plan assets:

① Plan assets comprise

	2022	2023
Equity securities	39%	38%
Debt securities	37%	36%
General account	22%	22%
Others	2%	4%
Total	100%	100%

② Long-term expected rate of return

In determining the long-term expected rate of return, the Company takes into consideration present and expected asset allocation and present and expected long-term rate of return arising from various plan assets.

(h) Actuarial assumption:

	2022	2023
Discount rate	0.4%	0.5%
Expected rate of return on plan assets	0.4%	0.5%

Defined benefit plan applying the simplified method

(a) Movements in net defined benefit liabilities for plans applying the simplified method:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Balance at beginning of year	¥ 190	¥ 263	\$ 1,973
Retirement benefit cost	76	22	171
Payment of benefits	(3)	(7)	(53)
Balance at end of year	¥ 263	¥ 279	\$ 2,091

(b) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liabilities (assets) in the consolidated balance sheet:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Funded defined benefit obligations	¥ -	¥ -	\$ -
Plan assets	-	-	-
Unfunded defined benefit obligations	263	279	2,091
Net of liabilities and assets of consolidated balance sheet	¥ 263	¥ 279	\$ 2,091

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Net defined benefit liabilities	¥ 263	¥ 279	\$ 2,091
Net of liabilities and assets of consolidated balance sheet	¥ 263	¥ 279	\$ 2,091

(c) Retirement benefit expenses are calculated using simplified accounting method. The amount recorded in the previous consolidated fiscal year was 76 million Japanese yen and this consolidated fiscal year was 22 million Japanese yen (\$171 thousand).

Defined Contribution Plan

The amounts required to be contributed to the defined contribution plan are 547 million Japanese yen and 579 million Japanese yen (\$4,340 thousand) for the years ended March 31, 2022 and 2023, respectively.

8. Common Stock

Changes in common stock for the fiscal years ended March 31, 2022, and 2023, are as follows.

	2022	2023
Total number of authorized shares:		
End of the year	100,000,000	100,000,000
Total number of issued shares:		
Beginning of the year	49,267,180	49,267,180
Changes during the year	-	-
End of the year	49,267,180	49,267,180

9. Treasury Stock

Changes in treasury stock as of March 31, 2022, and 2023, are as follows.

	2022	2023
Ordinary shares		
Beginning of the year	218,762	968,247
Changes during the year		
Purchase of shares less than one unit and acquisition of treasury shares by resolution of the Board of Directors	842,386	1,657,777
Disposal by exercising stock acquisition rights	-	(71,300)
Grant of transfer-restricted stock compensation	(92,901)	(89,969)
End of the year	968,247	2,464,755

10. Stock Acquisition Rights

Stock acquisition rights comprise the following:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Stock acquisition rights as the stock options	¥ 509	¥ 466	\$ 3,495

11. Selling, general and administrative expenses

Major components of selling, general and administrative expenses comprise the following:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Employee salaries and bonuses	¥ 4,643	¥ 5,096	\$ 38,167
Provision for bonuses	895	786	5,893
Provision for directors' bonuses	62	37	282
Retirement benefit expenses	243	179	1,343
Provision for directors' retirements benefits	8	4	34
Provision for repairs	6	6	50
Allowance for doubtful accounts	44	0	0
Research and development expenses	3,043	3,233	24,215

12. Research and Development Expenses

Research and development expenses comprise the following:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Selling, general and administrative expenses	¥ 3,043	¥ 3,233	\$ 24,215

13. Gain on sale of property, plant and equipment

Following the sale of all shares of Quantum Automation Pte Ltd. ("QA"), which is wholly owned by EDM I Limited ("EDMI"), a consolidated subsidiary of the Company, EDM I sold the building and other real estate used by QA as its headquarters to QA.

14. Gain on sale of shares of subsidiaries and associates

EDMI Limited, a consolidated subsidiary of the Company, sold its wholly owned shares in Quantum Automation Pte Ltd.

15. Loss on sales of shares of subsidiaries and associates

The company sold shares of our consolidated subsidiary Osaki Engineering Co., Ltd.

16. Provision for loss on liquidation of subsidiaries and associates

To prepare for future losses to be incurred in connection with the liquidation of the business of EDM I Communications Pte Ltd. which is wholly owned by EDM I Limited, a consolidated subsidiary of the Company, the Company reserves the amount of losses expected to be incurred in the future.

17. Income taxes

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Deferred tax assets:			
Loss carried forward*	¥ 2,096	¥ 1,939	\$ 14,524
Defined benefit liability	756	733	5,496
Provision for bonuses	390	387	2,901
Accrued expenses	328	339	2,544
Inventories	179	183	1,375
Provision for product warranties	143	175	1,311
Long-term accounts payable	162	158	1,186
Investment securities	152	152	1,138
Stock acquisition rights	156	142	1,070
Impairment losses	251	142	1,065
Membership	104	107	807
Others	642	661	4,952
Subtotal	5,362	5,124	38,373
Valuation allowance on tax losses carried forward*	(2,037)	(1,780)	(13,337)
Valuation allowance on total deductible temporary differences	(1,554)	(1,365)	(10,226)
Subtotal	(3,591)	(3,146)	(23,564)
Total deferred tax assets	1,771	1,977	14,809
Deferred tax liabilities:			
Land valuation margin	(1,608)	(1,608)	(12,046)
Defined benefit asset	(467)	(481)	(3,603)
Unrealized gains on investment securities	(361)	(492)	(3,686)
Others	(114)	(192)	(1,443)
Total deferred tax liabilities	(2,552)	(2,774)	(20,779)
Net deferred tax liabilities	¥ (781)	¥ (797)	\$ (5,970)

*Tax losses carried forward and associated deferred tax assets by expiration period:

	Millions of yen						Total
	2022						
	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years	
Tax losses carried forward*	¥ 230	¥ 129	¥ 117	¥ 150	¥ 69	¥ 1,399	¥ 2,096
Valuation allowance	(230)	(129)	(117)	(150)	(69)	(1,339)	(2,037)
Deferred tax assets	-	-	-	-	-	59	59

*Tax losses carried forward are multiplied by the normal effective statutory tax rate.

Millions of yen							
2023							
Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years		Total
Tax losses carried forward*	¥ 117	¥ 26	¥ 70	¥ 50	¥ 67	¥ 1,607	¥ 1,939
Valuation allowance	(117)	(26)	(70)	(50)	(67)	(1,448)	(1,780)
Deferred tax assets	-	-	-	-	-	158	158

*Tax losses carried forward are multiplied by the normal effective statutory tax rate.

Thousands of U.S. dollars							
2023							
Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years		Total
Tax losses carried forward*	\$ 881	\$ 197	\$ 526	\$ 377	\$ 504	\$ 12,035	\$ 14,524
Valuation allowance	(881)	(197)	(526)	(377)	(504)	(10,849)	(13,337)
Deferred tax assets	-	-	-	-	-	1,186	1,186

*Tax losses carried forward are multiplied by the normal effective statutory tax rate.

18. Business Divestitures

1. Outline of Business Divestiture

(1) Name of the successor company in the business divestiture

Hagiwara Electric Holdings Co., Ltd.

(2) Details of the divested business

Production equipment business (Osaki Engineering Co., Ltd.)

(3) Main reason for the business divestiture

In 1990, we established Osaki Engineering Co., Ltd. ("Osaki Engineering") as a venture investment business and fine pitch bonding technology. We have been developing our core production equipment business, which includes sensor devices and high-performance device-related equipment.

The market for production equipment is expanding, partly due to increased production of semiconductors and the electrification of cars. However, in order to expand this business in the future, the business is moving forward. Strengthening management and continuing investment will be extremely important. Osaki Engineering Co., Ltd. accumulated in a situation where there was little synergy within our group. We sold the shares of Osaki Engineering because, with few synergies within the Group, Hagiwara Electric Holdings, Co., Ltd. highly values the technological and product strengths Osaki Engineering has accumulated and believes that operating its business under them is the best way for Osaki Engineering to continue to grow.

The funds obtained from the transfer of the shares will be effectively utilized for the growth of the smart meters & solution business, which is the Group's core business.

(4) Date of business divestiture

September 30, 2022

(5) Matters related to the outline of other transactions including legal forms

Transfer of business in which the consideration received is only assets such as cash etc.

2. Accounting Treatment

(1) Amount of gain or loss on transfer

Loss on sales of shares of subsidiaries and associates : 580 Millions of yen (\$4,347 thousand)

(2) Appropriate book value of assets and liabilities related to the transferred business and their main breakdown

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 1,485	\$ 11,126
Non-current assets	1,299	9,735
Total assets	2,785	20,861
Current liabilities	454	3,406
Total Liabilities	¥ 454	\$ 3,406

(3) Accounting treatment

The difference between the carrying amount of the transferred shares on the consolidated basis and the sales price is recorded in "Loss on sales of shares of subsidiaries and associates" under extraordinary losses.

3. Reportable segments in which the divested business was included

Production equipment business segment

4. Approximate amount of profit or loss relating to the divested business recorded in the consolidated statement of income for the current fiscal year

	Millions of yen	Thousands of U.S. dollars
Sales	¥ 761	\$ 5,704
Operating income	9	70

19. Segment Information

The business of the Company and its consolidated subsidiaries is divided into the following four categories.

Smart meters & solutions in Japan:

Smart meters, Energy solutions, Instrument VCT, Distribution panels

Smart meters & solutions overseas:

Smart meters, Energy solutions

Production equipment:

Sensor devices assemble equipment

Real estate: Real estate leasing

With respect to all of our shares in Osaki Engineering Co., Ltd., which had been classified as "Production equipment business" in the reportable segment, as a result of the sale on September 30, 2022, the Company was excluded from the scope of consolidation.

The "Production Equipment Business" shows results up to the second quarter of the fiscal year.

	Millions of yen						
	2022						
	Reporting Segments				Total	Adjustment	Consolidated
Smart meters & solutions in Japan	Smart meters & solutions overseas	Production equipment	Real estate				
Year ended March 31							
Sales to customers	¥ 45,983	¥ 29,095	¥ 657	¥ 448	¥ 76,184	¥ -	¥ 76,184
Intersegment sales	23	972	35	105	1,137	(1,137)	-
Total sales	46,006	30,068	692	553	77,321	(1,137)	76,184
Operating income	1,225	58	(282)	271	1,272	4	1,277

The segment income is adjusted by intersegment transaction eliminations.

	Millions of yen						
	2023						
	Reporting Segments				Total	Adjustment	Consolidated
Smart meters & solutions in Japan	Smart meters & solutions overseas	Production equipment	Real estate				
Year ended March 31							
Sales to customers	¥ 54,406	¥ 33,620	¥ 759	¥ 466	¥ 89,253	¥ -	¥ 89,253
Intersegment sales	21	992	1	105	1,121	(1,121)	-
Total sales	54,427	34,613	761	571	90,374	(1,121)	89,253
Operating income	3,816	(1,886)	9	295	2,234	(7)	2,226

The segment income is adjusted by intersegment transaction eliminations.

	Thousands of U.S. dollars						
	2023						
	Reporting Segments				Total	Adjustment	Consolidated
Smart meters & solutions in Japan	Smart meters & solutions overseas	Production equipment	Real estate				
Year ended March 31							
Sales to customers	\$ 407,446	\$ 251,782	\$ 5,690	\$ 3,492	\$ 668,412	\$ -	\$ 668,412
Intersegment sales	161	7,435	13	790	8,400	(8,400)	-
Total sales	407,608	259,218	5,704	4,282	676,812	(8,400)	668,412
Operating income	28,579	(14,126)	70	2,210	16,734	(56)	16,677

Independent Auditor's Report

RSM Seiwa

Syosankan 4F

1-3-2, Idabashi, Chiyoda-ku

Tokyo 102-0072, JAPAN

To Board of Directors of
Osaki Electric Co., Ltd.

Opinion

We have audited the consolidated financial statements of Osaki Electric Co., Ltd and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan (JGAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan (JGAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Convenience Translation

Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimate of provision for product warranties	
Details of Key Audit Matter and Reasons for Determination	Audit Response
<p>As described in the Note 3 to the consolidated financial statements (significant accounting estimates), the Group recorded a provision for product warranties of 576 million Japanese yen mainly to prepare for product defects in connection with products sold.</p> <p>The Group estimated the future costs of repairs and refurbishment, replacements, and compensation of products sold resulting from defects based on currently available information and recorded them as provision for product warranties.</p> <p>However, the contents of the provision for product warranties are highly specific and has a significant impact due to the progress of negotiations with customers. In addition, estimates are highly uncertain because some of the product quantities, repairs and refurbishment costs, replacement costs, and compensation costs used in the estimates have no historical experience and are calculated using assumptions. Accordingly, we chose the provision for product warranties as a Key Audit Matter.</p>	<p>We performed the following audit procedures on the key audit matters.</p> <p>(1) Internal control assessments</p> <ul style="list-style-type: none"> • Checked that the cause analysis underlying the provision was performed in a specialized department, and the sales department performed an analysis-based estimate and obtained appropriate intra-company approvals. • Tested the existence and completeness of events subject to provision for product warranties by reviewing of the minutes of the Board of Directors' meetings, the approval documents and the quality report materials prepared by the Quality Control Division. <p>(2) Assessment of reasonableness of estimated provision for product warranties</p> <ul style="list-style-type: none"> • Checked and inquired about cost calculation materials, external documents, negotiation materials with customers and calculation basis in order to verify the validity of estimates such as the quantities and costs, etc., for products to be repaired and refurbished, replaced or compensated. • Gained an understanding of the overview of product defects and status of negotiations with customers by inquiring the managers of sales departments and reviewing related documents to confirm the estimation method of provision for product warranties and reasonableness of management's assumptions. • Examined the appropriateness of the estimate of the provision for product warranties for the current fiscal year by comparing the estimated recorded amount with the actual amount in prior years, inquiring the responsible persons in charge of sales departments regarding the reasons for the difference between the estimated amount and the actual amount, and examining related documents.

Other Information

There is other information included in the Annual Report but are not a part of the consolidated financial statements and thus not covered by our auditor's report. Management is responsible for the preparation and presentation of such other information. Those charged with governance are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for such other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read such other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in such other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with JGAAP, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with JGAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with JGAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Etsuo Kakehi
Designated Engagement Partner
Certified Public Accountant

Kakuro Tsuda
Designated Engagement Partner
Certified Public Accountant

RSM Seiwa
Tokyo, Japan
July 21, 2023

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Group and RSM Seiwa.

Companies

COUNTRY	COMPANY	SEGMENT
JAPAN	OSAKI ELECTRIC CO., LTD.	● ●
	ENEGATE CO., LTD.	●
	OSAKI ELECTRIC SYSTEMS CO., LTD.	●
	IWATE OSAKI ELECTRIC CO., LTD.	●
	OSAKI PLATECH CO., LTD.	●
	OSAKI DATATECH CO., LTD.	●
	OSAKI ESTATE CO., LTD.	●
SINGAPORE	OSAKI UNITED INTERNATIONAL PTE. LTD.	●
	EDMI LIMITED	●
CHINA	EDMI (SHENZHEN) CO., LTD	●
MALAYSIA	EDMI ELECTRONICS SDN. BHD.	●
UNITED KINGDOM	EDMI EUROPE LIMITED	●
AUSTRALIA	EDMI PTY LTD	●

- Smart meters & solutions in Japan
- Smart meters & solutions overseas
- Real estate

*There are 16 consolidated subsidiaries other than those listed above.

*With respect to all of our shares in Osaki Engineering Co., Ltd., which had been classified as "Production equipment business" in the reportable segment, as a result of the sale on September 30, 2022, the Company was excluded from the scope of consolidation.

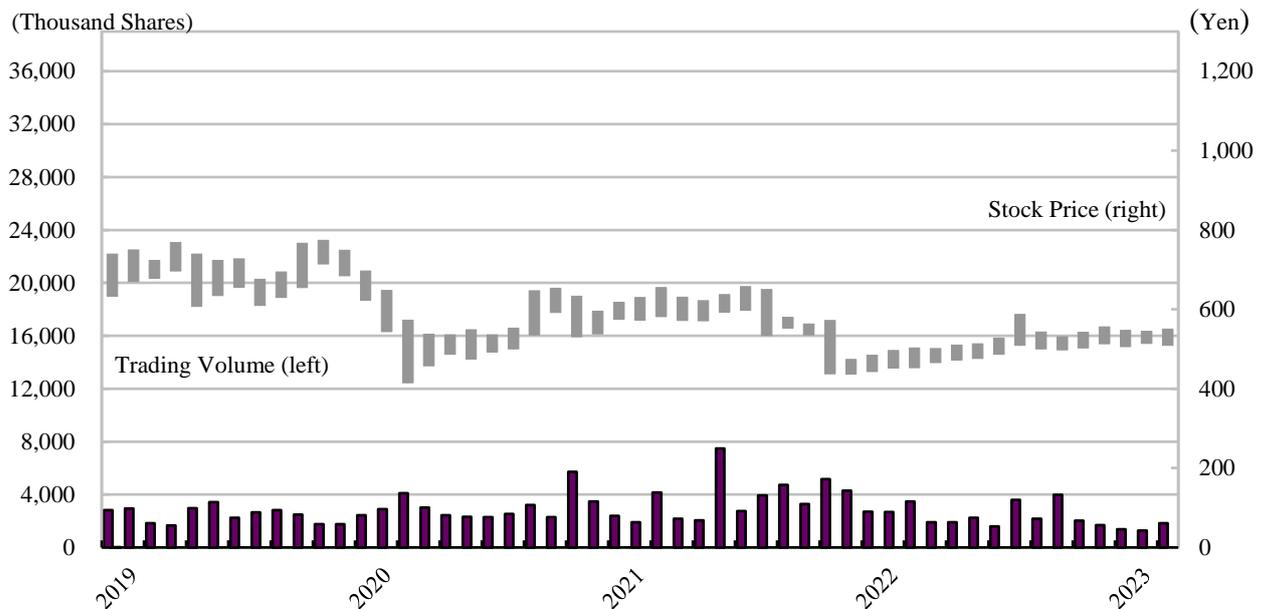
Stock Information

(As of March 31, 2023)

Common Stock

Authorized	:	100,000,000
Issued	:	49,267,180
Number of Shareholders	:	7,657

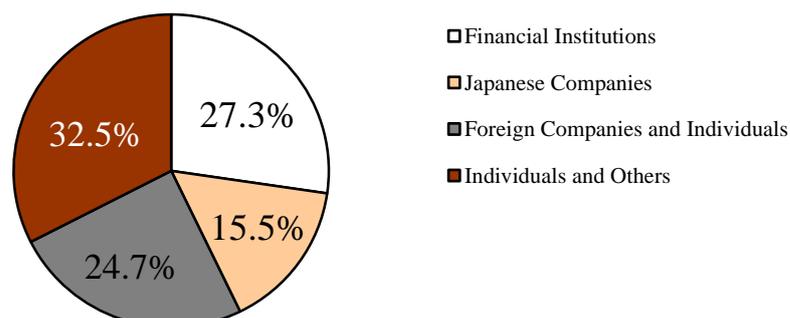
Stock Price and Trading Volume (Tokyo Stock Exchange)



Major Shareholders

	Number of shares	
	(Thousand shares)	(%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,739	12.3
THE HONGKONG AND SHANGHAI BANKING CORPORATION LTD - SINGAPORE BRANCH PRIVATE BANKING DIVISION CLIENTS A/C 8221-623793	5,392	11.5
Custody Bank of Japan, Ltd. (Trust Account)	2,406	5.1
Osaki Electric cooperation company share holding commission	1,783	3.8
MUFG Bank, Ltd.	1,552	3.3

Breakdown of Shareholders



Investor Information

Management (As of June 28, 2023)

REPRESENTATIVE DIRECTORS

Chairman and CEO

Yoshihide Watanabe

President and COO

Mitsuyasu Watanabe

Executive Vice President

Haruyuki Kawabata

DIRECTORS

Managing Executive Officer

Ryuichi Ueno

Directors

Seiji Takashima (Independent)

Nobuhiro Kasai (Independent)

Shoko Kuroki (Independent)

CORPORATE AUDITORS

Standing Auditor

Choichiro Hori

Auditors

Yutaka Hasegawa

Shigehiko Yamamoto (Independent)

Kumiko Kitai (Independent)

EXECUTIVE OFFICERS

Kazuo Nemoto

Takehiko Ota

Jun Abe

Toshiaki Takada

Hiroyuki Hatakeyama

Nobuyuki Ono

Hiroshi Takahashi

Isao Yoshino

Masaru Takahashi

Corporate Data (As of March 31, 2023)

Osaki Electric Co., Ltd.

Head Office

10-2, Higashi-Gotanda 2-chome

Shinagawa-ku Tokyo 141-8646

JAPAN

Phone : 81-3-3443-7171

Date of Founding

January 26th, 1937

Paid-in Capital

¥ 7,965 million (US\$ 65 million)

Stock Exchange Listings

Tokyo Stock Exchange

Independent Public Accountants

RSM Seiwa

Tokyo, Japan

Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation

Transfer Agency Department

1-1, Nikko cho, Fuchu-shi,

Tokyo, Japan

Phone : 81-42-204-0303

Mailing address :

Shin-TOKYO Post Office post office box No.29

137-8081, JAPAN

Mitsubishi UFJ Trust and Banking Corporation

Transfer Agency Department

For further information, please contact/refer to:

Osaki Electric Co., Ltd.

Investor & Media Relations Department

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

<https://www.osaki.co.jp/en/profile/about/contact.html>