



ANNUAL REPORT  
2021

**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
	2017	2018	2019	2020	2021	U.S. dollars
<b>For the year:</b>						
Net sales	¥ 86,159	¥ 78,780	¥ 82,089	¥ 90,069	¥ 76,255	\$ 688,788
Operating income	7,692	5,544	4,299	3,691	2,684	24,251
Profit attributable to owners of parent	3,803	2,666	1,806	1,197	482	4,356
<b>At year-end:</b>						
Total assets	92,206	85,785	98,314	97,962	90,989	821,869
Total equity	55,347	57,924	58,881	58,637	58,887	531,910
Number of employees	3,078	2,960	3,383	3,557	3,129	
<b>Per share of common stock:</b>						
	Yen					U.S. dollars
Profit	¥ 80.65	¥ 54.63	¥ 36.95	¥ 24.47	¥ 9.84	\$ 0.08
Cash dividends	20.00	20.00	20.00	20.00	20.00	0.18
Equity	913.09	958.80	974.95	956.44	950.37	8.58

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

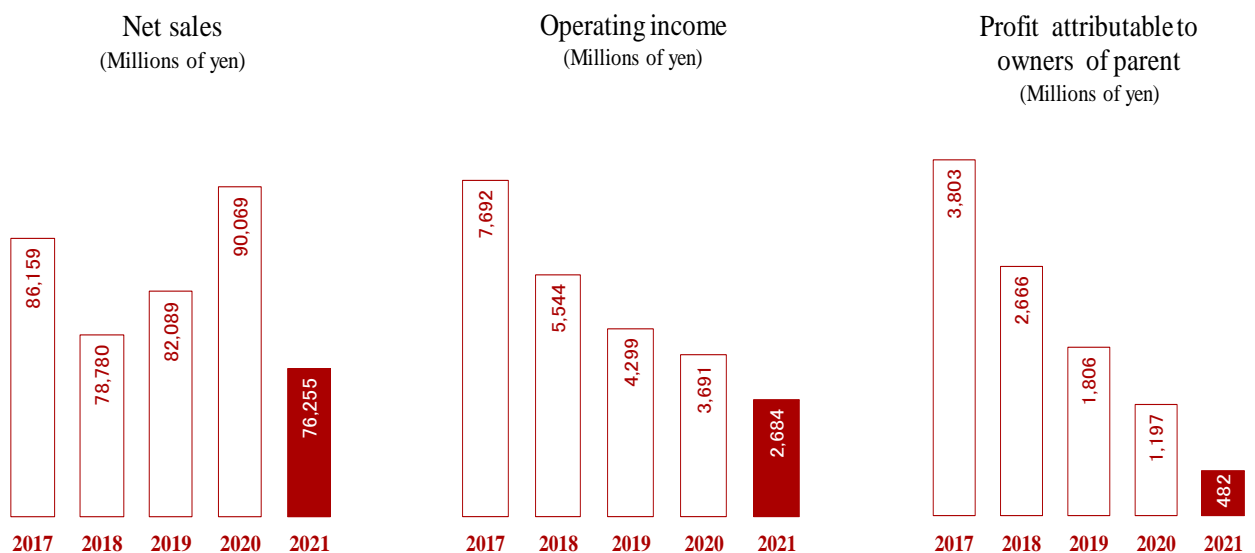
### Business segments -

**Smart meters & solutions in Japan:** Watt-hour meters, Instrument VCT, Energy Solutions, Distribution panels

**Smart meters & solutions overseas:** Watt-hour meters, Energy Solutions

**Production equipment:** Sensor devices assemble equipment

**Real estate:** Estate for rent



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## Message from the Chairman and President

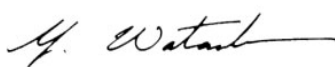
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### TO OUR SHAREHOLDERS

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 continue to accelerate global enterprise—an effort marked by bringing the global manufacturer of smart meters EDMI into our fold in 2012. OSAKI business operations now span 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, at OASKI Group, 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 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 of matters best assumed by OSAKI Group (hereafter as “OSAKI” or “the Group”) as of June 23, 2021, the date of Independent Auditor’s Report in P30-32.

## 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 challenge for advanced technologies, create new values and be responsible for better society through our energy solutions.

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

Business environment surrounding OSAKI Group is changing, both in and out of Japan. Impact of COVID-19 virus infection is expected to remain awhile, and the Group will concentrate on controlling risks and improving profits. In mid to long-term, recognizing the importance of decarbonized emission, the Group will concentrate its management resources to providing solutions that will help save energy and cut carbon emission.

Under the aforementioned business environment, OSAKI Group will apply its meter and control technology cultivated from electric meter business, to energy related solutions and services in building profitable and sustainable business foundation. Moreover, the Group will focus its resources to build environment sustainable society.

Strategies based on Management Policies

- i . Developing value-added smart meters and expanding energy solutions (Japan)
  - Accelerate R&D for next-generation smart meters expected to launch in FY2024 and explore added value for new smart meters
  - Select market that leverages OSAKI’s strength in energy solutions, and expand businesses related to energy management and labor saving to increase market share
  
- ii . Developing new products and services (Japan)
  - Leverage management resources and reinforce framework to create and market new products and services
  - Collaborate with various partners to accelerated technology development and reinforcing marketing
  
- iii . Expanding Global Business (outside Japan)
 

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

  - Expand solution services that connects hardware and software
  - Establish global development framework to accelerate next-generation hardware/software development
  - Reinforce production structure and decentralize manufacturing sites for BCP
  
- iv . Building resilient group operations
  - Strengthen corporate governance and risk control
  - Elevate financial soundness
  - Build strong teams by training and allocation

### 3. Mid-term Management Plan

	Fiscal Year ending March 31, 2022 Forecast	Fiscal Year ending March 31, 2023 Outlook	Fiscal Year ending March 31, 2024 Outlook	(Millions of yen) Fiscal Year ending March 31, 2026 Target
Net sales	83,000	85,000	88,000	
Operating income	3,500	5,000	5,500	8,000 or more
Ordinary Income	3,300	4,900	5,500	
Profit attributable to owners of parent	3,000	2,800	3,500	
ROE	6.5%	6.0%	7.0%	9.0% or more

### 4. Fundamental Policy Regarding Distribution of Profits

The Company sets 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 hands, 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 apply retained earnings towards R&D investments 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.

The 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 of surplus 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 Nov.4, 2020	490	10.00
Annual general shareholders meeting resolution of June 25, 2021	490	10.00

## Present status of Business

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## Present status of Business

### 1. Business Performance (Fiscal year ended March 31,2021)

#### (1) Highlight of Operating Results of This Fiscal Year

- Consolidated sales were down by 15.3% year on year to ¥76.3billion. Operating income declined by 27.3% to ¥2.68 billion. Profit attributable to owners of parent declined by 59.7% to ¥0.48 billion.
- In Japan, sales declined mainly due to the expansion of COVID-19 virus infection in the midst of the peak out period in demand for smart meters. Sales of energy management systems declined from customers restraining investments largely due to the impact of COVID-19 virus infection. Profits, however, increased year on year, from cost reduction efforts.
- In the overseas, installation of smart meters was slower-than-expected due to lockdowns associated with the spread of COVID-19 virus. Orders for Iraq (Kurdistan Regional Government) and Cambodia projects, which recorded a temporary increase in orders in the same period of the previous fiscal year, declined year on year. As a result, sales and profits declined.

### Consolidated Financial Results

(Millions of yen)

	Fiscal Year ended March 31, 2020	Fiscal Year ended March 31, 2021	YoY Change		Initial Forecasts	Changes from Initial Forecasts	
			Amount	%		Amount	%
<b>Net sales</b>	90,069	76,255	(13,813)	(15.3)%	80,000	(3,744)	(4.7)%
Smart meters & solutions in Japan	51,842	48,193	(3,648)	(7.0)%			
Smart meters & solutions overseas	37,462	27,301	(10,160)	(27.1)%			
Others	1,905	1,514	(391)	(20.6)%			
Adjustment	(1,141)	(753)	387	—			
Gross profit	19,677	17,342	(2,334)	(11.9)%			
Ratio to sales	21.8%	22.7%		+0.9pt			
SG & A expenses	15,986	14,657	(1,328)	(8.3)%			
Ratio to sales	17.7%	19.2%		+1.5pt			
<b>Operating income</b>	3,691	2,684	(1,006)	(27.3)%	1,500	1,184	+79.0%
Ratio to sales	4.1%	3.5%		(0.6)pt	1.9%		+1.6pt
Smart meters & solutions in Japan	3,013	3,136	122	+4.1%			
Smart meters & solutions overseas	440	(467)	(907)	—			
Others	210	6	(204)	(97.1)%			
Adjustment	27	9	(17)	(63.8)%			
Ordinary income	3,544	2,888	(656)	(18.5)%	1,600	1,288	+80.5%
Profit attributable to owners of parent	1,197	482	(714)	(59.7)%	100	382	+382.3%
Net income per share (yen)	24.47	9.84	(14.63)	(59.8)%			
ROE	2.5%	1.0%	—	(1.5)pt			



**Consolidated Sales by Region** (Excluding intercompany sales)

(Millions of yen)

	Fiscal Year ended March 31, 2020	Fiscal Year ended March 31, 2021	YoY Change	
			Amount	%
<b>Japan</b>	53,475	49,641	(3,834)	(7.2)%
<b>Overseas</b>	36,593	26,614	(9,979)	(27.3)%
Oceania	9,422	9,154	(268)	(2.8)%
Europe	9,558	8,952	(605)	(6.3)%
Asia	8,841	4,803	(4,037)	(45.7)%
Others	8,770	3,703	(5,067)	(57.8)%
<b>Total</b>	90,069	76,255	(13,813)	(15.3)%
Average exchange rate	¥109.05/USD	¥106.76/USD		

**(2) Outlook for the Fiscal Year ending March 31, 2021**

- Consolidated forecast for FY2021 is ¥83 billion (8.8% increase year on year) in net sales, 3.5 billion yen (30.4% increase year on year) in operating income, and 3.0 billion yen (522.0% increase year on year) in profit attributable to owners of parent.
- In Japan, smart meters business expects tough environment with low demand and severe price competition in the midst of the peak out period until demand picks up in Fiscal 2024. Products and services including energy management systems, smart locks for rental property are expected to see an increase in sales as the impact from COVID-19 is expected to decrease. Profits are expected to decline from lower utilization rates for smart meter production as well as an expected increase in SG&A expenses from FY2020, where costs were severely cut in the midst of COVID-19 pandemic.
- In the overseas, both sales and profit are expected to increase, mainly due to steady growth in Oceania by providing high profit solution services, and an increase in shipments for the UK project.
- Outlook for profit attributable to owners of parent includes extraordinary gain from the transfer of shares in a consolidated subsidiary.
- The Dividend plan for the FY2021 is 20 yen per share per annum.

**Consolidated Forecast**

(Millions of yen)

	Fiscal Year ended March 31, 2021 Actual	Fiscal Year ending March 31, 2022 Forecast	YoY Change	
			Amount	%
Net sales	76,255	83,000	6,744	+8.8%
Smart meters & solutions in Japan	48,193	49,700	1,506	+3.1%
Smart meters & solutions overseas	27,301	32,500	5,198	+19.0%
Others	1,514	1,400	(114)	(7.5)%
Adjustment	(753)	(600)	153	—
<b>Operating income</b>	2,684	3,500	815	30.4%
Smart meters & solutions in Japan	3,136	2,500	(636)	(20.3)%
Smart meters & solutions overseas	(467)	1,000	1,467	—
Others	6	0	(6)	(100.0)%
Adjustment	9	—	(9)	(100.0)%
<b>Ordinary income</b>	2,888	3,300	411	14.3%
Profit attributable to owners of parent	482	3,000	2,517	522.0%

## 2. Overview of Financial Condition for This Fiscal Year

As of the end of the consolidated fiscal year ended March 31, 2021, total assets decreased 6,973 million yen (YoY) to 90,989 million yen. Cash and deposits increased 1,984 million yen, inventories increased 806 million yen, while notes and accounts receivable-trade decreased 4,175 million yen, inventories decreased 4,835 million yen.

Total liabilities decreased 7,223 million yen (YoY) to 32,101 million yen. Notes and accounts payable-trade and electronically recorded obligations-operating decreased 683 million yen, short-term and long-term loans payable decreased 5,739 million yen in overseas.

Net assets increased 250 million yen (YoY) to 58,887 million yen. Retained earnings decreased 498 million yen, while unrealized gains on securities increased 400 million yen, non-controlling interests increased 460 million yen.

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021	YoY Change
Total assets	97,962	90,989	(6,973)
Total liabilities	39,324	32,101	(7,223)
Total equity	58,637	58,887	250
Equity ratio	47.8%	51.2%	+3.5pt.

## 3. Cash Flows

The balances of cash and cash equivalents for the consolidated fiscal year under review decreased 2,288 million yen (YoY) to 14,654 million yen.

The status of cash flows for the consolidated fiscal year under review and major factors are as follows.

(Millions of yen)

	Fiscal Year ended March 31, 2020	Fiscal Year ended March 31, 2021	YoY Change
Cash flows from operating activities	(394)	10,503	10,897
Cash flows from investing activities	(4,120)	(1,187)	2,932
Cash flows from financing activities	328	(6,939)	(7,268)
Cash and cash equivalents at end of year	12,366	14,654	2,288

### (1) Cash flows from operating activities

Cash flows from operating activities resulted in 10,503 million yen of net cash gained.. Major factors included depreciation of 2,749 million yen, impairment losses of 357 million yen, goodwill amortization of 197 million yen, an decrease of 3,530 million yen in accounts receivable-trade, an decrease of 4,265 million yen in inventories, a decrease of 476 million in accounts payable-trade, 1,264 million yen in other decreased capital, and 1,383 million yen in income taxes paid.

### (2) Cash flows from investing activities

Cash flows from investing activities resulted in 1,187 million yen in net cash used. Major factors included the purchase of property, plant, and equipment of 1,332 million yen and 500 million yen in income for long-term deposits.

### (3) Cash flows from financing activities

Cash flows from financing activities resulted in 6,939 million yen of net cash used. Major factors include an decrease of 5,207 million yen in short-term and long-term loans payable in overseas, and 1,473 million yen in dividend payments including non-controlling interests.

## 4. Business Environment and Responses to Business Challenges

### (1) Important Accounting Policy

OSAKI Group consolidated financial statements are created based on Japanese generally accepted accounting principles. When creating 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.

### (2) Earnings Analysis of This Fiscal Year

In Japan, smart meter business remained solid and overall sales were in line with the initial year forecast. Profits were better than expected from cost reduction efforts. In our newly challenging areas, many collaborative efforts were taken in the “OPELO series”, or smart lock business. In aspects of research, the company launched field tests using local 5G, in efforts to apply the outcome to the development of value-added smart meters.

In the global market (outside Japan), sales were largely impacted from lockdowns associated with the spread of COVID-19 virus, resulting in lower-than-expected results compared with the initial year forecast. While efforts were made to reduce costs, profits fell short of the forecast from devaluation of inventory. New initiatives are taken to shift to solution-oriented business model and reinforcing R&D structure. In addition, the Group began to decentralize manufacturing sites as risk management measures, including outsourcing.

As a result of the above, consolidated net sales and profits are as on the Table below.

	Fiscal Year ended March 31, 2021 Actual	YoY Change		Changes from Initial Forecasts	
		Amount	%	Amount	%
Net sales	76,255	(13,813)	(15.3)%	(3,744)	(4.7)%
Operating income	2,684	(1,006)	(27.3)%	1,184	+65.7%
Ordinary income	2,888	(656)	(18.5)%	1,288	80.5%
Profit attributable to owners of parent	482	(714)	(59.7)%	382	+382.3%

### (3) Capital sources and capital liquidity

The capital required for Group operating activities mainly comes from capital earned through cash flows from operating activities. At the same time, we also maintain liquidity through capital procurement using bank loans when capital is needed to cover a period prior to the collection of receivables.

Our main capital demands to strengthen corporate value are as follows.

- Increasing the added value of smart meters, and creating new products and businesses in Japan
- Increasing the competitiveness of products and services overseas, and establishing a global development system.

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 in growing overseas businesses, establishing new businesses, and increasing the added value of smart meters as well as to enhance shareholder returns.

## 5. Corporate Governance

### (1) Fundamental Approach to Corporate Governance

Osaki Electric recognizes that the enhancement of corporate governance is essential in terms of achieving management's goal of enhancing corporate value. The Group is 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 Electric adopts a statutory auditor system. We have established a Board of Corporate Auditors, which serves as a management oversight function through an auditing system that includes outside corporate auditors. 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. One of the statutory auditors has served as Director of Accounting at the Company and holds considerable knowledge of 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, of whom, 2 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 outside directors to exercise their functions even more. 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) instituted on May 1, 2015, 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 subject director or auditor, 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. 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 senior directors (not including independent directors) are held weekly in principle, in order to conduct decision-making for daily business execution and to deliberate management issues. In addition, with the introduction of the executive officer system, a monthly executive officer meeting is held to enhance operations and functionalities.

On February 13, 2019, we established a Nomination and Remuneration Advisory Committee to serve as an advisory body to the Board of Directors whose purpose is to improve the fairness, transparency, and objectivity of procedures related to nominations and compensation. In fiscal 2020, the committee met eight times in total to discuss nomination in April and remuneration in May and June, the introduction of a new executive compensation system in September, October, November, February, and March.

## Overview of the Nomination and Compensation Advisory Committee

### 1. Structure

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

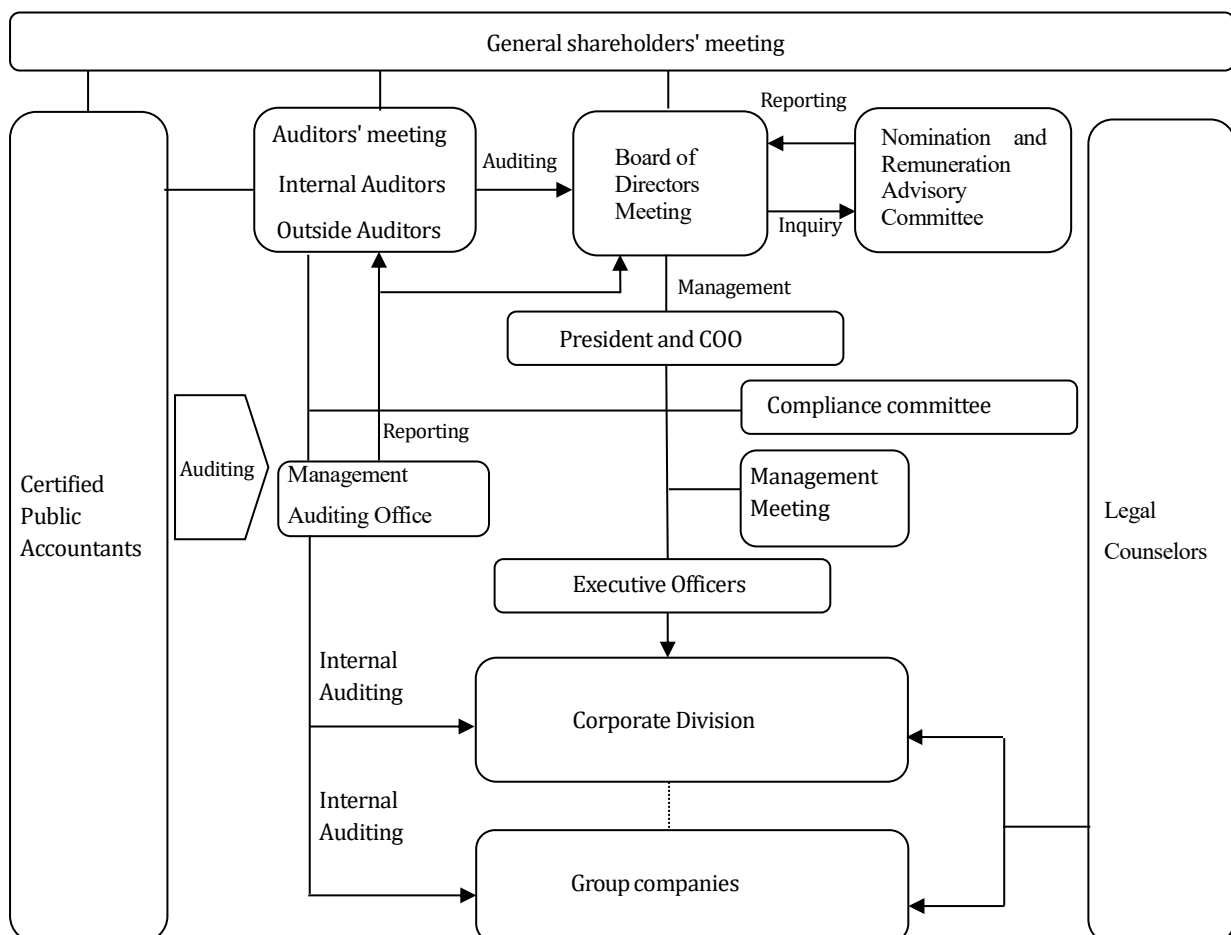
### 2. Role

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 statutory 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 director and executive officers compensation systems 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

In regard to compliance, the compliance committee is established to oversee compliance to 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 compliance.

## Diagram of the Corporate Governance System



## 1. Organization of Internal Controls System

Based on the Companies Law and its enactment rules, we have established fundamental policy for structuring the internal controls system, and maintain the system accordingly to secure proper operational duties as follows:

a) An organization 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.
- \* 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 implements the 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 statutory 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, Quality Control, Environmental Conservation, 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. At any subsidiary, the Company shall instruct the arrangement of a comparable organization 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 with no 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) Organization 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.
- \* In principle, the Company convenes management meetings composed of internal directors weekly to conduct multi-faceted studies and discussions over management issues that affect the corporate Osaki Group.
- \* Execution of daily duties at the Company and subsidiaries shall be based in accordance with occupational duty authority rules and internal approval process rules.

e) Organization concerning reporting to the Company regarding matters associated with 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 statutory 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 organization to statutory auditors by director or employee of the Company or by a director, statutory 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 statutory 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 statutory auditors of the Company without delay.
- \* The Company shall secure an organization where, in addition to items prescribed by law, directors, employees, and subsidiaries' statutory 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 statutory 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 statutory 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 statutory auditors.

i) Organizations to otherwise secure effective auditing by statutory auditors of the Company

- \* The board of directors of the Company shall secure the attendance of statutory auditors to board meetings, 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 statutory auditors.



## Consolidated Financial Statements

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**Consolidated Balance Sheets**

March 31, 2020, and 2021

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

*See notes to consolidated financial statements*

**Consolidated Balance Sheets**

March 31, 2020, and 2021

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

*See notes to consolidated financial statements*

**Consolidated Statements of Income**

Years ended March 31, 2020, and 2021

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

*See notes to consolidated financial statements*

**Consolidated Statements of Comprehensive Income**

Years ended March 31, 2020, and 2021

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

## Consolidated Statements of Changes in Equity

Years ended March 31, 2020, and 2021

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

	Thousands of U.S. dollars									
	Shareholders' equity									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity					
<b>Balance at March 31, 2020</b>	\$	71,951	\$	79,043	\$	251,273	\$	(2,014)	\$	400,253
Cash dividends paid						(8,849)				(8,849)
Profit attributable to owners of parent						4,356				4,356
Disposal of treasury stock (Note 7)						(13)		741		728
Net changes of items other than shareholders' equity										
<b>Balance at March 31, 2021</b>	\$	71,951	\$	79,043	\$	246,767	\$	(1,273)	\$	396,489

	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				
<b>Balance at March 31, 2019</b>	¥ 1,412	¥ 1,763	¥ 356	¥ 3,532	¥ 474	¥ 10,710	¥ 58,881	
Cumulative effects of changes in accounting policies							(69)	
Restated balance	1,412	1,763	356	3,532	474	10,710	58,812	
Cash dividends paid							(978)	
Profit attributable to owners of parent							1,197	
Purchase of treasury stock (Note 7)							(0)	
Net changes of items other than shareholders' equity	(824)	(57)	(172)	(1,055)	69	592	(393)	
<b>Balance at March 31, 2020</b>	587	1,706	183	2,477	544	11,303	58,637	
Cash dividends paid							(979)	
Profit attributable to owners of parent							482	
Disposal of treasury stock (Note 7)							80	
Net changes of items other than shareholders' equity	400	(490)	330	240	(34)	460	666	
<b>Balance at March 31, 2021</b>	¥ 988	¥ 1,216	¥ 514	¥ 2,718	¥ 509	¥ 11,764	¥ 58,887	

	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				
<b>Balance at March 31, 2020</b>	\$ 5,311	\$ 15,413	\$ 1,657	\$ 22,382	\$ 4,915	\$ 102,099	\$ 529,650	
Cash dividends paid							(8,849)	
Profit attributable to owners of parent							4,356	
Disposal of treasury stock (Note 7)							728	
Net changes of items other than shareholders' equity	3,617	(4,427)	2,985	2,175	(312)	4,160	6,023	
<b>Balance at March 31, 2021</b>	\$ 8,928	\$ 10,986	\$ 4,643	\$ 24,557	\$ 4,602	\$ 106,260	\$ 531,910	

**Consolidated Statements of Cash Flows**

Years ended March 31, 2020, and 2021

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 3,474	¥ 2,530	\$ 22,857
Depreciation and amortization	2,905	2,749	24,837
Impairment losses	70	357	3,229
Amortization of goodwill	201	197	1,783
Increase (decrease) in allowance for doubtful accounts	(66)	(54)	(491)
Increase (decrease) in provision for bonuses	19	(222)	(2,013)
Increase (decrease) in provision for directors' bonuses	20	4	36
Increase (decrease) in provision for product warranties	(17)	127	1,155
Increase (decrease) in provision for directors' retirements benefits	(74)	15	136
Increase (decrease) in defined benefit liability	22	69	631
Decrease (increase) in defined benefit asset	(70)	(31)	(288)
Increase (decrease) in provision for repairs	7	7	63
Interest and dividend income	(190)	(172)	(1,557)
Interest expenses	503	384	3,473
Loss on retirement of non-current assets	105	77	700
(Increase) decrease in notes and accounts receivable - trade	(2,313)	3,530	31,889
(Increase) decrease in inventories	(968)	4,265	38,531
Increase (decrease) in notes and accounts payable - trade	(3,830)	(476)	(4,308)
Other, net	1,415	(1,264)	(11,417)
Interest and dividend received	192	174	1,573
Interest paid	(503)	(382)	(3,458)
Income taxes paid	(1,298)	(1,383)	(12,493)
Net cash provided by (used in) operating activities	(394)	10,503	94,870
<b>Cash flows from investing activities:</b>			
Payments for property, plant and equipment	(2,005)	(1,332)	(12,039)
Proceeds from sales of property, plant and equipment	46	10	98
Payments for intangible assets	(276)	(350)	(3,161)
Proceeds from sales of investment securities	176	8	81
Proceeds from refund of long-term deposits	-	500	4,516
Payments for long-term deposits	(2,000)	-	-
Other, net	(60)	(24)	(223)
Net cash provided by (used in) investing activities	(4,120)	(1,187)	(10,728)
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short-term loans payable, net	(3,124)	(5,181)	(46,804)
Proceeds from long-term loans payable	6,543	-	-
Repayments for long-term loans payable	(1,518)	(26)	(235)
Repayments of lease obligation	(191)	(258)	(2,335)
Cash dividends paid	(978)	(979)	(8,846)
Dividends paid to non-controlling interests	(401)	(494)	(4,464)
Payments for treasury stock (Note 7)	(0)	-	-
Other, net	-	0	1
Net cash provided by (used in) financing activities	328	(6,939)	(62,684)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	130	(87)	(789)
<b>Net increase (decrease) in cash and cash equivalents</b>	(4,055)	2,288	20,668
<b>Cash and cash equivalents at beginning of year (Note 3)</b>	16,422	12,366	111,702
<b>Cash and cash equivalents at end of year (Note 3)</b>	¥ 12,366	¥ 14,654	\$ 132,371

*See notes to consolidated financial statements*



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## Notes to Consolidated Financial Statements

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### 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 as fair and proper in Japan and prepare financial statements accordingly. Foreign subsidiaries maintain financial accounting books according to accounting principles generally accepted as fair and proper in their country of presence and prepare financial statements accordingly.

#### (1) 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.

#### (2) 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.

#### (3) 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.

#### (4) Marketable Securities

Marketable securities with fair market value are stated at fair market value, based on the quoted market price on the last day of the fiscal period (All valuation differences are directly charged or credited to shareholders’ equity and the costs of securities sold are computed by the moving average method). Securities without fair market value are stated at acquisition cost by being determined by the moving average method. Held-to-maturity securities follow the amortized cost method.

#### (5) Inventories

Finished products and work in process are stated mainly at acquisition cost according to 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 by 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 by the moving average method (asset values on the balance sheet are computed by the book value write-down method based on decreased profitability).

#### (6) Derivative

The financial derivative transaction follows the market value method.

#### (7) 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 by the declining balance method for the Company and Japanese subsidiaries and the straight-line method for foreign subsidiaries.

#### (8) Intangible Assets

Intangible assets follow the straight-line method; however, for software used by the Company, the straight-line method based on the usable period (5 years) internally is applied.

#### (9) Leases

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 adopts 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.

#### (10) 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.

#### (11) Provision for Bonuses

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

#### (12) Provision for Directors' Bonuses

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

#### (13) Provision for Product Warranties

Provision is recorded on the basis of past disbursement experience in order to prepare for expenses disbursed in the after-market servicing of products.

#### (14) Provision for Directors' Retirements Benefits

Year-end disbursement required is recorded in accordance with internal rules in order to prepare for retirement benefits disbursed to directors (including executive officers).

#### (15) Provision for Repairs

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

#### (16) Accounting Treatment of Retirement Benefits

In calculating retirement benefit obligations, the method of attributing the projected amounts of retirement benefits up until the consolidated fiscal year under review mainly refers to the benefit formula-based plan. For differences arising mathematically, proportionate amounts derived by the straight-line method for the number of years (10) within the average remaining employment period of employees at the time of accrual mainly for the respective consolidated fiscal year are expensed, beginning in the consolidated fiscal year following their accrual.

Some consolidated subsidiaries apply a simplified method to the calculation of liabilities associated with retirement benefits and the expenses of retirement benefits where the self-determined disbursement required at year's end for retirement benefits is established as the liability for retirement benefits.

### 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 ¥110.71 = U.S.\$1, the approximate current rate on Tokyo Foreign Exchange Market at March 31, 2021, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements.

### 3. Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

As of March, 31	Millions of yen		Thousands of
	2020	2021	U.S. dollars
Cash and cash equivalents in the balance sheets	¥ 10,517	¥ 12,502	\$ 112,927
Deposits	2,421	4,722	42,659
Total	12,939	17,225	155,587
Deposits (with maturities of more than three months)	(572)	(2,570)	(23,216)
Cash and cash equivalents in the cash flow statements	12,366	14,654	132,371

#### 4. Investment Securities

Investments securities comprise the following:

As of March, 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Available-for-sale securities			
Acquisition cost	¥ 1,992	¥ 1,985	\$ 17,936
Fair value	2,845	3,303	29,842
Net unrealized gain	852	1,318	11,905

As of March, 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Investments in unconsolidated subsidiaries and affiliates	¥ -	¥ -	\$ -
Investments in equity method affiliates	-	-	-
Investments in non-public companies and others	1,766	1,763	15,931

#### 5. Short-term Loans Payable and Long-term Loans Payable

Short-term loans payable and long-term loans payable comprise the following:

As of March, 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Short-term loans payable:			
Unsecured	¥ 5,899	¥ 549	\$ 4,965
Secured	-	-	-
Current portion of long-term loans payable	26	9	88
Net short-term loans payable	5,925	559	5,054

As of March, 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Long-term loans payable:			
Unsecured	¥ 6,573	¥ 6,210	\$ 56,092
Secured	36	9	88
Less current portion	26	9	88
Net long-term loans payable	6,583	6,210	56,092

#### 6. Common Stock

Changes in common stock for the fiscal years ended March 31, 2020, and 2021, are as follows.

	2020	2021
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

**7. Treasury Stock**

Changes in treasury stock as of March 31, 2020, and 2021, are as follows.

	2020	2021
Ordinary shares		
Beginning of the year	346,095	346,162
Changes during the year		
Purchase of shares less than one unit	67	-
Disposal by exercising stock acquisition rights	-	(127,400)
End of the year	346,162	218,762

**8. Stock Acquisition Rights**

Stock acquisition rights comprise the following:

As of March, 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Stock acquisition rights as the stock options	¥ 544	¥ 509	\$ 4,602

## 9. Segment Information

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

### Smart meters & solutions in Japan:

Watt-hour meters, Instrument VCT, Energy Solutions, Distribution panels

### Smart meters & solutions overseas:

Watt-hour meters, Energy Solutions

### Production equipment:

Sensor devices assemble equipment

### Real estate: Estate for rent

### Business segments –

The Production Equipment Business and Real Estate Business have lower materiality from perspectives of profitability and total assets and are therefore reported as Other Business.

	Millions of yen					
	2020					
	Reportable Segments		Other Business	Total	Adjustment	Consolidated
Smart meters & solutions in Japan	Smart meters & solutions overseas					
Year ended March 31						
Sales to customers	¥ 51,819	¥ 36,490	¥ 1,759	¥ 90,069	¥ -	¥ 90,069
Intersegment sales	23	971	146	1,141	(1,141)	-
Total sales	51,842	37,462	1,905	91,210	(1,141)	90,069
Operating income	3,013	440	210	3,664	27	3,691

The segment income is adjusted by intersegment transaction eliminations.

For the Smart meters & Solutions in Japan Business, an impairment loss of fixed assets of 70 million yen are respectively recognized and booked as an extraordinary loss.

	Millions of yen					
	2021					
	Reportable Segments		Other Business	Total	Adjustment	Consolidated
Smart meters & solutions in Japan	Smart meters & solutions overseas					
Year ended March 31						
Sales to customers	¥ 48,169	¥ 26,678	¥ 1,408	¥ 76,255	¥ -	¥ 76,255
Intersegment sales	24	622	105	753	(753)	-
Total sales	48,193	27,301	1,514	77,009	(753)	76,255
Operating income	3,136	(467)	6	2,675	9	2,684

The segment income is adjusted by intersegment transaction eliminations.

For the Smart meters & Solutions in Japan Business and the Production Equipment Business, an impairment loss of fixed assets of 325 million yen and 31 million yen are respectively recognized and booked as an extraordinary loss.

	Thousands of U.S. dollars					
	2021					
	Reportable Segments		Other Business	Total	Adjustment	Consolidated
Smart meters & solutions in Japan	Smart meters & solutions overseas					
Year ended March 31						
Sales to customers	\$ 435,092	\$ 240,976	\$ 12,720	\$ 688,788	\$ -	\$ 688,788
Intersegment sales	223	5,625	956	6,804	(6,804)	-
Total sales	435,315	246,601	13,676	695,592	(6,804)	688,788
Operating income	28,331	(4,223)	54	24,162	88	24,251

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## Independent Auditor's Report

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### HARA AUDIT CORPORATION

264 Shin-Otemachi Bldg.  
2-2-1, Otemachi, Chiyoda-ku  
Tokyo 100-0004, JAPAN

To the Shareholders and Board of Directors of  
Osaki Electric Co., Ltd.

We have audited the accompanying consolidated balance sheets of Osaki Electric Company, Limited (“the Company”) and its consolidated subsidiaries as of March 31, 2020, and 2021, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years ended March 31, 2020, and 2021, and the related notes, all expressed in Japanese yen.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of March 31, 2020, and 2021, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Also, in our opinion, the translated amounts in the accompanying consolidated financial statements translated into U.S. dollars have been computed on the basis set forth in Note 2 to the consolidated financial statements.

#### Basis of Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of Consolidated Financial Statements section of our report. We are independent of the Group in accordance with 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 audit opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements for this fiscal year.

These matters, and any comments we make on the results of our procedures thereon, 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.

#### The Key Audit Matters

The Company recognized impairment loss on Property, plant and equipment (hereafter “P. P. E”) of 357 Million Japanese Yen due to decrease in profitability of Watt-hour meter equipment.

Whenever there is any indication of impairment of assets or asset groups, an impairment test is required to be performed on the assets or asset groups. In calculating the recoverable amount in the impairment testing, higher of either assets' or asset groups' net market value or value in use is used. Net market value is assets or asset groups' market value less cost of disposal. Value in use is discounted present value of cash flow projection of assets or asset groups. The Company prepares the cash flow projection based on business plan approved by management.

We choose Impairment loss on P. P. E. as Key Audit Matters because auditing impairment loss on P. P. E. need auditors deep knowledge and accurate judgement as a professional because recoverable amount of P. P. E. can vary depending on the key assumptions, cash flow projection and discount rate, which is judgmental.

How the matter was addressed in our audit

We performed the following procedures on the key audit matters.

- Tested the reasonableness of key assumptions used for calculating P. P. E.'s value in use by:
  - comparing Company's cash flow projection period that is used to calculate value in use with remaining useful life of the assets in asset group.
  - verifying the consistency of cash flow projection with Company's four-year Mid-term Management Plan approved by management.
  - performing a retrospective review on key assumptions of the estimates in Mid-Term Management Plan in prior year.
  - examining the reasonableness of discount rate used after 5 year from fiscal year end ( period after four year Mid-Term Management Plan) reflected the management assessment on the uncertainty of future cash flow of that period.
- Tested the reasonableness of adjustment made on past official appraisal report issued by official real estate appraiser when calculating net market value of the property.

Responsibilities of Management, Auditors, and the Board of Auditors for the Consolidated Financial Statements  
Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, 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 and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern. Auditors and the Board of Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibility in Auditing 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 opinions. 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 those consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan (hereafter, "JGAAP"), we exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform auditing procedures respective to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies and its application, and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness for management's use of the going concern basis of accounting and 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 based on the audit evidence obtained. 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 opinions. 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 underlying transactions and events in a manner that achieves fair presentation in accordance with JGAAP.

- 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 of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Auditors and the Board of Auditors 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 complied with provisions in Japan concerning professional ethics regarding independence as well as matters reasonably considered to affect the independence of auditors as well as on details if safeguards are taken to remove or reduce obstructing factors.

From the matters communicated with Auditors and Board of Auditors, we determine those matters that were of most significant 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 Accounts 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.

*Ihara Audit corporation*

Tokyo, Japan

June 23, 2021



## The 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 ENGINEERING 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
- Production equipment
- Real estate

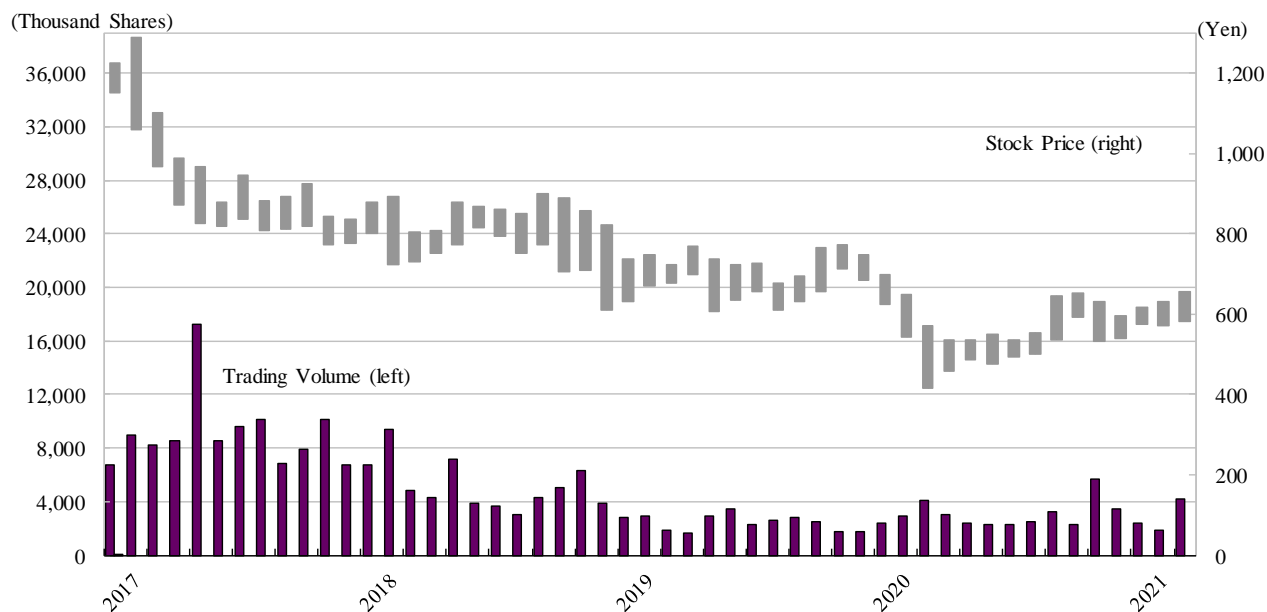
## Stock Information

(As of March 31, 2021)

### Common Stock

Authorized	:	100,000,000
Issued	:	49,267,180
Number of Shareholders	:	5,807

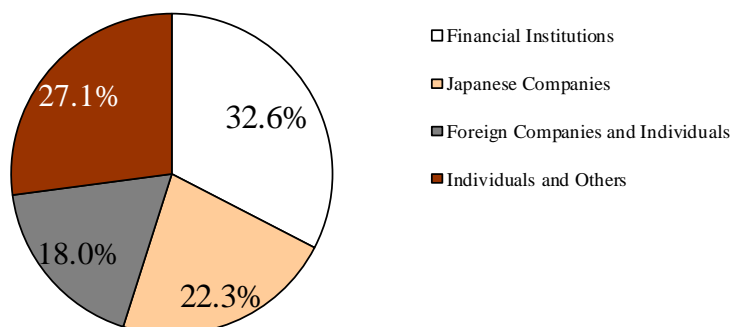
### Stock Price and Trading Volume (Tokyo Stock Exchange)



### Major Shareholders

	Number of shares	
	(Thousand shares)	(%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,438	9.0
Custody Bank of Japan, Ltd. (Trust Account)	3,739	7.6
HIKARI POWER LIMITED	2,930	5.9
GOVERNMENT OF NORWAY	2,009	4.0
Osaki Electric cooperation company share holding commission	1,754	3.5

### Breakdown of Shareholders



## Investor Information

### Management (As of June 25, 2021)

#### REPRESENTATIVE DIRECTORS

##### Chairman and CEO

Yoshihide Watanabe

##### President and COO

Mitsuyasu Watanabe

##### Executive Vice President

Haruyuki Kawabata

#### DIRECTORS

##### Senior Managing Executive Officer

Kazuo Nemoto

##### Managing Executive Officer

Ryuichi Ueno

##### Directors

Seiji Takashima (Independent)

Nobuhiro Kasai (Independent)

#### CORPORATE AUDITORS

##### Standing Auditor

Choichiro Hori

##### Auditors

Toshio Yamanaka

Shigehiko Yamamoto (Independent)

Kumiko Kitai (Independent)

#### Executive Officers

Satoshi Komazawa

Atsumi Hatakeyama

Takehiko Ota

Jun Abe

Hiroyuki Hatakeyama

Noriyuki Tokumoto

Nobuyuki Ono

Hiroshi Takahashi

Toshiaki Takada

### Corporate Data (As of March 31, 2021)

#### 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\$ 71 million)

#### Stock Exchange Listings

Tokyo Stock Exchange

#### Independent Public Accountants

##### Hara Audit Corporation

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>