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Consolidated Financial Results for the Year Ended March 31, 2024 [Japanese GAAP]

May 9, 2024

Company name: Osaki Electric Co., Ltd.

Stock exchange listing: Tokyo

Code number: 6644

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

Representative: Chairman and CEO

Yoshihide Watanabe

Director and Managing Executive Officer

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Scheduled date of Annual General Meeting of Shareholders: June 27, 2024

Scheduled date of commencing dividend payments: June 28, 2024

Scheduled date of filing annual securities report: June 28, 2024

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual financial results briefing session: Yes (for Institutional Investors and Analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2024	95,147	6.6	5,874	163.8	5,488	191.2	2,407	82.4
March 31, 2023	89,253	17.2	2,226	74.3	1,885	58.5	1,319	-

(Note) Comprehensive income: Fiscal year ended March 31, 2024: ¥ 5,393 million [63.6%]
Fiscal year ended March 31, 2023: ¥ 3,296 million [358.8%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2024	51.36	50.54	5.0	5.8	6.2
March 31, 2023	27.86	27.41	2.9	2.0	2.5

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2024	95,641	62,532	51.9	1,057.46
March 31, 2023	93,268	58,629	49.2	981.44

(Reference) Equity: As of March 31, 2024: ¥ 49,609 million
As of March 31, 2023: ¥ 45,933 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2024	4,187	(2,895)	(2,990)	10,843
March 31, 2023	260	1,349	(5,072)	12,718

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2023	-	10.00	-	10.00	20.00	942	71.8	2.1
March 31, 2024	-	10.00	-	10.00	20.00	938	38.9	2.0
Fiscal year ending								
March 31, 2025 (Forecast)	-	10.00	-	10.00	20.00		46.9	

3. Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2024	41,000	(7.2)	1,000	(57.0)	1,000	(58.6)	300	(77.9)	6.39
Full year	90,000	(5.4)	4,700	(20.0)	3,900	(28.9)	2,000	(16.9)	42.63

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)
 Exclusion: - (Company name:)

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

- 1) Changes in accounting policies due to the revision of accounting standards: No
- 2) Changes in accounting policies other than 1) above: No
- 3) Changes in accounting estimates: No
- 4) Retrospective restatement: No

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

March 31, 2024: 49,267,180 shares
 March 31, 2023: 49,267,180 shares

2) Number of treasury shares at the end of the period:

March 31, 2024: 2,353,409 shares
 March 31, 2023: 2,464,755 shares

3) Average number of shares outstanding during the period:

Fiscal Year ended March 31, 2024: 46,876,053 shares
 Fiscal Year ended March 31, 2023: 47,374,082 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	29,658	(0.8)	2,020	45.5	3,070	42.8	2,452	(26.8)
March 31, 2023	29,889	27.4	1,388	-	2,150	-	3,350	-

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2024	52.32	51.48
March 31, 2023	70.72	69.58

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2024	57,158	40,961	70.8	863.18
March 31, 2023	54,349	37,605	68.3	793.53

(Reference) Equity: As of March 31, 2024: ¥ 40,494 million
As of March 31, 2023: ¥ 37,139 million

*Financial results are exempt from the audit conducted by certificated public accountants or an auditing firm.

*Proper use of business forecasts and other special notes

The description of the future such as business outlook made in this statement are based on the information we currently have and the certain assumptions that we consider reasonable and any reference to future outlook does not represent commitment that it will be achieved.

The actual performance may significantly vary due to the various factors. Conditions for business forecast assumptions and a suggested use of business forecast, please refer to the page 8, "1.4 Consolidated Forecast".

The Company plans to hold a briefing session for Institutional investors and Analysts on May 20, 2024. Documents of the briefing session will be posted on our website immediately on the day of the event.

[APPENDIX]

1. Business Results	5
1.1 Highlight of Consolidated Operating Results	5
1.2 Consolidated Financial Position	6
1.3 Consolidated Cash Flows	6
1.4 Consolidated Forecasts	8
1.5 Fundamental Policy Regarding Distribution of Profits	9
1.6 Group Structure	10
1.7 Business and Other Risks	11
2. Basic concept regarding the selection of accounting standards	13
3. Consolidated Financial Statements	14
3.1 Consolidated Balance Sheets	14
3.2 Consolidated Statements of Income and Comprehensive Income	16
3.3 Consolidated Statement of Changes in Net Assets	18
3.4 Consolidated Statement of Cash Flows	20
3.5 Notes to Consolidated Financial Statements	22
(Notes Regarding Going Concern Assumption)	22
(Significant matters forming the basis of preparing the consolidated financial statements)	22
(Changes in presentation)	27
(Segment information, etc.)	28
(Per Share Information)	30
(Significant events after reporting period)	30

1. Business Results

1.1 Highlight of Consolidated Operating Results

- Consolidated net sales: 95.1 billion yen (YoY +6.6%), Operating income: 5.9 billion yen (+163.8%), Profit attributable to owners of parent: 2.4 billion yen (+82.4%)
- Net sales for Smart meters & solutions in Japan increased year on year with higher sales in the Switchgear Business even though a trough in demand pending the introduction of the second-generation smart meter caused sales in the Smart Meter Business to decrease slightly. Operating income increased with temporary changes in the product mix, etc.
- For Smart meters & solutions overseas, sales increased year on year with an increase in shipments to UK enabled by an upturn in the electronic materials procurement environment and an increase in shipments to Oceania. Operating income increased with the higher sales and setting of electronic materials prices, which had soared previously.

Summary of Consolidated Financial Results for the Year ended March 31, 2024

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	YoY Change	
			Amount	%
Net sales	89,253	95,147	5,894	+6.6%
Smart meters & solutions in Japan	54,427	55,266	838	+1.5%
Smart meters & solutions overseas	34,613	40,693	6,079	+17.6%
Production equipment	761	—	(761)	—
Real estate	571	572	0	+0.1%
Adjustment	(1,121)	(1,384)	(262)	—
Operating income	2,226	5,874	3,647	+163.8%
Smart meters & solutions in Japan	3,816	4,451	635	+16.7%
Smart meters & solutions overseas	(1,886)	1,155	3,041	—
Production equipment	9	—	(9)	—
Real estate	295	277	(17)	(5.9)%
Adjustment	(7)	(9)	(2)	—
Ordinary income	1,885	5,488	3,603	+191.2%
Profit attributable to owners of parent	1,319	2,407	1,087	+82.4%

1.2 Consolidated Financial Position

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024	YoY Change
Total assets	93,268	95,641	2,373
Total liabilities	34,638	33,108	(1,530)
Net assets	58,629	62,532	3,903
Capital adequacy ratio	49.2	51.9	2.6

Total assets at March 31, 2024 were 95,641 million yen, a 2,373 million yen increase from March 31, 2023. This was mainly due to an increase in inventory by 3,233 million yen and investment securities by 2,489 million yen respectively while cash and cash equivalents decreased by 2,035 million yen and notes and accounts receivable -trade and contract assets decreased by 1,670 million yen.

Total liabilities were 33,108 million yen, a 1,530 million yen decrease from March 31, 2023. This was mainly due to a decrease in notes and accounts payable – trade and electronically recorded obligations – operating by 2,042 million yen and short-term and long-term borrowings at overseas subsidiaries by 808 million yen respectively, despite an increase in deferred tax liabilities by 941 million yen.

Net assets were 62,532 million yen, a 3,903 million yen increase from March 31, 2023. This was mainly due to an increase in capital surplus and Valuation difference on available-for-sale securities by 1,470 million yen and 1,780 million yen respectively.

1.3 Consolidated Cash Flows

Cash and cash equivalents at the end of the period was 10,843 million yen, a 1,874 million yen decrease from the end of the previous fiscal year ended March 31, 2023.

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	YoY Change
Cash flows from operating activities	260	4,187	3,926
Cash flows from investing activities	1,349	(2,895)	(4,245)
Cash flows from financing activities	(5,072)	(2,990)	2,082
Cash and cash equivalents at the end of period	12,718	10,843	(1,874)

(1) Net cash provided by operating activities

Net cash provided by operating activities for the year ended March 31, 2024 was 4,187 million yen. This was mainly due to a recording of 5,041 million yen in income before income taxes and minority interests, 2,304 million yen in depreciation and amortization, and decreasing of 1,459 million yen in trade receivables offset the decrease in cash from an increase in inventory by 3,332 million yen, decrease in trade payables by 798 million yen and a recording of income taxes paid in the amount of 1,727 million yen.

(2) Net cash provided by (used in) investing activities

Net cash used in investing activities for the year ended March 31, 2024 was 2,895 million yen. This was mainly due to expenses from purchase of property, plant and equipment by 1,238 million yen and derivative transactions by 1,321 million yen.

(3) Net cash provided by (used in) financing activities

Net cash used in financing activities for the year ended March 31, 2024 was 2,990 million yen. This was mainly due to a decrease in short-term loans payable overseas by 1,178 million yen and dividends paid to non-controlling interest in the amount of 1,553 million yen.

Cash Flow Indicators

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Capital adequacy ratio	49.6%	49.2%	51.9%
Capital adequacy ratio at market value	24.8%	26.7%	33.5%
Cash flow to interest-bearing debt ratio (per annum)	2.1	29.4	1.7
Interest coverage ratio (times)	15.4	1.8	24.0

(Notes)

Capital adequacy ratio: $\text{Equity} / \text{Total assets}$

Capital adequacy ratio at market value: $\text{Market capitalization} / \text{Total assets}$

Cash flow to interest-bearing debt ratio: $\text{Interest-bearing debt} / \text{Net cash provided by operating activities}$

Interest coverage ratio: $\text{Net cash provided by operating activities} / \text{Interest payment}$

* Each indicator is calculated based on the consolidated financial report.

* Market capitalization is calculated by share price at the end of year multiplied by total number of issued shares excluding treasury stock.

* Net cash provided by operating activities is equivalent to that of consolidated statements of cash flows in the financial report for each fiscal year. Interest-bearing debt includes all debts with interest payments on the consolidated balance sheets as of the end of each fiscal year. Interest payments are equivalent to that of consolidated statements of cash flows for each fiscal year.

1.4 Consolidated Forecasts

(1) Mid-term Management Plan

For further information about the Mid-Term Management Plan, please refer to today's release "OSAKI Formulates Mid-Term Management Plan and Establishes its Corporate Purpose."

(Millions of yen)

	Fiscal year ended March 31, 2025 Forecast	Fiscal year ended March 31, 2026 Forecast	Fiscal year ended March 31, 2027 Forecast
Net sales	90,000	95,000	100,000
Operating income	4,700	5,500	9,000
Profit attributable to owners of parent	2,000	3,500	5,500
ROE	4.0%	6.5%	10.0%

(2) Consolidated forecasts for the fiscal year ending March 31, 2025

(Millions of yen)

	Fiscal year ended March 31, 2024 Actual	Fiscal year ended March 31, 2025 Forecast	YoY Change	
			Amount	%
Net sales	95,147	90,000	(5,147)	(5.4) %
Smart meters & solutions in Japan	55,266	53,500	(1,766)	(3.2) %
Smart meters & solutions overseas	40,693	37,000	(3,693)	(9.1) %
Real estate	572	600	27	+4.8%
Adjustment	(1,384)	(1,100)	284	—
Operating income	5,874	4,700	(1,174)	(20.0) %
Smart meters & solutions in Japan	4,451	2,600	(1,851)	(41.6) %
Smart meters & solutions overseas	1,155	1,800	644	+55.8%
Real estate	277	300	22	+8.1%
Adjustment	(9)	—	9	—
Ordinary income	5,488	3,900	(1,588)	(28.9) %
Profit attributable to owners of parent	2,407	2,000	(407)	(16.9) %

- With respect to Sales for Smart meters & solutions in Japan, sales for the Solution Business are expected to increase, while a trough in demand pending introduction of the second-generation smart meter in Fiscal 2026 is expected to cause sales for the Smart Meter Business to decrease. The forecast decline in net sales and reverse effect of the prior fiscal year's temporary increase in profits resulting from changes in product mix are expected to cause operating income to decrease.
- With respect to Smart meters & solutions overseas, shipments to Oceania are expected to increase, while shipments to UK are expected to temporarily decrease as a consequence of customer-side inventory adjustments, resulting in an overall decrease in sales. Nonetheless, stable growth in Oceania, improved profit margins from growth in the Middle East and Africa regions, and order-taking activities with an emphasis on profitability are expected to cause profits to increase.

1.5 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).

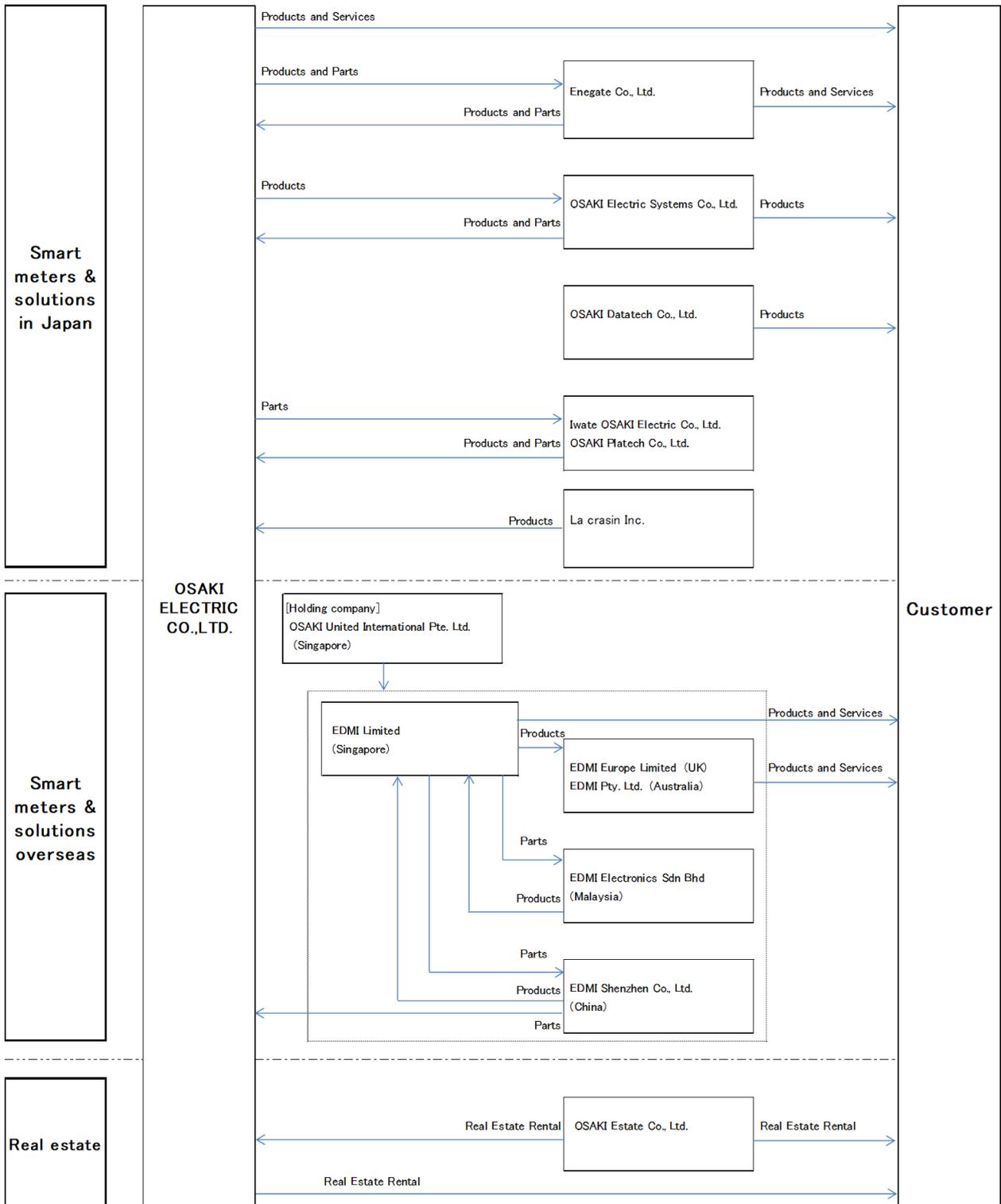
With the goal of increasing capital efficiency, we continuously evaluate the share buy-back option while taking such factors as cash on hands, working capital, financial performance and stock price trend, and investment opportunities into consideration.

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 year-end dividend outlook for the current year is 10 yen per share, and annual dividends of 20 yen. For the next fiscal year, the Company plans to pay an interim dividend of 10 yen per share and 10 yen of year-end dividend, resulting in annual dividends of 20 yen, the same as the current year.

1.6 OSAKI ELECTRIC Group Structure

Reporting Segments



1.7 Business and Other Risks

The following are the potential major risks that management recognizes as having a material impact on the financial position, results of operations and cash flows of the consolidated companies in the matters related to business conditions, accounting conditions, etc. described in the summary of financial results.

(1) Market fluctuations

Market fluctuations for the products OSAKI and its group companies provide are caused by various factors such as political and economic conditions of the regions in subject or government policies. In addition, product demand is affected by major customers' financial performance or business and investment plans.

Smart meters, which are the Group's mainstay products, are replaced periodically under regulations. For example, the Measurement act in Japan sets at 10years for the verification period (or the usable period) of smart meters. Overseas, while usable periods and regulations differ by countries and regions, periodic replacements of smart meters are often required. As a result, demand fluctuations occur in accordance with cyclical periods of replacements which in turn, affect the financial positions and operations of the Group.

To encounter the aforementioned risks, the Group is expanding its business not only in Japan but also in Oceania, Europe, and other emerging countries to disperse the impact of market fluctuations. In addition, the Group is working to stimulate demand by launching new products and adding additional functions, and to cultivate new customers. While we are working to disperse the impact of fluctuations in demand, significant fluctuations in demand could affect the Group's performance.

(2) Price competition

The smart meter industry is highly competitive both in and outside of Japan, and pricing is one of the most important factors in sustaining competitive positions. To avoid price competition, the Group selects markets where quality, safety and added value are appreciated, as well as committing to enhance product competitiveness. However, if prices decline significantly or large quantities of products are sold at lower than anticipated prices, the Group's performance will be negatively impacted.

(3) Supply chain risks

a. Procurement of parts and materials

The Group implements specification changes of smart meters to improve functionality and quality, as well as reducing costs. Therefore, procurement of parts and materials is carefully planned to maintain appropriate inventory levels while responding to specification changes of smart meters, order forecasts and procurement lead-time.

However, insufficient supply capacity amid tight demand for materials could adversely influence the Group's manufacturing operations. This risk is currently evident due to the worldwide shortage of semiconductors. In addition, changes in customer requests may lead to inventory retention of disused parts and materials. Due to the aforementioned factors, the Group's performance may be affected.

b. Cost of parts and materials

The Group is committed to purchase parts and materials at appropriate prices. However, supply and demand conditions and inflation present a persistent risk of price increases for components like semiconductors and metals. In addition, higher logistics costs due to rising crude oil prices and forex fluctuations may adversely affect profit margins if these costs are unable to be fully compensated by selling products at appropriate pricing.

(4) Overseas business

The Group's overseas business operations are mainly in Oceania, Europe, and other emerging countries. Overseas sales accounted for approximately 40% of the consolidated net sales for the year ended March 31, 2024. The overseas business comprises a pillar of mid- to long-term growth. Because the Group is placing efforts on profit-oriented business expansion, markets and customers are under review from time to time in accordance with the latest risk

information. In response to reducing risks, the Group operates production at multiple sites, including outsourcing, across multiple countries.

Overseas business, however, are constantly exposed to geopolitical risks such as political and economic conditions, conflict and terrorism, as well as uncertainty regarding laws, regulations and systems. Therefore, unexpected changes in the market or delays in projects, delays in production and shipments may adversely affect the Group's operations and financial positions.

(5) Fluctuations in foreign exchange and interest rates

Fluctuations in foreign currency exchange rates affects the Group's assets, liabilities, and income of overseas subsidiaries. The Group engages in hedging transactions to reduce the impact of foreign exchange fluctuations, but sudden fluctuations in foreign exchange rates may affect the Group's performance and financial position.

(6) Quality of products and services

The Group manufactures or outsources production based on a predetermined level of quality control. A strict quality control system has been established to ensure that anomalies or malfunctions in products are detected before shipments. However, in case anomalies or malfunctions occur in the future, the Group's performance would be affected in the event of a product recall, replacement, or compensation for damages.

(7) Research and development

OSAKI Group is strengthening R&D aimed at heightening product and service competitiveness. While the Group works diligently to collect necessary information in a timely manner for quick decisions, and respond flexibly to changes in the focus areas of technologies, there remains risks of slow response to the technology demand due to delay in development processes and shortages in researchers. The Group also recognizes the risks of the intellectual properties be invaded. Likewise, the Group also recognizes the risks of unintentionally invading a third party's intellectual properties which may cause claims for compensation or legal actions against the Group. In such cases, the Group's financial position is potentially affected.

(8) Sustainability

OSAKI Group recognizes that risks and opportunities related to sustainability is an important management issue. In response, the Group established the Sustainability Promotion Committee to promote a group-wide action to solve material risks and explore opportunities.

However, delays in responding to these risks could affect the Group's medium-to long-term performance.

(9) Risks associated with human resources

OSAKI Group recognizes that to carry out the mid-to-long term business strategies successfully, personnel resources and development is important. The Group recruit personnel freshly out of schools or seasoned personnel while providing various training programs. At the same time, the Group puts in efforts to provide personnel systems that are fair and rewarding and to improve the work environment for all employees.

However, competitive environment in recruitment and a decrease in working population in Japan, may lead to a lack of necessary personnel in carrying out the aforementioned business strategies, affecting the Group's performance as a result.

(10) Risks Associated with Disasters

Natural disasters such as earthquakes and typhoons, and floods, accidents such as fires, infectious diseases and other unpredictable factors may delay or suspend production or shipments for a long period of time and may adversely affect the Group's business operations and financial conditions.

2. Basic concept regarding the selection of accounting standards

The Group uses Japanese standards for accounting, taking into consideration the comparability of time-series and cross-sectional comparability of the consolidated financial statements.

Meanwhile, regarding the adoption of the International Financial Reporting Standards (IFRS), we intend to address the matter appropriately, factoring in various conditions in Japan and overseas.

3. Consolidated Financial Statements

3.1 Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	9,171	7,135
Deposits paid	4,611	3,717
Notes and accounts receivable - trade, and contract assets	20,495	18,825
Merchandise and finished goods	7,775	10,331
Work in process	2,673	2,747
Raw materials and supplies	8,626	9,230
Other	3,778	3,936
Allowance for doubtful accounts	(514)	(460)
Total current assets	56,618	55,464
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,160	22,330
Accumulated depreciation	(13,820)	(14,350)
Buildings and structures, net	8,339	7,979
Machinery, equipment and vehicles	15,993	15,829
Accumulated depreciation	(13,152)	(13,396)
Machinery, equipment and vehicles, net	2,841	2,432
Land	12,090	12,099
Leased assets	3,389	3,413
Accumulated depreciation	(1,866)	(2,036)
Leased assets, net	1,523	1,376
Construction in progress	74	186
Other	7,418	7,527
Accumulated depreciation	(6,783)	(6,855)
Other, net	634	672
Total property, plant and equipment	25,502	24,746
Intangible assets	735	783
Investments and other assets		
Investment securities	5,660	8,149
Retirement benefit asset	1,571	2,201
Deferred tax assets	1,412	1,275
Other	1,770	3,025
Allowance for doubtful accounts	(3)	(4)
Total investments and other assets	10,412	14,647
Total non-current assets	36,649	40,177
Total assets	93,268	95,641

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,172	7,071
Electronically recorded obligations - operating	3,799	2,857
Short-term borrowings	2,864	1,874
Income taxes payable	904	786
Provision for bonuses	1,543	1,676
Provision for bonuses for directors (and other officers)	39	107
Provision for loss on liquidation of subsidiaries and associates	14	-
Provision for product warranties	576	462
Other	7,092	7,361
Total current liabilities	25,008	22,197
Non-current liabilities		
Long-term borrowings	2,642	2,823
Lease liabilities	1,516	1,719
Provision for retirement benefits for directors (and other officers)	47	52
Provision for repairs	28	52
Retirement benefit liability	2,404	2,347
Deferred tax liabilities	2,209	3,151
Other	781	763
Total non-current liabilities	9,630	10,910
Total liabilities	34,638	33,108
Net assets		
Shareholders' equity		
Share capital	7,965	7,965
Capital surplus	8,759	8,762
Retained earnings	26,033	27,503
Treasury shares	(1,254)	(1,198)
Total shareholders' equity	41,503	43,034
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,423	3,203
Foreign currency translation adjustment	2,510	2,521
Remeasurements of defined benefit plans	496	850
Total accumulated other comprehensive income	4,430	6,575
Share acquisition rights	466	466
Non-controlling interests	12,228	12,456
Total net assets	58,629	62,532
Total liabilities and net assets	93,268	95,641

3.2 Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Net sales	89,253	95,147
Cost of sales	71,288	72,542
Gross profit	17,964	22,605
Selling, general and administrative expenses	15,737	16,730
Operating profit	2,226	5,874
Non-operating income		
Interest income	21	36
Dividend income	229	277
Gain on sale of investment securities	98	14
Other	166	155
Total non-operating income	516	483
Non-operating expenses		
Interest expenses	147	172
Foreign exchange losses	586	563
Other	124	133
Total non-operating expenses	858	870
Ordinary profit	1,885	5,488
Extraordinary income		
Gain on sale of non-current assets	327	-
Gain on sale of shares of subsidiaries and associates	1,957	-
Total extraordinary income	2,284	-
Extraordinary losses		
Impairment losses	-	213
Loss on sale of shares of subsidiaries and associates	580	233
Provision for loss on liquidation of subsidiaries and associates	14	-
Total extraordinary losses	595	447
Profit before income taxes	3,574	5,041
Income taxes - current	1,346	1,585
Income taxes - deferred	25	207
Total income taxes	1,371	1,793
Profit	2,202	3,248
Profit attributable to non-controlling interests	882	840
Profit attributable to owners of parent	1,319	2,407

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Profit	2,202	3,248
Other comprehensive income		
Valuation difference on available-for-sale securities	303	1,780
Foreign currency translation adjustment	843	10
Remeasurements of defined benefit plans, net of tax	(52)	354
Total other comprehensive income	1,094	2,144
Comprehensive income	3,296	5,393
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,413	4,552
Comprehensive income attributable to non-controlling interests	882	840

3.3 Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,965	8,750	25,670	(487)	41,900
Changes during period					
Dividends of surplus			(957)		(957)
Profit attributable to owners of parent			1,319		1,319
Purchase of treasury shares				(847)	(847)
Disposal of treasury shares		8		80	88
Net changes in items other than shareholders' equity					
Total changes during period	-	8	362	(767)	(397)
Balance at end of period	7,965	8,759	26,033	(1,254)	41,503

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,119	1,667	549	3,336	509	11,865	57,611
Changes during period							
Dividends of surplus							(957)
Profit attributable to owners of parent							1,319
Purchase of treasury shares							(847)
Disposal of treasury shares							88
Net changes in items other than shareholders' equity	303	843	(52)	1,094	(42)	363	1,414
Total changes during period	303	843	(52)	1,094	(42)	363	1,017
Balance at end of period	1,423	2,510	496	4,430	466	12,228	58,629

For the fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,965	8,759	26,033	(1,254)	41,503
Changes during period					
Dividends of surplus			(937)		(937)
Profit attributable to owners of parent			2,407		2,407
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		3		56	60
Net changes in items other than shareholders' equity					
Total changes during period	-	3	1,470	56	1,530
Balance at end of period	7,965	8,762	27,503	(1,198)	43,034

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,423	2,510	496	4,430	466	12,228	58,629
Changes during period							
Dividends of surplus							(937)
Profit attributable to owners of parent							2,407
Purchase of treasury shares							(0)
Disposal of treasury shares							60
Net changes in items other than shareholders' equity	1,780	10	354	2,144	-	227	2,372
Total changes during period	1,780	10	354	2,144	-	227	3,903
Balance at end of period	3,203	2,521	850	6,575	466	12,456	62,532

3.4 Consolidated Statements of Cash Flows

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	3,574	5,041
Depreciation	2,587	2,304
Impairment losses	-	213
Increase (decrease) in allowance for doubtful accounts	(44)	(64)
Interest and dividend income	(251)	(314)
Interest expenses	147	172
Decrease (increase) in trade receivables	(3,421)	1,459
Decrease (increase) in inventories	(2,593)	(3,332)
Increase (decrease) in trade payables	1,982	(798)
Increase (decrease) in provision for bonuses	(71)	112
Increase (decrease) in provision for product warranties	127	(114)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	4	4
Increase (decrease) in provision for bonuses for directors (and other officers)	(10)	66
Increase (decrease) in retirement benefit liability	(75)	(57)
Decrease (increase) in retirement benefit asset	(122)	(119)
Increase (decrease) in provision for repairs	7	24
Loss (gain) on sale of non-current assets	(311)	6
Loss on retirement of non-current assets	28	85
Loss (gain) on sale of shares of subsidiaries and associates	(1,376)	233
Loss (gain) on sale of investment securities	(98)	(14)
Other, net	924	861
Subtotal	1,006	5,773
Interest and dividends received	252	315
Interest paid	(147)	(174)
Income taxes paid	(851)	(1,727)
Net cash provided by (used in) operating activities	260	4,187
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,443)	(1,238)
Proceeds from sale of property, plant and equipment	671	148
Purchase of intangible assets	(211)	(313)
Proceeds from sale of investment securities	99	42
Payments for long-term deposits paid	-	(1,000)
Proceeds from long-term deposits	-	1,000
Expenses from derivative transactions	(1,396)	(1,321)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	-	(114)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	3,638	-
Other, net	(7)	(100)
Net cash provided by (used in) investing activities	1,349	(2,895)

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,812	(1,178)
Proceeds from long-term borrowings	2,632	-
Repayments of long-term borrowings	(7,909)	-
Repayments of lease liabilities	(284)	(258)
Purchase of treasury shares	(847)	(0)
Dividends paid	(957)	(937)
Dividends paid to non-controlling interests	(528)	(616)
Proceeds from share issuance to non-controlling shareholders	10	-
Other, net	0	-
Net cash provided by (used in) financing activities	(5,072)	(2,990)
Effect of exchange rate change on cash and cash equivalents	845	(176)
Net increase (decrease) in cash and cash equivalents	(2,616)	(1,874)
Cash and cash equivalents at beginning of period	15,335	12,718
Cash and cash equivalents at end of period	12,718	10,843

3.5 Notes to Consolidated Financial Statements

(Notes Regarding Going Concern Assumption)

There are no applicable matters.

(Significant matters forming the basis of preparing the consolidated financial statements)

1. Scope of consolidation

Number of consolidated subsidiaries: 24

Names of Principal Consolidated Subsidiaries

ENEGATE CO., LTD

OSAKI United International Pte., Ltd.

Four companies have decreased due to the sale of overseas subsidiaries

2. Application of equity method

Unconsolidated company name even though it holds not less than 20 percent and not more than 50 percent of the voting rights in another company.

Tohoku Electric Meter Industry Co., Inc.

(the reason that the equity method is not applied)

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.

3. Fiscal years of consolidated subsidiaries

Of the consolidated subsidiaries, the fiscal year-end date of 15 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

4. Accounting policies

(1) Valuation standards and methods for significant assets

1) Inventories

(a) Merchandise and finished goods

The Company and its domestic consolidated subsidiaries mainly adopt at acquisition cost using 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). In addition, Build-to-order products are stated at acquisition cost using the specific identification method. Overseas consolidated subsidiaries primarily use the first-in, first-out cost method (asset values on the balance sheet are calculated by the book value write-down method based on decreased profitability).

(b) Work in process

The Company and its domestic consolidated subsidiaries mainly adopt at acquisition cost using 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). In addition, Build-to-order products are stated at acquisition cost using the specific identification method.

(c) Raw materials and supplies

The Company and its domestic consolidated subsidiaries mainly adopt at acquisition cost using 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). In addition, Build-to-order products are stated at acquisition cost using the specific identification method. Overseas consolidated subsidiaries primarily use the first-in, first-out cost method (asset values on the balance sheet are calculated by the book value write-down method based on decreased profitability).

2) Securities

(a) Securities to be held to maturity

Stated at Amortized cost method (straight-line method)

(b) Available-for-sale securities

Securities other than shares that do not have a market value

Stated at Fair value method (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

Stated at Moving average cost method.

3) Derivatives

Stated at fair value method.

(2) Depreciation and amortization methods for significant depreciable and amortizable assets

1) Property, plant and equipment (excluding leased assets)

The Company and domestic consolidated subsidiaries adopt the declining balance method (however, the straight-line method is applied for buildings (excluding facilities) acquired on or after April 1, 1998, and for facilities attached to buildings and for structures acquired on or after April 1, 2016). Foreign consolidated subsidiaries adopt the straight-line method. In addition, the useful life is determined mainly based on the standards set by the Corporation Tax Law.

2) Intangible assets (excluding leased assets)

The straight-line method is applied. In addition, the useful life of internally used software is based on determined useful life internally (5 years).

3) Leased assets

Leased assets related to finance lease transactions with the right of ownership transferred

The depreciation method is the same as that applied for owned non-current assets.

Leased assets related to finance lease transactions with the right of ownership not transferred

The depreciation method 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). 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.

(3) Recognition criteria for significant allowance and provision

1) 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.

2) Provision for Bonuses

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

3) Provision for Directors' Bonuses

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

4) 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.

5) Provision for Product Warranties

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

6) 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.

7) 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.

(4) Accounting methods for related to retirement benefits

1) Method of attributing expected retirement benefits to periods

In calculating retirement benefit obligations, the benefit formula basis is used as the method for attributing the expected retirement benefits to the periods until the end of the current fiscal year.

2) Method of amortization of 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.

3) 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.

(5) Recognition criteria for significant revenue and expenses

The 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.

(6) Translation criteria of 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.

(7) Significant hedge accounting

1) 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.

2) Hedge instruments and hedged items

(Hedge instruments) Interest rate swaps

(Hedge items) Interest on loan payables

3) 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.

4) Hedge effectiveness assessment method

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

(8) Method and period for amortization of goodwill

Goodwill is amortized using the straight-line method over an estimated period of 10 years or less during which its effect is realized.

(9) Scope of cash and cash equivalents in consolidated statements of cash flows

Cash and cash equivalents consist of cash on hand, demand deposits and short-term highly liquid investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in price.

(Changes in presentation)

(Consolidated Statement of Income)

The amount of “Subsidy income”, which was independently presented under “Non-operating income” in the previous fiscal year, has been included in “Other” due to decreased under 10/100 of total "Non-operating income".

As a result, JPY46 million presented as "Subsidy income" in "Non-operating income " for the previous fiscal year has been absorbed by “Other”. “Other” has been changed from JPY120 million to JPY166 million.

(Segment information, etc.)

1 Overview of reportable segments

The reportable segments of the Company are components of the Company and its consolidated subsidiaries for which discrete financial information is available and regularly reviewed by the Board of Directors to make decisions about allocation of managerial resources and to assess their performance. The business of the Company and its consolidated subsidiaries is divided into the following three categories.

Osaki Engineering Co., Ltd., which had been classified as "Production equipment business" in the reportable segment was sold and excluded from the scope of consolidation on September 30, 2022 in the previous consolidated fiscal year. As a result, "Production equipment business" has been abolished from current consolidated fiscal year.

Reportable Segment	Main products and services
Smart meters & solutions in Japan	Smart meters, Instrument VCT, Energy solutions, Switchgear
Smart meters & solutions overseas	Smart metering solutions
Real estate	Real estate leasing

2. Calculation methods for net sales, profit or loss, assets, liabilities and other items by reportable segment

The accounting methods used for reportable segments are the same as those discussed under "Significant matters forming the basis of preparing the consolidated financial statements." Segment profit figures are based on operating profit.

Inter-segment sales and transfers are based on prevailing market prices. It should be noted that the Company doesn't allocate assets to reportable segment.

3. Sales, Profits or Losses, Assets, Liabilities and Other items by Reportable Segments

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable Segments					Adjustment (Remark 2)	Consolidated
	Smart meters & solutions in Japan	Smart meters & solutions overseas	Production equipment (Remark 1)	Real estate	Total		
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

(Remarks)

- 1 “Production equipment” have indicated the business performances during the fiscal year ended 30 Sep 2022.
- 2 The operating income is adjusted by the elimination of the intersegment transactions.

Fiscal year ended March 31, 2024

(Millions of yen)

	Reportable Segments				Adjustment (Remark 1)	Consolidated
	Smart meters & solutions in Japan	Smart meters & solutions overseas	Real estate	Total		
Sales to Customers	55,244	39,436	466	95,147	—	95,147
Intersegment Sales	22	1,256	105	1,384	(1,384)	—
Total sales	55,266	40,693	572	96,531	(1,384)	95,147
Operating Income	4,451	1,155	277	5,884	(9)	5,874

(Remarks)

1. The operating income is adjusted by the elimination of the intersegment transaction.
2. “Smart meters & solutions overseas” recognized Impairment losses by JPY213 million under Extraordinary losses.

(Per Share Information)

	Fiscal year ended Mar 31, 2023	Fiscal year ended Mar 31, 2024
Net assets per share	¥981.44	¥1,057.46
Basic earnings / loss per share	¥27.86	¥51.36
Diluted earnings per share	¥27.41	¥50.54

(Remark)

1. The followings are basis of calculation of basic earnings/loss per share and diluted earnings per share.

	Fiscal year ended Mar 31, 2023	Fiscal year ended Mar 31, 2024
Profit/loss attributable to owners of parent (millions of yen)	1,319	2,407
Amount non-attributable to common stockholder (millions of yen)	—	—
Profit/loss attributable to owners of parent for common share (millions of yen)	1,319	2,407
Average number of shares during the period of common share (thousands of shares)	47,374	46,876
Profit adjustment attributable to owners of parent used to calculate the diluted earnings per share (millions of yen)	—	—
Number of increase common share used to calculate the diluted earnings per share (thousands of shares) Stock compensation type share acquisition rights	780	762
Overview of dilutive share excluded from the calculation of diluted earnings per share due to non-dilutive effect	—	—

(Significant events after reporting period)

There is no related information.