



ANNUAL REPORT 2020

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
	2016	2017	2018	2019	2020	U.S. dollars
For the year:						
Net sales	¥ 75,596	¥ 86,159	¥ 78,780	¥ 82,089	¥ 90,069	\$ 827,616
Operating income	3,738	7,692	5,544	4,299	3,691	33,918
Profit attributable to owners of parent	1,493	3,803	2,666	1,806	1,197	10,998
At year-end:						
Total assets	87,428	92,206	85,785	98,314	97,962	900,140
Total equity	51,028	55,347	57,924	58,881	58,637	538,800
Number of employees	3,077	3,078	2,960	3,383	3,557	
Per share of common stock:						
	Yen					U.S. dollars
Net income	¥ 33.46	¥ 80.65	¥ 54.63	¥ 36.95	¥ 24.47	\$ 0.22
Cash dividends	12.00	20.00	20.00	20.00	20.00	0.18
Equity	854.31	913.09	958.80	974.95	956.44	8.78

Notes : U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥108.83=U.S.\$1
the approximate Tokyo foreign exchange market rate as of March 31, 2020

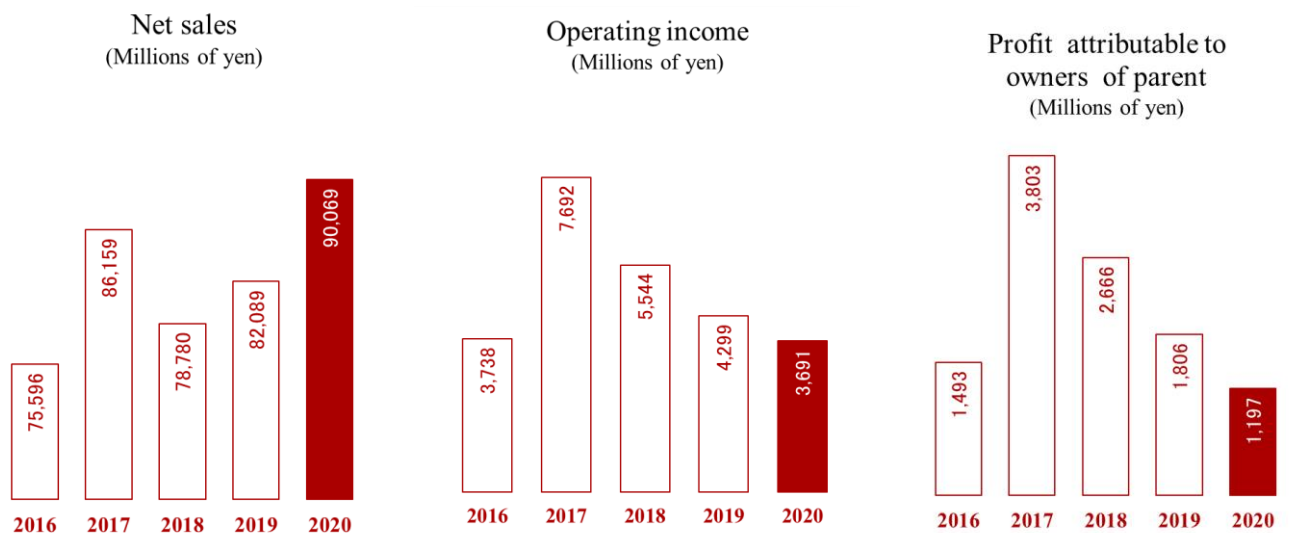
Business segments -**Measurement and control equipment:**

Watt-hour meters, Instrument VCT, Distribution panels & Supervisory control boards, Optical communication device,
Meter reading systems.

FPD Assembly equipment:

Sensor related equipment, Energy related equipment, FPD related equipment.

Real estate: Estate for rent.



Message from the Chairman and President

TO OUR SHAREHOLDERS

Since its founding in 1916, OSAKI has remained committed to the effective application of energy through power measurement and control. Our core product, the smart meter commands a top-class position within Japan, and 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.

OSAKI has set forth the vision “Global Energy Solution Leader” in its commitment to energy-related challenges faced by society worldwide. Among the nations of our world, the business environment for smart meters continues to experience significant shifts, while IoT and AI technologies are advancing rapidly. OSAKI is joining forces with diverse business partners to implement enhanced functionality to smart meters and innovative IoT solutions with AI for the global markets.

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 22, 2020, the date of Independent Auditor’s Report in P29-30 .

Management Policy

1. Basic Corporate Policy

OSAKI has set forth the corporate vision "Global Energy Solution Leader" in its commitment to energy-related challenges faced by society worldwide. We will challenge for advanced technologies, create new values and be responsible for a better society through our energy solutions.

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

While demand in the Japanese smart meter market has reached its peak and continues to remain at low levels for the next few years, the OSAKI Group holds technologies and experience that are applicable in realizing “new lifestyles,” (minimum direct contacts), a countermeasure the government recommends against the COVID-19 infection after lifting the state of emergency.

The Company will expand solutions which save direct contacts such as power-saving solutions including automatic measurement as well as smart locks, to drive mid-term growth.

In the global business, the Group forecasts a decrease in demand due to delays in the installation process of smart meters at cities that were under lockdown during the COVID-19 epidemic. However, demand for smart meters is expected to recover as lockdowns are lifted. While carefully monitoring lockdown status of the relevant cities, the Group prepares to reinforce its development and production in response to anticipated recovery of the demand.

OSAKI ELECTRIC announced the postponement of transition to a holding company, previously resolved and announced on February 4, 2020. The Company has taken preventive actions against the continuing spread of COVID-19 since April 2020, and has decided that it is difficult to attain and place human resources necessary for the transition procedures to a holding company at the moment. The Company, however, introduces the executive officer system in its continuous efforts to reinforce corporate governance.

Strategies based on Management Policies

- i . Expanding Global Business
- ii . Developing value-added smart meter businesses
- iii . Developing new products and services
- iv . Building resilient operations structure

3. Mid-term Management Plan

	Fiscal Year ending March 31, 2021 Forecast	Fiscal Year ending March 31, 2022 Outlook	Fiscal Year ending March 31, 2023 Outlook	(Millions of yen) Fiscal Year ending March 31, 2025 Target
Net sales	80,000	100,000	105,000	
Operating income	1,500	5,000	6,000	8,000 or more
Profit attributable to owners of parent	100	3,000	3,500	
ROE	0.2%	6.0%	7.0%	9.0% or more

* Fiscal Year ending March 31, 2021 Forecast include impact on business performance from the COVID-19 epidemic. Fiscal Year ending March 31, 2022 and 2023 Outlook, Fiscal Year ending March 31, 2025 Target do not include impact of the epidemic.

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.6, 2019	489	10.00
Annual general shareholders meeting resolution of June 25, 2020	489	10.00

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Present status of Business

1. Business Performance(Fiscal year ended March 31,2020)

(1) Highlight of Operating Results of This Fiscal Year

- Consolidated sales were up by 9.7% year on year to ¥90.1 billion. Operating income declined by 14.1% to ¥3.7 billion. Profit attributable to owners of parent decreased by 33.7% to ¥1.2 billion.
- Sales in Japan decreased, while installation of smart meters to every household is carried out by power companies, the demand for shipments of smart meters has passed its peak.
- Overseas sales increased mainly due to an increase in shipments for the communications hubs and smart meters in the United Kingdom, in addition to the revenue contribution of the smart meter projects in Iraq (Kurdistan Regional Government) and Cambodia.
- Profits declined mainly because of an increase in cost of sales ratio, attributable to a decrease in smart meter demand and lower pricing in Japan, and a loss on valuation of inventories of materials, largely due to changes for the smart meter specifications in the U.K.

Consolidated Financial Results

(Millions of yen)

	Fiscal Year ended March 31, 2019	Fiscal Year ended March 31, 2020	YoY Change	
			Amount	%
Net sales	82,089	90,069	7,980	+9.7%
Measurement and control equipment	80,239	88,333	8,094	+10.1%
Others	2,152	1,905	(246)	(11.5)%
Adjustment	(302)	(169)	132	—
Gross profit	20,264	19,677	(587)	(2.9)%
Ratio to sales	24.7%	21.8%	—	(2.8)pt.
SG & A expenses	15,965	15,986	20	+0.1%
Ratio to sales	19.4%	17.7%	—	(1.7)pt.
Operating income	4,299	3,691	(607)	(14.1)%
Ratio to sales	5.2%	4.1%	—	(1.1)pt.
Measurement and control equipment	3,999	3,474	(524)	(13.1)%
Others	294	210	(83)	(28.5)%
Adjustment	5	6	0	+9.2%
Ordinary income	4,293	3,544	(748)	(17.4)%
Profit attributable to owners of parent	1,806	1,197	(609)	(33.7)%
Net income per share (yen)	36.95	24.47	(12.48)	(33.8)%
ROE	3.8%	2.5%	—	(1.3)pt.

Consolidated Sales by Region (Excluding intercompany sales)

(Millions of yen)

	Fiscal Year ended March 31, 2019	Fiscal Year ended March 31, 2020	YoY Change	
			Amount	%
Japan	57,735	53,475	(4,260)	(7.4)%
Overseas	24,353	36,593	12,240	+50.3%
Oceania	9,522	9,422	(99)	(1.0)%
Europe	4,449	9,558	5,109	+114.8%
Asia	7,086	8,841	1,754	+24.8%
Others	3,295	8,770	5,475	+166.1%
Total	82,089	90,069	7,980	+9.7%
Average exchange rate	¥110.43/USD	¥109.05/USD		

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

- Consolidated forecast for FY2020 is ¥80 billion (11.2% decrease year on year) in net sales, 1.5 billion yen (59.4% decrease year on year) in operating income, and 0.1 billion yen (91.6% decrease year on year) in profit attributable to owners of parent.
- Demand in the Japanese smart meter market remains at low levels and expects severe price competition.
- While the Company will expand solutions such as energy management systems, automatic measurement, and smart locks for rental housings, the business environment is expected to remain severe.
- In addition, the COVID-19 impact is estimated further lower sales and profits.
- In the global business, the Group originally expected a strong growth from shipments to contracting customers, as demand in Oceania and the United Kingdom was expected to expand.
- However, the Company estimates the delays in the installation process of smart meters at cities that were under lockdown during the COVID-19 epidemic, pushing back some sales to next fiscal year. All in all, the Company forecasts a decrease in both sales and profits for the global business.
- The Dividend plan for the FY2020 is 20 yen per share per annum.

Consolidated Forecast

(Millions of yen)

	Fiscal Year ended March 31, 2020 Actual	Fiscal Year ending March 31, 2021 Forecast	YoY Change	
			Amount	%
Net sales	90,069	80,000	(10,069)	(11.2)%
Operating income	3,691	1,500	(2,191)	(59.4)%
Ordinary income	3,544	1,600	(1,944)	(54.9)%
Profit attributable to owners of parent	1,197	100	(1,097)	(91.6)%

* Fiscal Year ending March 31, 2021 Forecast include impact on business performance from the COVID-19 epidemic.

2. Overview of Financial Condition for This Fiscal Year

As of the end of the consolidated fiscal year ended March 31, 2020, total assets decreased 351 million yen (YoY) to 97,962 million yen. Notes and accounts receivable-trade increased 2,226 million yen, inventories increased 806 million yen, while cash and deposits decreased 3,374 million yen.

Total liabilities decreased 107 million yen (YoY) to 39,324 million yen. Short-term and long-term loans payable increased 1,769 million yen by overseas working capital, other current liabilities increased 1,283 million yen, while notes and accounts payable-trade and electronically recorded obligations-operating decreased 3,920 million yen.

Net assets decreased 244 million yen (YoY) to 58,637 million yen. Non-controlling interests increased 592 million yen, while unrealized gains on securities decreased 824 million yen.

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020	YoY Change
Total assets	98,314	97,962	(351)
Total liabilities	39,432	39,324	(107)
Total equity	58,881	58,637	(244)
Equity ratio	48.5%	47.8%	(0.8)pt.

3. Cash Flows

The balances of cash and cash equivalents for the consolidated fiscal year under review decreased 4,055 million yen (YoY) to 12,366 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, 2019	Fiscal Year ended March 31, 2020	YoY Change
Cash flows from operating activities	76	(394)	(470)
Cash flows from investing activities	(2,818)	(4,120)	(1,302)
Cash flows from financing activities	5,739	328	(5,411)
Cash and cash equivalents at end of year	16,422	12,366	(4,055)

(1) Cash flows from operating activities

Cash flows from operating activities resulted in net cash loss of 394 million yen. Major factors included depreciation of 2,905 million yen, goodwill amortization of 201 million yen, an increase of 2,313 million yen in accounts receivable-trade, an increase of 968 million yen in inventories, a decrease of 3,830 million yen in accounts payable-trade, 1,548 million yen in other increased capital, and 1,298 million yen in income taxes paid.

(2) Cash flows from investing activities

Cash flows from investing activities resulted in 4,120 million yen in net cash used. Major factors included the purchase of property, plant, and equipment of 2,005 million yen and 2,000 million yen in expenditures for long-term deposits.

(3) Cash flows from financing activities

Cash flows from financing activities resulted in 328 million yen of net cash gained. Major factors include an increase of 1,900 million yen in short-term and long-term loans payable by overseas working capital, and 1,379 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, sales fell short of the initial year forecast of the Mid-term Targets. This was due to a larger-than-expected decrease in demand for smart meters, in addition to delays in some projects for solution services and new businesses. Profits were in-line with the initial year forecasts from cost reduction efforts. In fiscal 2019, orders for smart locks, the “OPELO series” for the new businesses were strong and it is expected to grow continuously into the next fiscal year. The company also initiated projects to employ local 5G.

In the global market (outside Japan), sales were in-line with the initial year forecast. On the profit front, the Group recorded a loss on valuation of inventories of materials, largely due to changes for the smart meter specifications in the U.K. Also, there was an increase in freight costs to meet delivery deadlines of important customers. All in all, profits were low compared to the initial-year forecasts. However, the profit of global businesses significantly improved from the previous fiscal year attributable to projects in the Middle East, achieving the strategic goal to expand global business profits.

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

	Fiscal Year ended March 31, 2020 Actual	YoY Change		Changes from Initial Forecasts	
		Amount	%	Amount	%
Net sales	90,069	7,980	+9.7%	(1,930)	(2.1)%
Operating income	3,691	(607)	(14.1)%	(608)	(14.2)%
Ordinary income	3,544	(748)	(17.4)%	(355)	(9.1)%
Profit attributable to owners of parent	1,197	(609)	(33.7)%	(402)	(25.2)%

(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.

- R&D expenses related to increasing the added value of smart meters and for product and service development in new businesses
- Capital expenditures aimed at increasing the competitiveness of our products and services, and strengthening our global production structure

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, D/E 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 announced its decision to introduce executive officer system effective as of June 25th, 2020. The decision was approved by the Board of Directors on April 20th, 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.

In its efforts to strengthen corporate governance, 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 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. The Committee held 2 meetings in fiscal 2019 for nomination and remuneration, and has held a meeting of nomination in April and meetings of remuneration in May and June.

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.

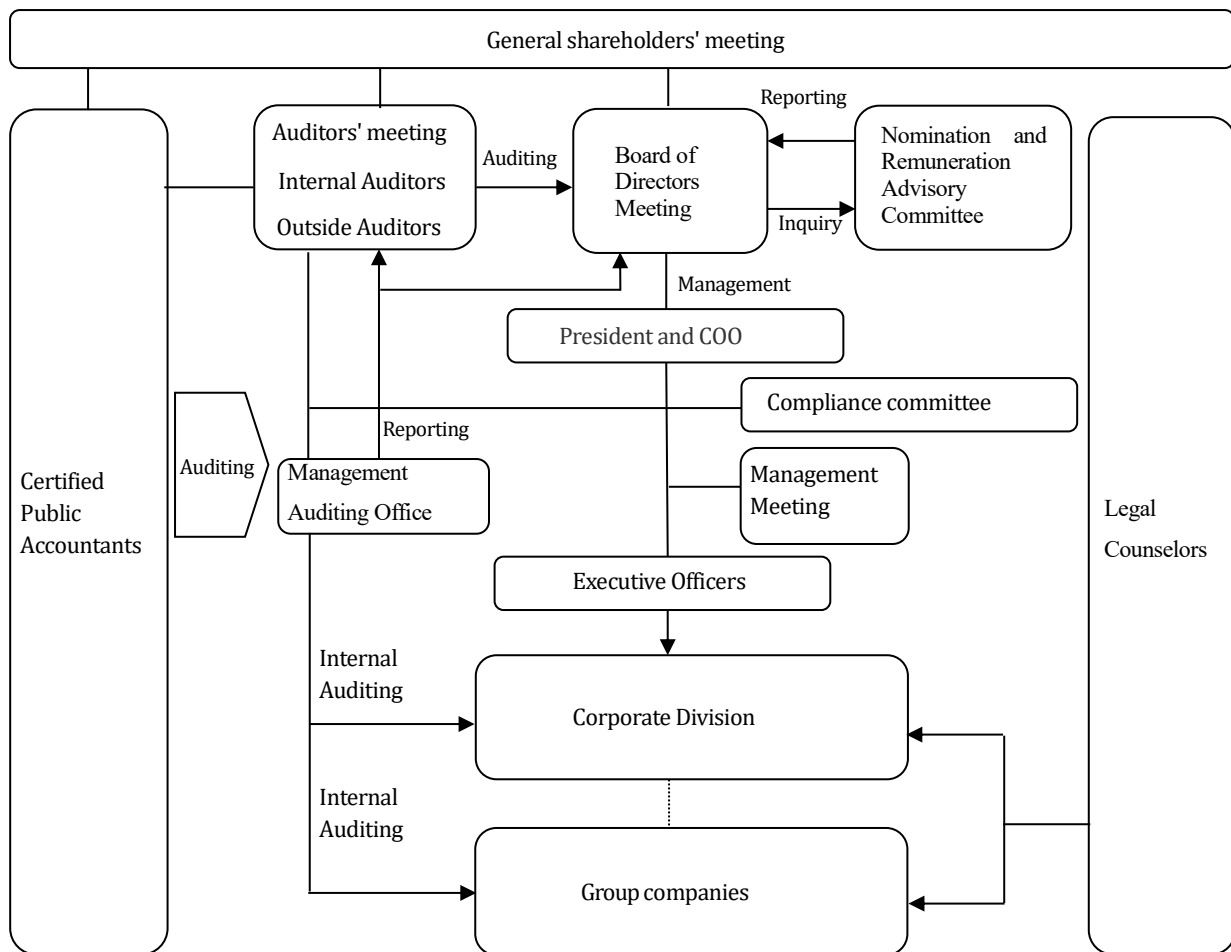
2. Role

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.

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Consolidated Balance Sheets

March 31, 2019, and 2020

ASSETS	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Current assets:			
Cash and cash equivalents (Note 3)	¥ 13,892	¥ 10,517	\$ 96,641
Deposits (Note 3)	2,601	2,421	22,252
Notes and accounts receivable – trade	19,836	22,063	202,732
Merchandise and finished goods	6,484	7,847	72,108
Work in process	3,766	2,559	23,514
Raw materials and supplies	9,436	10,086	92,685
Other current assets	2,510	2,016	18,526
Allowance for doubtful accounts	(605)	(531)	(4,886)
Total current assets	57,923	56,980	523,573
Non-current assets:			
Property, plant and equipment			
Buildings and structures	23,242	22,751	209,053
Less-accumulated depreciation	(13,675)	(13,547)	(124,478)
Total buildings and structures	9,566	9,204	84,574
Machinery, equipment and vehicles	13,963	14,662	134,729
Less-accumulated depreciation	(10,102)	(10,800)	(99,244)
Total machinery, equipment and vehicles	3,861	3,861	35,484
Land	12,503	12,483	114,710
Leased assets	1,986	3,717	34,160
Less-accumulated depreciation	(805)	(1,395)	(12,818)
Total leased assets	1,180	2,322	21,342
Construction in progress	186	132	1,212
Other fixed assets	7,454	7,552	69,394
Less-accumulated depreciation	(6,629)	(6,804)	(62,527)
Total other fixed assets	825	747	6,867
Net property, plant and equipment	28,124	28,752	264,192
Intangible assets			
Goodwill	615	405	3,723
Other intangible assets	1,115	1,030	9,469
Total intangible assets	1,730	1,435	13,192
Investments and other assets			
Investment securities (Note 4)	5,735	4,612	42,378
Net defined benefit asset	1,054	876	8,052
Deferred income taxes	1,150	1,237	11,373
Other assets	2,597	4,070	37,399
Allowance for doubtful receivables	(2)	(2)	(21)
Total investments and other assets	10,535	10,793	99,181
Total fixed assets	40,391	40,981	376,566
TOTAL	¥ 98,314	¥ 97,962	\$ 900,140

See notes to consolidated financial statements

Consolidated Balance Sheets

March 31, 2019, and 2020

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Current liabilities:			
Notes and accounts payable, trade	¥ 10,468	¥ 7,529	\$ 69,190
Electronically recorded obligations - operating	4,038	3,057	28,090
Short-term debt (Note 5)	10,703	5,925	54,448
Accrued income taxes	841	912	8,387
Provision for bonuses	1,733	1,748	16,066
Provision for directors' bonuses	0	21	194
Provision for product warranties	46	29	268
Other current liabilities	5,426	6,710	61,656
Total current liabilities	33,260	25,934	238,303
Long-term liabilities:			
Long-term debt (Note 5)	36	6,583	60,495
Lease obligation	767	1,807	16,609
Provision for directors' retirements benefits	108	33	311
Provision for repairs	-	7	64
Net defined benefit liability	2,254	2,276	20,920
Deferred income taxes	2,265	1,932	17,756
Other long-term liabilities	740	748	6,879
Total long-term liabilities	6,172	13,390	123,036
Total liabilities	39,432	39,324	361,340
Equity:			
Shareholders' equity			
Common stock:			
Authorized – 100,000,000 shares			
Issued 2020 – 49,267,180 shares and			
Issued 2019 – 49,267,180 shares	7,965	7,965	73,194
Capital surplus	8,750	8,750	80,408
Retained earnings	27,669	27,818	255,614
Treasury stock, at cost:			
346,162 shares in 2020 and			
346,095 shares in 2019	(223)	(223)	(2,049)
Total shareholders' equity	44,162	44,312	407,167
Accumulated other comprehensive income			
Unrealized gains on securities	1,412	587	5,402
Foreign currency translation adjustments	1,763	1,706	15,679
Remeasurements of defined benefit plans	356	183	1,686
Total accumulated other comprehensive income	3,532	2,477	22,768
Stock acquisition rights (Note 6)	474	544	5,000
Non-controlling interests	10,710	11,303	103,863
Total equity	58,881	58,637	538,800
TOTAL	¥ 98,314	¥ 97,962	\$ 900,140

See notes to consolidated financial statements

Consolidated Statements of Income

Years ended March 31, 2019, and 2020

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Net sales	¥ 82,089	¥ 90,069	\$ 827,616
Cost of sales	61,824	70,392	646,808
Gross profit	20,264	19,677	180,808
Selling, general and administrative expenses (Note 7)	15,965	15,986	146,889
Operating income	4,299	3,691	33,918
Non-operating income:			
Interest income	24	28	262
Dividend income	149	162	1,489
Foreign exchange gain	-	56	519
Gain on sales of investment securities	1	130	1,197
Others	243	168	1,547
	419	545	5,016
Non-operating expenses:			
Interest expenses	149	503	4,627
Foreign exchange loss	105	-	-
Loss on retirement of non-current assets	123	105	964
Others	47	84	772
	425	692	6,364
Ordinary income	4,293	3,544	32,569
Extraordinary gains:			
Gain on liquidation of subsidiaries	68	-	-
	68	-	-
Extraordinary losses:			
Impairment losses	27	70	645
Loss on disaster	57	-	-
	84	70	645
Income before income taxes and minority interests	4,277	3,474	31,924
Income taxes			
Current	1,672	1,376	12,645
Deferred	(2)	(92)	(850)
	1,669	1,283	11,794
Profit	2,607	2,190	20,129
Profit attributable to non-controlling interests	801	993	9,130
Profit attributable to owners of parent	¥ 1,806	¥ 1,197	\$ 10,998

See notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

Years ended March 31, 2019, and 2020

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Profit	¥ 2,607	¥ 2,190	\$ 20,129
Other comprehensive income			
Unrealized gains on securities	(174)	(824)	(7,576)
Foreign currency translation adjustments	207	(57)	(524)
Remeasurements of defined benefit plans	(34)	(172)	(1,589)
Share of other comprehensive income of entities accounted for using equity method	(0)	(0)	(3)
	(1)	(1,055)	(9,694)
Comprehensive income	¥ 2,606	¥ 1,135	\$ 10,435
Comprehensive income attributable to owners of the parent	1,805	141	1,304
Comprehensive income attributable to non-controlling interests	801	993	9,130

Consolidated Statements of Changes in Equity

Years ended March 31, 2019, and 2020

	Millions of yen									
	Shareholders' equity									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity					
Balance at March 31, 2018	¥	7,965	¥	8,750	¥	26,841	¥	(297)	¥	43,260
Cumulative effects of changes in accounting policies										
Restated balance		7,965		8,750		26,841		(297)		43,260
Cash dividends paid						(977)				(977)
Profit attributable to owners of parent						1,806				1,806
Purchase of treasury stock								(0)		(0)
Disposal of treasury stock						(1)		74		73
Net changes of items other than shareholders' equity										
Balance at March 31, 2019		7,965		8,750		27,669		(223)		44,162
Cumulative effects of changes in accounting policies						(69)				(69)
Restated balance		7,965		8,750		27,599		(223)		44,093
Cash dividends paid						(978)				(978)
Profit attributable to owners of parent						1,197				1,197
Purchase of treasury stock								(0)		(0)
Disposal of treasury stock										
Net changes of items other than shareholders' equity										
Balance at March 31, 2020	¥	7,965	¥	8,750	¥	27,818	¥	(223)	¥	44,312

	Thousands of U.S. dollars									
	Shareholders' equity									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity					
Balance at March 31, 2019	\$	73,194	\$	80,408	\$	254,243	\$	(2,049)	\$	405,797
Cumulative effects of changes in accounting policies						(637)				(637)
Restated balance		73,194		80,408		253,605		(2,049)		405,159
Cash dividends paid						(8,990)				(8,990)
Profit attributable to owners of parent						10,998				10,998
Purchase of treasury stock								(0)		(0)
Disposal of treasury stock										
Net changes of items other than shareholders' equity										
Balance at March 31, 2020	\$	73,194	\$	80,408	\$	255,614	\$	(2,049)	\$	407,167

	Millions of yen							
	Accumulated other comprehensive income				Stock Acquisition rights	Non-controlling interests	Total equity	
	Unrealized gains on securities	Foreign Currency Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income				
Balance at March 31, 2018	¥ 1,586	¥ 1,556	¥ 390	¥ 3,534	¥ 475	¥ 10,654	¥ 57,924	
Cumulative effects of changes in accounting policies								
Restated balance	1,586	1,556	390	3,534	475	10,654	57,924	
Cash dividends paid							(977)	
Profit attributable to owners of parent							1,806	
Purchase of treasury stock							(0)	
Disposal of treasury stock							73	
Net changes of items other than shareholders' equity	(174)	207	(34)	(1)	(0)	56	54	
Balance at March 31, 2019	1,412	1,763	356	3,532	474	10,710	58,881	
Cumulative effects of changes in accounting policies							(69)	
Restated balance	1,412	1,763	356	3,532	474	10,710	58,812	
Cash dividends paid							(978)	
Profit attributable to owners of parent							1,197	
Purchase of treasury stock							(0)	
Disposal of treasury stock								
Net changes of items other than shareholders' equity	(824)	(57)	(172)	(1,055)	69	592	(393)	
Balance at March 31, 2020	¥ 587	¥ 1,706	¥ 183	¥ 2,477	¥ 544	¥ 11,303	¥ 58,637	

	Thousands of U.S. dollars							
	Accumulated other comprehensive income				Stock Acquisition rights	Non-controlling interests	Total equity	
	Unrealized gains on securities	Foreign Currency Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income				
Balance at March 31, 2019	\$ 12,979	\$ 16,207	\$ 3,275	\$ 32,462	\$ 4,362	\$ 98,419	\$ 541,042	
Cumulative effects of changes in accounting policies							(637)	
Restated balance	12,979	16,207	3,275	32,462	4,362	98,419	540,405	
Cash dividends paid							(8,990)	
Profit attributable to owners of parent							10,998	
Purchase of treasury stock							(0)	
Disposal of treasury stock								
Net changes of items other than shareholders' equity	(7,576)	(528)	(1,589)	(9,694)	637	5,443	(3,612)	
Balance at March 31, 2020	\$ 5,402	\$ 15,679	\$ 1,686	\$ 22,768	\$ 5,000	\$ 103,863	\$ 538,800	

Consolidated Statements of Cash Flows

Years ended March 31, 2019, and 2020

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 4,277	¥ 3,474	\$ 31,924
Depreciation and amortization	2,634	2,905	26,699
Impairment losses	27	70	645
Amortization of goodwill	204	201	1,853
Increase (decrease) in allowance for doubtful receivables	(98)	(66)	(608)
Increase (decrease) in provision for bonuses	67	19	182
Increase (decrease) in provision for directors' bonuses	(23)	20	191
Increase (decrease) in provision for product warranties	(8)	(17)	(160)
Increase (decrease) in provision for directors' retirements benefits	(29)	(74)	(687)
Increase (decrease) in net defined benefit liability	73	22	208
Decrease (increase) in net defined benefit asset	(21)	(70)	(650)
Interest and dividend income	(174)	(190)	(1,751)
Interest expenses	149	503	4,627
(Gain) loss on sales of investment securities	(1)	(130)	(1,197)
Loss on disposal of property, plant and equipment	123	105	964
Loss (gain) on liquidation of subsidiaries	(68)	4	39
(Increase) decrease in notes and accounts receivable	(2,067)	(2,313)	(21,255)
(Increase) decrease in inventories	(7,101)	(968)	(8,897)
Increase (decrease) in notes and accounts payable	3,270	(3,830)	(35,196)
Other, net	419	1,548	14,232
Interest and dividend received	176	192	1,768
Interest paid	(149)	(503)	(4,628)
Income taxes paid	(1,602)	(1,298)	(11,928)
Net cash provided by (used in) operating activities	76	(394)	(3,624)
Cash flows from investing activities:			
Payments for property, plant and equipment	(1,611)	(2,005)	(18,430)
Proceeds from sales of property, plant and equipment	40	46	424
Payments for intangible assets	(322)	(276)	(2,541)
Proceeds from sales of investment securities	5	176	1,619
Payments for long-term deposits	(1,000)	(2,000)	(18,377)
Other, net	69	(60)	(553)
Net cash provided by (used in) investing activities	(2,818)	(4,120)	(37,859)
Cash flows from financing activities:			
Increase (decrease) in short-term debt, net	8,781	(3,124)	(28,711)
Proceeds from long-term debt	-	6,543	60,121
Payments for long-term debt	(1,253)	(1,518)	(13,949)
Repayment of lease obligation	(67)	(191)	(1,762)
Cash dividends paid	(977)	(978)	(8,988)
Dividends paid to non-controlling interests	(743)	(401)	(3,687)
Payments for treasury stock	(0)	(0)	(0)
Other, net	0	-	-
Net cash provided by (used in) financing activities	5,739	328	3,021
Effect of exchange rate changes on cash and cash equivalents	(277)	130	1,198
Net increase (decrease) in cash and cash equivalents	2,720	(4,055)	(37,264)
Cash and cash equivalents at beginning of year (Note 3)	13,701	16,422	150,896
Cash and cash equivalents at end of year (Note 3)	¥ 16,422	¥ 12,366	\$ 113,632

See notes to consolidated financial statements

Notes to Consolidated Financial Statements

1. Summary of Main Accounting Policies

Osaki Electric Co., Ltd., (“the Company”) and its Japanese subsidiaries maintain financial accounting books according to accounting principles generally accepted 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, debts, and credits between consolidated companies are entirely eliminated.

(2) Foreign Currency Conversion

Monetary debts 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, purchased components, 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 Receivables

To reserve against write-off losses for receivables, estimated uncollectable amounts are entered 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 entered on the basis of expected disbursement amounts in order to prepare for payment of employee bonuses.

(12) Provision for Directors' Bonuses

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

(13) Provision for Product Warranties

Provision is entered 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 entered in accordance with internal rules in order to prepare for retirement benefits disbursed to directors.

(15) Provision for Repairs

Provision is entered 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 included solely for the convenience 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 convenience only, the rate of ¥108.83 = U.S.\$1, the approximate current rate on Tokyo Foreign Exchange Market at March 31, 2020, 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
	2019	2020	U.S. dollars
Cash and cash equivalents in the balance sheets	¥ 13,892	¥ 10,517	\$ 96,641
Deposits	2,601	2,421	22,252
Total	16,494	12,939	118,894
Time deposits	(72)	(572)	(5,261)
Cash and cash equivalents in the cash flow statements	16,422	12,366	113,632

4. Investment in Securities

Investments in securities comprise the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
As of March, 31			
Available-for-sale securities			
Acquisition cost	¥ 2,023	¥ 1,992	\$ 18,306
Fair value	3,951	2,845	26,142
Net unrealized gain	1,927	852	7,836

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
As of March, 31			
Investments in unconsolidated subsidiaries and affiliates	¥ 9	¥ -	\$ -
Investments in equity method affiliates	0	-	-
Investments in non-public companies and others	1,773	1,766	16,235

5. Short-term Debt and Long-term Debt

Short-term debt and long-term debt comprise the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
As of March, 31			
Short-term debt:			
Unsecured	¥ 9,146	¥ 5,899	\$ 54,204
Secured	-	-	-
Current portion of long-term debt	1,556	26	244
Net short-term debt	10,703	5,925	54,448

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
As of March, 31			
Long-term debt:			
Unsecured	¥ 1,530	¥ 6,573	\$ 60,402
Secured	62	36	336
Less current portion	1,556	26	244
Net long-term debt	36	6,583	60,495

6. Stock Acquisition Rights

Stock acquisition rights comprise the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
As of March, 31			
Stock acquisition rights as the stock options	¥ 474	¥ 544	\$ 5,000

7. Research and Development Expenses

Research and development expenses comprise the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
As of March, 31			
Selling, general and administrative expenses	¥ 3,059	¥ 3,242	\$ 29,791

8. Segment Information

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

Measurement and control equipment:

Watt-hour meters, Instrument VCT, Distribution panels & Supervisory control boards, Optical communication device, Meter reading systems.

FPD assembly equipment:

Sensor related equipment, Energy related equipment, FPD related equipment.

Real estate: Estate for rent

Business segments –

The FPD Assembly Equipment Business and Real Estate Business have low importance from perspectives of profitability and total assets and are therefore reported as Other Business.

Year ended March 31	Millions of yen				
	2019				
	Reportable Segments		Total	Adjustment	Consolidated
Measurement and control equipment	Other Business Activities				
Sales to customers	¥ 80,203	¥ 1,885	¥ 82,089	¥ -	¥ 82,089
Intersegment sales	35	267	302	(302)	-
Total sales	80,239	2,152	82,391	(302)	82,089
Operating income	3,999	294	4,293	5	4,299

The segment income is adjusted by fixed assets.

For the Measurement and Control Equipment Business, an impairment loss of fixed assets of 27 million yen are respectively recognized and booked as an extraordinary loss.

Year ended March 31	Millions of yen				
	2020				
	Reportable Segments		Total	Adjustment	Consolidated
Measurement and control equipment	Other Business Activities				
Sales to customers	¥ 88,310	¥ 1,759	¥ 90,069	¥ -	¥ 90,069
Intersegment sales	23	146	169	(169)	-
Total sales	88,333	1,905	90,239	(169)	90,069
Operating income	3,474	210	3,685	6	3,691

The segment income is adjusted by fixed assets.

For the Measurement and Control Equipment Business, an impairment loss of fixed assets of 70 million yen are respectively recognized and booked as an extraordinary loss.

Year ended March 31	Thousands of U.S. dollars				
	2020				
	Reportable Segments		Total	Adjustment	Consolidated
Measurement and control equipment	Other Business Activities				
Sales to customers	\$ 811,449	\$ 16,167	\$ 827,616	\$ -	\$ 827,616
Intersegment sales	216	1,344	1,561	(1,561)	-
Total sales	811,665	17,512	829,178	(1,561)	827,616
Operating income	31,928	1,932	33,860	57	33,918

Independent Auditor's Report

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 Company, Limited

We have audited the accompanying consolidated balance sheets of Osaki Electric Company, Limited (“the Company”) and its consolidated subsidiaries as of March 31, 2019, and 2020, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years ended March 31, 2019, and 2020, 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, 2019, and 2020, 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.

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.

Hara Audit Corporation

Tokyo, Japan
June 22, 2020

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	●

- Measurement and control equipment
- FPD assembly equipment
- Real estate

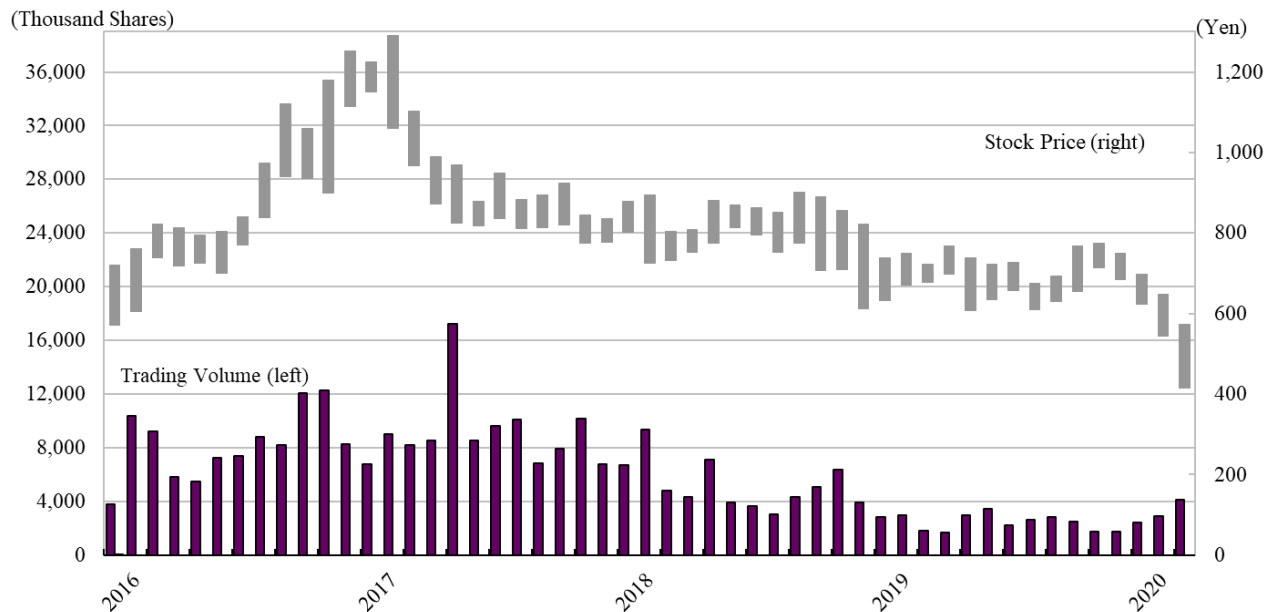
Stock Information

(As of March 31, 2020)

Common Stock

Authorized	:	100,000,000
Issued	:	49,267,180
Number of Shareholders	:	4,816

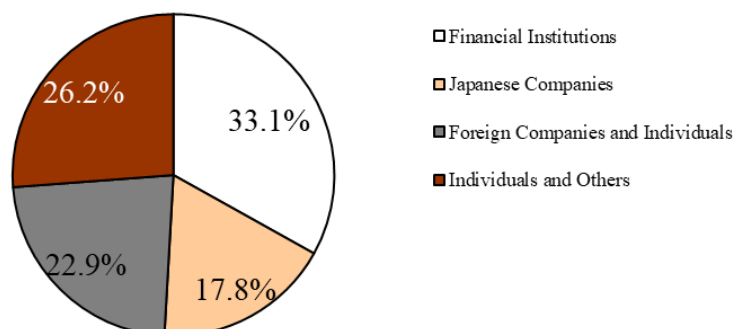
Stock Price Range and Trading Volume (Tokyo Stock Exchange)



Major Shareholders

	Number of shares	
	(Thousand shares)	(%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,973	8.1
Japan Trustee Services Bank, Ltd. (Trust Account)	3,540	7.2
GOVERNMENT OF NORWAY	2,331	4.7
Osaki Electric cooperation company share holding commission	1,694	3.4
MUFG Bank, Ltd.	1,552	3.1

Breakdown of Shareholders



Investor Information

Management (As of June 25, 2020)

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

Corporate Data (As of March 31, 2020)

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\$ 73 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>