



ANNUAL REPORT
2022

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
	2018	2019	2020	2021	2022	U.S. dollars
For the year:						
Net sales	¥ 78,780	¥ 82,089	¥ 90,069	¥ 76,255	¥ 76,184	\$ 622,469
Operating income	5,544	4,299	3,691	2,684	1,277	10,437
Profit attributable to owners of parent	2,666	1,806	1,197	482	(658)	(5,378)
At year-end:						
Total assets	85,785	98,314	97,962	90,989	91,222	745,340
Total equity	57,924	58,881	58,637	58,887	57,611	470,721
Number of employees	2,960	3,383	3,557	3,129	2,961	
Per share of common stock:						
Profit	¥ 54.63	¥ 36.95	¥ 24.47	¥ 9.84	¥ (13.42)	\$ (0.10)
Cash dividends	20.00	20.00	20.00	20.00	20.00	0.16
Equity	958.80	974.95	956.44	950.37	936.60	7.65

Notes: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥122.39=U.S.\$1
the approximate Tokyo foreign exchange market rate as of March 31, 2022

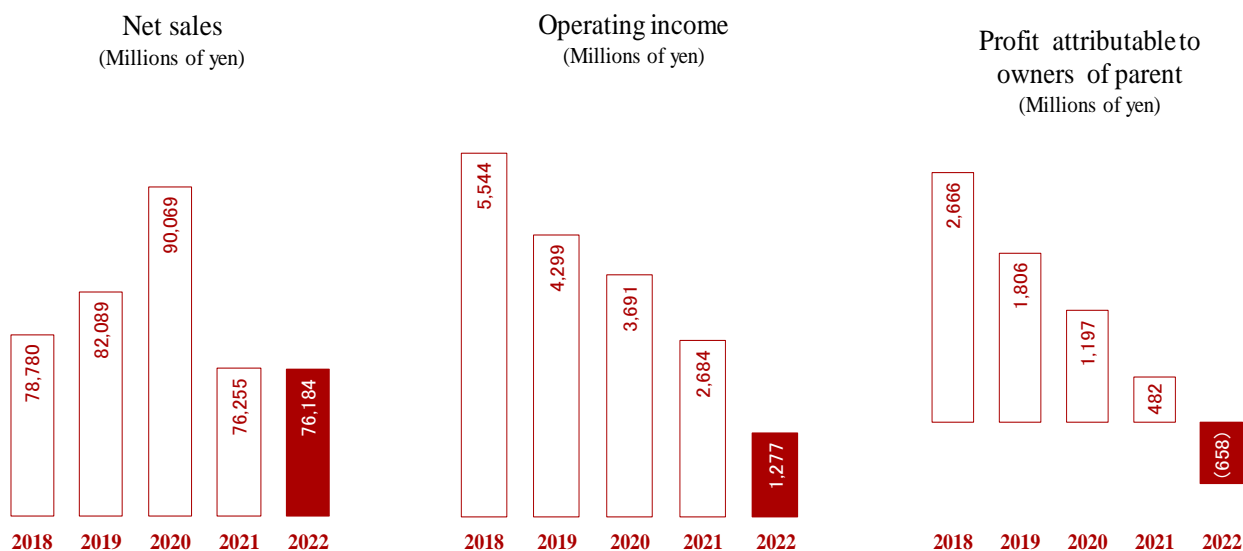
Business segments -

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

Smart meters & solutions overseas: Smart meters, Energy solutions

Production equipment: Sensor devices assemble equipment

Real estate: Real estate leasing



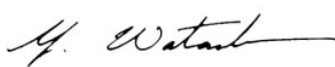
Message from the Chairman and President

TO OUR SHAREHOLDERS

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

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

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



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



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

The forward-looking statements in this document are of matters best assumed by OSAKI (hereafter as “OSAKI” or “the Company”) as of June 27, 2022.

Management Policy

1. Basic Corporate Policy

The OSAKI Group’s corporate vision is to be a *Global Energy Solution Leader* that takes on social challenges related to energy. The Group strives to pursue advanced technologies for energy solutions, to create new values which will contribute to a better society.

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

Based on the stringent results for the fiscal year ended March 2022, the Company will strive to improve profits by enhancing our business portfolio management in the short- to medium-term. Specifically, the Company will expand its energy management business by utilizing our measurement technologies while maintaining a strong position of smart meter business in Japan. Overseas, we are increasing the ratio of solutions business, which combines smart meters and head-end systems, from a sales mix centered on smart meters in order to improve profitability. At the same time, shifting to solutions business will mitigate the anticipated impact of component shortages.

In the mid- to long-term, we will contribute to the decarbonization of society by providing various energy solutions and services in response to the global trend towards building a sustainable society.

Strategies based on management policies

- i . Developing value-added smart meters and expanding energy solutions (Japan)
 - Accelerate R&D and reinforce manufacturing framework for next-generation smart meters and explore added value for new smart meters.
- ii . Developing new products and services (Japan)
 - Collaborate with various partners to accelerate technology development and reinforce marketing
 - Leverage management resources and reinforce framework to create and market new products and services
 - Focus on solution business including one-stop services for decarbonization and GX or the green transformation, and contribute toward building a sustainable society.
- iii . Expanding global business (outside Japan)

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

 - Expand solution services for higher profitability and lower component shortage risk
 - Accelerate the next-generation hardware/software development
 - Reinforce supply chain management
- iv . Building resilient group operations
 - Build strong teams by training and allocation
 - Strengthen a group-wide risk control
 - Elevate financial soundness and allocate group resources
 - Strengthen sustainability activities

3. Mid-term Management Plan

	Fiscal Year ending March 31, 2023 Forecast	Fiscal Year ending March 31, 2024 Outlook	Fiscal Year ending March 31, 2025 Outlook	(Millions of yen) Fiscal Year ending March 31, 2027 Target
Net sales	80,000	83,000	85,000	
Operating income	1,000	2,800	4,000	
Ordinary Income	1,100	2,900	4,100	
Profit attributable to owners of parent	1,500	1,600	2,600	
ROE	3.5%	3.5%	5.5%	8.0% or more

4. Dividend policy

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.2, 2021	491	10.00
Annual general shareholders meeting resolution of June 28, 2022	482	10.00

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Business update

1. Business Performance (Fiscal year ended March 31,2022)

(1) Highlight of Operating Results of This Fiscal Year

- Consolidated sales decreased by 0.1% year on year to ¥76.2 billion. Operating income declined by 52.4% to ¥1.28 Billion. Net loss attributable to owners of parent was ¥0.66 billion in contrast to ¥0.48 billion in profit in the previous fiscal year.
- In Japan, sales of smart meters and smart locks decreased compared to the previous fiscal year, where smart locks for rental properties recorded good shipments. Profits decreased year on year, due to sales decrease as well as lower profitability caused by a rise in raw material prices.
- In the overseas, shipments to Oceania and UK increased compared to the previous fiscal year since many restrictions caused by the spread of COVID-19 virus have been lifted. Sales for Iraq (Kurdistan Regional Government), which pushed up the sales in the previous year, declined with its demand subsided. All in all, sales and profits increased year on year.

Consolidated Financial Results

(Millions of yen)

	Fiscal Year ended March 31, 2021	Fiscal Year ended March 31, 2022	YoY Change		Initial Forecasts	Changes from Initial Forecasts	
			Amount	%		Amount	%
Net sales	76,255	76,184	(71)	(0.1)%	83,000	(6,815)	(8.2)%
Smart meters & solutions in Japan	48,193	46,006	(2,186)	(4.5)%			
Smart meters & solutions overseas	27,301	30,068	2,766	+10.1%			
Production equipment	960	692	(268)	(27.9)%			
Real estate	553	553	0	+0.1%			
Adjustment	(753)	(1,137)	(384)	—			
Gross profit	17,342	16,375	(967)	(5.6)%			
Ratio to sales	22.7%	21.5%		(10.29)pt			
SG & A expenses	14,657	15,097	440	+3.0%			
Ratio to sales	19.2%	19.8%		+0.6pt			
Operating income	2,684	1,277	(1,407)	(52.4)%	3,500	(2,222)	(63.5)%
Ratio to sales	3.5%	1.7%		(1.8)pt	4.2%		(2.5)pt
Smart meters & solutions in Japan	3,136	1,225	(1,910)	(60.9)%			
Smart meters & solutions overseas	(467)	58	525	—			
Production equipment	(264)	(282)	(17)	—			
Real estate	270	271	0	+0.2%			
Adjustment	9	4	(5)	(54.6)%			
Ordinary income	2,888	1,189	(1,698)	(58.8)%	3,300	(2,110)	(64.0)%
Profit attributable to owners of parent	482	(658)	(1,140)	—	3,000	(3,658)	—
Net income per share (yen)	9.84	(13.42)	(23.26)	—			
ROE	1.0%	(1.4)%	—	(2.4)pt			

Consolidated Sales by Region (Excluding intercompany sales)

(Millions of yen)

	Fiscal Year ended March 31, 2021	Fiscal Year ended March 31, 2022	YoY Change	
			Amount	%
Japan	49,641	47,048	(2,592)	(5.2)%
Overseas	26,614	29,135	2,520	+9.5%
Oceania	9,154	10,642	1,487	+16.3%
Europe	8,952	11,351	2,398	+26.8%
Asia	4,803	6,069	1,265	+26.3%
Others	3,703	1,071	(2,631)	(71.1)%
Total	76,255	76,184	(71)	(0.1)%
Average exchange rate	¥106.76/USD	¥109.90/USD		

(2) Outlook for the Fiscal Year ending March 31, 2023

- Sales of smart meters & solutions in Japan are expected to increase due to a sales recovery in smart meter, which were negatively impacted from a worldwide shortage of electronic components, and an increase in sales of energy management system and services, which were affected by the spread of COVID-19 virus. Profits are expected to increase, although limited in amount. This is due to an anticipated rise in material costs, including non-iron metals, despite an expected increase in sales.
- As for the smart meters & solutions overseas, Oceania is expected to show steady growth. However, overall sales are expected to decrease mainly due to a decrease in shipments to U.K. from difficulty to procure electronic components. Profits are expected to decline from sales decrease as well as an anticipated rise in material costs and shipping expenses.
- All in all, consolidated sales for the fiscal year ending March 31, 2023 are expected to increase by 5.0% to 80,000 million yen. Operating income and ordinary income are expected to decrease by 21.7% to 1,000 million yen and 7.5% to 1,100 million yen respectively. Profit attributable to owners of parent includes extra gain from sale of overseas subsidiary as announced on March 30, 2022, and expected to increase to 1,500 million yen from loss of 658 million yen recorded in the fiscal year ended March 31, 2022.
- The dividend plan for the fiscal year ending March 31, 2023 is 20 yen per share per annum.

Consolidated Forecast

(Millions of yen)

	Fiscal Year ended March 31, 2022 Actual	Fiscal Year ending March 31, 2023 Forecast	YoY Change	
			Amount	%
Net sales	76,184	80,000	3,815	+5.0%
Smart meters & solutions in Japan	46,006	50,000	3,993	+8.7%
Smart meters & solutions overseas	30,068	29,000	(1,068)	(3.6)%
Others	1,246	2,100	853	+68.5%
Adjustment	(1,137)	(1,100)	37	—
Operating income	1,277	1,000	(277)	(21.7)%
Smart meters & solutions in Japan	1,225	1,500	274	+22.4%
Smart meters & solutions overseas	58	(700)	(758)	—
Others	(11)	200	211	—
Adjustment	4	—	(4)	(100.0)%
Ordinary income	1,189	1,100	(89)	(7.5)%
Profit attributable to owners of parent	(658)	1,500	2,158	—

2. Overview of Consolidated Financial Position

Total assets at March 31, 2022 were 91,222 million yen, a 233 million yen increase from March 31, 2021. This was mainly due to an increase in inventory by 450 million yen and construction in progress by 412 million yen, while notes and accounts receivable decreased by 450 million yen.

Total liabilities were 33,610 million yen, a 1,509 million yen increase from March 31, 2021. This was mainly due to an increase in other current liabilities by 514 million yen, and notes and accounts payable – trade and electronically recorded obligations – operating by 386 million yen.

Net assets were 57,611 million yen, a 1,276 million yen decrease from March 31, 2021. This was mainly due to a decrease in retained earnings by 1,648 million yen, while foreign currency translation adjustments increased by 451 million yen.

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022	YoY Change
Total assets	90,989	91,222	233
Total liabilities	32,101	33,610	1,509
Total equity	58,887	57,611	(1,276)
Equity ratio	51.2%	49.6%	(1.6)pt.

3. Cash Flows

Cash and cash equivalents at the beginning of the period were 15,335 million yen, a 680 million yen increase from the beginning of the previous fiscal year ended March 31, 2021.

(Millions of yen)

	Fiscal Year ended March 31, 2021	Fiscal Year ended March 31, 2022	YoY Change
Cash flows from operating activities	10,503	4,422	(6,080)
Cash flows from investing activities	(1,187)	(1,219)	(31)
Cash flows from financing activities	(6,939)	(2,934)	4,005
Cash and cash equivalents at end of year	14,654	15,335	680

(1) Cash flows from operating activities

Net cash provided by operating activities for the year ended March 31, 2022 was 4,422 million yen. This was mainly due to the recording of 1,114 million yen in income before income taxes and minority interests, 2,536 million yen in depreciation and amortization, 1,240 million yen in decrease in notes and accounts receivable – trade, and the decrease in inventories in the amount of 353 million yen which offset the decrease in cash from income taxes paid in the amount of 1,343 million yen.

(2) Cash flows from investing activities

Net cash used in investing activities for the year ended March 31, 2022 was 1,219 million yen. This was mainly due to payments for property, plant and equipment in the amount of 2,444 million yen.

(3) Cash flows from financing activities

Net cash used in financing activities for the year ended March 31, 2022 was 2,934 million yen. This was mainly due to a decrease in short-term and long-term loans payable overseas by 568 million yen, dividends paid to non-controlling interest in the amount of 1,639 million yen, and payments for repurchase of its own stock in the amount of 406 million yen.

4. Business Environment and Responses to Business Challenges

(1) Important Accounting Policy

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

(2) Earnings Analysis for the Current Fiscal Year

In the fiscal year ended March 2022, sales and operating income in the smart meters & solutions in Japan and overseas were below the initial forecasts due to the worldwide shortage of electronic components.

In Japan, sales for the energy management services and smart locks for rental properties were severely impacted by the spread of COVID-19 Virus.

Furthermore, net income fell significantly below the initial forecasts due to a postponement of the sale of overseas consolidated subsidiaries, which was anticipated in the initial forecasts at the beginning of the year. The extraordinary gain from the sale will be recorded in the first quarter of the fiscal year ending March, 2023.

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

	Fiscal Year ended March 31, 2022 Actual	YoY Change		Changes from Initial Plan	
		Amount	%	Amount	%
Net sales	76,184	(71)	(0.1)%	(6,815)	(8.2)%
Operating income	1,277	(1,407)	(52.4)%	(2,222)	(63.5)%
Ordinary income	1,189	(1,698)	(58.8)%	(2,110)	(64.0)%
Profit attributable to owners of parent	(658)	(1,140)	—	(3,658)	—

(3) Capital Sources and Capital Liquidity

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

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

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

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

5. Corporate Governance

(1) Fundamental Approach to Corporate Governance

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

(2) Overview of Corporate Governance Organization

OSAKI adopts a corporate auditor system. The Board of Auditors, which includes independent auditors, oversees management activities of the group. The Board of Auditors consists of four members, of whom two are independent auditors to maintain objectivity and provide external monitoring functionality over management activities.

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

Accordingly, members of the Board have reduced from 15 to 6, 2 of whom are independent Directors. The introduction of an executive officer system to clarify supervisory and executive functions, and the resulting reduction in the number of directors, is a system that enables independent directors to exercise their functions even more effectively. We believe that this will further strengthen the oversight function of the Board of Directors and contribute to the enhancement of the corporate value of the Group as a whole.

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

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

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

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

As the assisting function to the board meeting, management meetings attended by directors (not including independent directors) are held weekly in principle, in order to conduct decision-making for daily business execution and to deliberate management issues. In addition, a monthly executive officer meeting is held to enhance operations and functionalities. As for group governance, a monthly group management meeting is held between OSAKI Electric and ENEGATE Co., Ltd., and EDMI Limited.

On February 13, 2019, we established a Nomination and Remuneration Advisory Committee to serve as an advisory body to the Board of Directors whose purpose is to improve the fairness, transparency, and objectivity of procedures related to nominations and compensation. In fiscal 2021, the Committee met eight times in total to discuss an introduction and management of restrictive stock and performance-linked compensation system, in

addition to nomination.

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

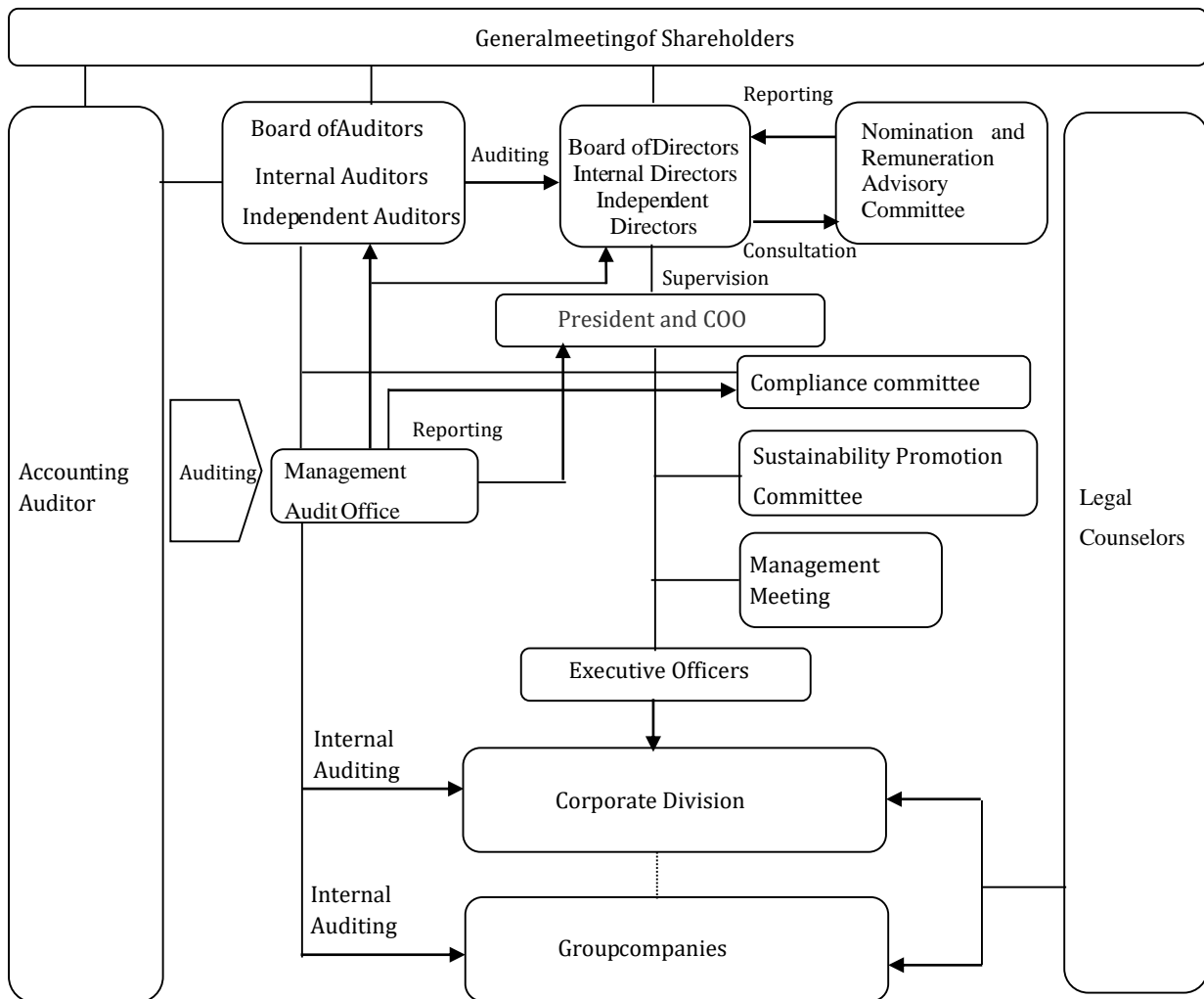
Of the following matters, the Committee shall debate on matters presented for advice by the Board of Directors and issue a response to the Board of Directors

- (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 compensation systems for directors and executive officers and amounts
- (6) Details of individual compensation for directors and executive officers
- (7) Matters concerning limits on compensation amounts for directors and auditors
- (8) Other matters deemed necessary by the Board of Directors

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

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

Diagram of the Corporate Governance System



1. Organization of Internal Control System

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

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

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

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

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

- * The Company shall record information and documents related to the execution of duties by directors on paper or electromagnetic media and appropriately stored and managed in accordance with the board of directors meeting rules and internal corporate rules.
- * Directors and 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, Sustainability, Quality Control, Product Liability, Export Administration) of the Company, shall identify, analyze, and assess risks according to the Risk Management Rules and the Basic Policy for Risk Management, and prepare a Risk Map. Any recognized risk shall have necessary countermeasures instituted to reduce such a risk. The company shall instruct to all subsidiaries to induce comparable system and establish an organization that delivers the appropriate information to the Company in the event of any unforeseen developments.
- * The Internal Auditing Office audits the risk management status of the Company and those subsidiaries without its own internal audit office through an internal audit. The office reports the results periodically at board meetings of the Company, where improvement measures will be deliberated and decided.

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

- * The Company establishes goals of the Company and entire Osaki Group shared by directors at the beginning of each year and prepares a specific annual operating plan to achieve the goals. Furthermore, the achievement of the goals is reviewed monthly and quarterly. Feedback of the results to departments of the Company and subsidiaries secures effectiveness and efficiency of operations.
- * The Company convenes the board of directors' meetings monthly in principle, and otherwise as necessary to respond efficiently to dynamic changes in the management environment of Osaki Group.
- * In principle, the Company convenes management meetings composed of directors (not including independent 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 its subsidiaries shall be based in accordance with occupational duty authority rules and internal approval process rules.

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

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

f) Items regarding employee status, employee independence from directors, and securing effectiveness of direction given to the said employee, whenever a 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 system to corporate auditors by director or employee of the Company or by a director, statutory auditor, or employee of a subsidiary of the Company (including anyone who received a report from the foregoing), the organization to assure no unfavorable treatment as a consequence of such reporting to anyone who provides such reporting

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

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

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

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

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

Consolidated Financial Statements

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Consolidated Balance Sheets

March 31, 2021, and 2022

ASSETS	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Current assets:			
Cash and cash equivalents (Note 3)	¥ 12,502	¥ 11,857	\$ 96,883
Deposits (Note 3)	4,722	3,546	28,977
Notes and accounts receivable - trade	17,887	-	-
Notes and accounts receivable - trade, and contract assets	-	17,436	142,469
Merchandise and finished goods	6,220	6,031	49,283
Work in process	2,175	3,165	25,864
Raw materials and supplies	7,262	6,911	56,470
Other current assets	2,770	3,234	26,431
Allowance for doubtful accounts	(450)	(530)	(4,336)
Total current assets	53,090	51,653	422,043
Non-current assets:			
Property, plant and equipment			
Buildings and structures	22,983	23,253	189,991
Less-accumulated depreciation	(13,998)	(14,372)	(117,434)
Total buildings and structures	8,985	8,880	72,556
Machinery, equipment and vehicles	14,576	15,344	125,377
Less-accumulated depreciation	(11,547)	(12,346)	(100,880)
Total machinery, equipment and vehicles	3,028	2,998	24,497
Land	12,483	12,830	104,829
Leased assets	3,702	3,527	28,819
Less-accumulated depreciation	(1,578)	(1,681)	(13,741)
Total leased assets	2,123	1,845	15,077
Construction in progress	113	526	4,302
Other fixed assets	7,090	7,303	59,675
Less-accumulated depreciation	(6,369)	(6,613)	(54,040)
Total other fixed assets	720	689	5,635
Net property, plant and equipment	27,455	27,770	226,898
Intangible assets			
Goodwill	191	-	-
Other intangible assets	988	868	7,092
Total intangible assets	1,180	868	7,092
Investments and other assets			
Investment securities (Note 6)	5,067	5,229	42,724
Defined benefit asset	1,384	1,525	12,466
Deferred tax assets	1,293	1,372	11,215
Other assets	1,518	2,805	22,926
Allowance for doubtful receivables	(1)	(3)	(27)
Total investments and other assets	9,262	10,930	89,305
Total non-current assets	37,898	39,568	323,296
TOTAL	¥ 90,989	¥ 91,222	\$ 745,340

See notes to consolidated financial statements

Consolidated Balance Sheets

March 31, 2021, and 2022

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Current liabilities:			
Notes and accounts payable - trade	¥ 7,270	¥ 7,324	\$ 59,845
Electronically recorded obligations - operating	2,632	2,965	24,228
Short-term loans payable (Note 5)	559	6,926	56,595
Accrued income taxes	722	502	4,108
Provision for bonuses	1,505	1,656	13,534
Provision for directors' bonuses	23	48	395
Provision for product warranties	156	473	3,865
Other current liabilities	6,089	6,604	53,963
Total current liabilities	18,962	26,502	216,538
Non-current liabilities:			
Long-term loans payable (Note 7)	6,210	-	-
Lease obligation	1,648	1,612	13,171
Provision for directors' retirements benefits	49	42	350
Provision for repairs	14	21	171
Defined benefit liability	2,346	2,479	20,261
Deferred tax liabilities	2,119	2,154	17,600
Other non-current liabilities	751	798	6,525
Total non-current liabilities	13,139	7,108	58,080
Total liabilities	32,101	33,610	274,619
Equity:			
Shareholders' equity			
Common stock (Note 9)	7,965	7,965	65,084
Capital surplus	8,750	8,750	71,500
Retained earnings	27,319	25,670	209,747
Treasury stock (Note 10)	(140)	(487)	(3,980)
Total shareholders' equity	43,895	41,900	342,352
Accumulated other comprehensive income			
Unrealized gains on investment securities	988	1,119	9,148
Foreign currency translation adjustments	1,216	1,667	13,625
Remeasurements of defined benefit plans	514	549	4,485
Total accumulated other comprehensive income	2,718	3,336	27,259
Stock acquisition rights (Note 11)	509	509	4,163
Non-controlling interests	11,764	11,865	96,945
Total equity	58,887	57,611	470,721
TOTAL	¥ 90,989	¥ 91,222	\$ 745,340

See notes to consolidated financial statements

Consolidated Statements of Income

Years ended March 31, 2021, and 2022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Net sales	¥ 76,255	¥ 76,184	\$ 622,469
Cost of sales	58,913	59,808	488,672
Gross profit	17,342	16,375	133,796
Selling, general and administrative expenses	14,657	15,097	123,359
Operating income	2,684	1,277	10,437
Non-operating income:			
Interest income	25	21	178
Dividend income	146	155	1,273
Subsidy income	459	206	1,684
Others	132	144	1,182
	764	528	4,319
Non-operating expenses:			
Interest expenses	384	288	2,354
Foreign exchange loss	55	191	1,566
Others	120	136	1,117
	560	616	5,038
Ordinary income	2,888	1,189	9,717
Extraordinary losses:			
Impairment losses	357	74	610
	357	74	610
Income before income taxes and non-controlling interests	2,530	1,114	9,107
Income taxes			
Current	1,174	952	7,782
Deferred	(81)	61	500
	1,093	1,013	8,282
Profit	1,437	100	824
Profit attributable to non-controlling interests	955	759	6,203
Profit (Loss) attributable to owners of parent	¥ 482	¥ (658)	\$ (5,378)

See notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

Years ended March 31, 2021, and 2022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Profit	¥ 1,437	¥ 100	\$ 824
Other comprehensive income			
Unrealized gains on investment securities	400	131	1,071
Foreign currency translation adjustments	(490)	451	3,688
Remeasurements of defined benefit plans	330	34	285
	240	617	5,045
Comprehensive income	¥ 1,678	¥ 718	\$ 5,870
Comprehensive income (loss) attributable to owners of the parent	723	(40)	(333)
Comprehensive income attributable to non-controlling interests	955	759	6,203

Consolidated Statements of Changes in Equity

Years ended March 31, 2021, and 2022

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2020	¥ 7,965	¥ 8,750	¥ 27,818	¥ (223)	¥ 44,312
Cash dividends paid			(979)		(979)
Profit attributable to owners of parent			482		482
Disposal of treasury stock (Note 10)			(1)	82	80
Net changes of items other than shareholders' equity					
Balance at March 31, 2021	7,965	8,750	27,319	(140)	43,895
Cumulative effects of changes in accounting policies			(7)		(7)
Restated balance	7,965	8,750	27,312	(140)	43,888
Cash dividends paid			(981)		(979)
Loss attributable to owners of parent			(658)		482
Purchase of treasury stock				(406)	(406)
Disposal of treasury stock (Note 10)			(1)	59	58
Net changes of items other than shareholders' equity					
Balance at March 31, 2022	¥ 7,965	¥ 8,750	¥ 25,670	¥ (487)	¥ 41,900

	Thousands of U.S. dollars				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2021	\$ 65,084	\$ 71,500	\$ 223,218	\$ (1,151)	\$ 358,651
Cumulative effects of changes in accounting policies			(57)		(57)
Restated balance	65,084	71,500	223,160	(1,151)	358,593
Cash dividends paid			(8,022)		(8,022)
Loss attributable to owners of parent			(5,378)		(5,378)
Purchase of treasury stock (Note 10)				(3,317)	(3,317)
Disposal of treasury stock (Note 10)			(11)	489	477
Net changes of items other than shareholders' equity					
Balance at March 31, 2022	\$ 65,084	\$ 71,500	\$ 209,747	\$ (3,980)	\$ 342,352

	Millions of yen						
	Accumulated other comprehensive income				Stock Acquisition rights	Non-controlling interests	Total equity
	Unrealized gains on investment securities	Foreign Currency Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at March 31, 2020	¥ 587	¥ 1,706	¥ 183	¥ 2,477	¥ 544	¥ 11,303	¥ 58,637
Cash dividends paid							(979)
Profit attributable to owners of parent							482
Disposal of treasury stock (Note 10)							80
Net changes of items other than shareholders' equity	400	(490)	330	240	(34)	460	666
Balance at March 31, 2021	988	1,216	514	2,718	509	11,764	58,887
Cumulative effects of changes in accounting policies							(7)
Restated balance	988	1,216	514	2,718	509	11,764	58,880
Cash dividends paid							(981)
Loss attributable to owners of parent							(658)
Purchase of treasury stock (Note 10)							(406)
Disposal of treasury stock (Note 10)							58
Net changes of items other than shareholders' equity	131	451	34	617	-	101	718
Balance at March 31, 2022	¥ 1,119	¥ 1,667	¥ 549	¥ 3,336	¥ 509	¥ 11,865	¥ 57,611

	Thousands of U.S. dollars						
	Accumulated other comprehensive income				Stock Acquisition rights	Non-controlling interests	Total equity
	Unrealized gains on investment securities	Foreign Currency Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at March 31, 2021	\$ 8,076	\$ 9,937	\$ 4,200	\$ 22,214	\$ 4,163	\$ 96,119	\$ 481,148
Cumulative effects of changes in accounting policies							(57)
Restated balance	8,076	9,937	4,200	22,214	4,163	96,119	481,090
Cash dividends paid							(8,022)
Loss attributable to owners of parent							(5,378)
Purchase of treasury stock (Note 10)							(3,317)
Disposal of treasury stock (Note 10)							477
Net changes of items other than shareholders' equity	1,071	3,688	285	5,045	-	826	5,871
Balance at March 31, 2022	\$ 9,148	\$ 13,625	\$ 4,485	\$ 27,259	\$ 4,163	\$ 96,945	\$ 470,721

Consolidated Statements of Cash Flows

Years ended March 31, 2021, and 2022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 2,530	¥ 1,114	\$ 9,107
Depreciation and amortization	2,749	2,536	20,721
Impairment losses	357	74	610
Amortization of goodwill	197	203	1,660
Increase (decrease) in allowance for doubtful accounts	(54)	31	254
Increase (decrease) in provision for bonuses	(222)	115	941
Increase (decrease) in provision for directors' bonuses	4	22	183
Increase (decrease) in provision for product warranties	127	315	2,579
Increase (decrease) in provision for directors' retirements benefits	15	(6)	(49)
Increase (decrease) in defined benefit liability	69	133	1,088
Decrease (increase) in defined benefit asset	(31)	(90)	(741)
Increase (decrease) in provision for repairs	7	7	57
Interest and dividend income	(172)	(177)	(1,452)
Interest expenses	384	288	2,354
Loss on retirement of non-current assets	77	55	455
(Increase) decrease in notes and accounts receivable - trade	3,530	1,240	10,137
(Increase) decrease in inventories	4,265	353	2,889
Increase (decrease) in notes and accounts payable - trade	(476)	36	298
Other, net	(1,264)	(379)	(3,097)
Interest and dividend received	174	179	1,467
Interest paid	(382)	(288)	(2,354)
Income taxes paid	(1,383)	(1,343)	(10,976)
Net cash provided by (used in) operating activities	10,503	4,422	36,135
Cash flows from investing activities:			
Payments for property, plant and equipment	(1,332)	(2,444)	(19,971)
Proceeds from sales of property, plant and equipment	10	7	63
Payments for intangible assets	(350)	(256)	(2,097)
Proceeds from sales of investment securities	8	0	0
Proceeds from sales of membership	-	2	20
Payments for long-term deposits	-	(1,000)	(8,170)
Proceeds from refund of long-term deposits	500	2,500	20,426
Other, net	(24)	(28)	(231)
Net cash provided by (used in) investing activities	(1,187)	(1,219)	(9,961)
Cash flows from financing activities:			
Increase (decrease) in short-term loans payable, net	(5,181)	(558)	(4,565)
Repayments for long-term loans payable	(26)	(10)	(82)
Repayments of lease obligation	(258)	(319)	(2,611)
Cash dividends paid	(979)	(981)	(8,020)
Dividends paid to non-controlling interests	(494)	(658)	(5,377)
Payments for treasury stock (Note 7)	-	(406)	(3,317)
Other, net	0	0	0
Net cash provided by (used in) financing activities	(6,939)	(2,934)	(23,975)
Effect of exchange rate changes on cash and cash equivalents	(87)	411	3,362
Net increase (decrease) in cash and cash equivalents	2,288	680	5,560
Cash and cash equivalents at beginning of year (Note 3)	12,366	14,654	119,738
Cash and cash equivalents at end of year (Note 3)	¥ 14,654	¥ 15,335	\$ 125,299

See notes to consolidated financial statements

Notes to Consolidated Financial Statements

1. Summary of Main Accounting Policies

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

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

Scope of consolidation

The consolidated Financial Statement as of March 31, 2021 include the accounts of the Company and its 33 subsidiaries. Principal Consolidated Subsidiaries are described in the Companies section. The list increased by one company due to the establishment of a new overseas subsidiary and decreased by two companies due to the liquidation of an overseas subsidiaries.

Disclosure about the application of the equity method

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

Accounting periods of consolidated subsidiaries

Of the consolidated subsidiaries, the fiscal year-end date of 24 consolidated subsidiaries including Osaki United International Pte. Ltd. is December 31. In preparing the consolidated financial statements, the Company uses the financial statements as of that date, and makes necessary adjustments for significant transactions which occurred between their fiscal year-end date and the consolidated fiscal year-end date.

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

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

(3) Foreign Currency Conversion

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

(4) Cash and Cash Equivalents

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

(5) Marketable Securities

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

(6) Inventories

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

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

(7) Derivative

Financial derivative transactions are recognized using the market value method.

(8) Property, Plant and Equipment

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

(9) Intangible Assets

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

(10) Leases Assets

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

(11) Allowance for Doubtful Accounts

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

(12) Provision for Bonuses

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

(13) Provision for Directors' Bonuses

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

(14) Provision for Product Warranties

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

(15) 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.

(16) 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.

(17) Accounting Method of Retirement Benefits*Method of allocating projected retirement benefit obligation to periods*

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

Method of recording actuarial gains and losses

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

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

Adoption of simplified accounting method by small enterprises, etc.

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

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

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

Step 1: Identify Contracts with Customers

Step 2: Identify Performance Obligations in the Contracts

Step 3: Calculate the Transaction Price

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

Step 5: Recognize Revenue when the Company Satisfies Performance Obligations

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

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

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

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

The Company applies alternative treatment for construction contracts with very short construction period and recognizes revenue when the Company fully satisfies its performance obligations rather than recognizing revenue over a period of time.

Revenue is recognized for the consideration promised in contracts with customers, net of discounts, rebates and returns.

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

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

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

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

(20) Significant hedge accounting method*Hedge accounting method*

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

Hedge instruments and hedged items

(Hedge instruments) Interest rate swaps

(Hedge items) Interest on loan payables

Hedging policy

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

Hedge effectiveness assessment method

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

(21) The amortization method and amortization period of goodwill

Goodwill is amortized on a straight-line basis over 10 years. However, if the amount is immaterial, it is fully amortized during the fiscal year in which this occurs.

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

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

2. U.S. Dollar Amounts

U.S. dollar amounts presented in the financial statements are solely for the reference of the reader. These translations should not be construed as representations that the yen amounts actually represent or have been or could be converted into U.S. dollars. As the amounts shown in U.S. dollars are for reference only, the rate of ¥122.39 = U.S.\$1, the approximate current rate on Tokyo Foreign Exchange Market at March 31, 2022, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements.

3. Significant Accounting Estimates

① Provision for product warranties

(Amounts Recorded in the Consolidated Financial Statements)

As of March, 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Provision for product warranties	¥ 156	¥ 473	\$ 3,865

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

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

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

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

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

② Impairment of Fixed Assets

(Amounts Recorded in the Consolidated Financial Statements)

Smart meters & solutions in Japan	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
As of March, 31			
Property, plant and equipment	¥ 17,095	¥ 17,856	\$ 145,897
Intangible assets	987	864	7,060
Impairment loss	325	74	610

Production equipment	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
As of March, 31			
Property, plant and equipment	¥ 1,302	¥ 1,284	\$ 10,494
Intangible assets	-	2	22
Impairment loss	31	-	-

(Information of the descriptions for significant accounting estimates related to the identified items)

Impairment losses are recognized for product groups that are identified as having indications of impairment and whose total undiscounted future cash flows are less than the book value at the end of the this consolidated fiscal year.

If an impairment loss is required to be recognized, the book value is reduced to the recoverable amount, and the amount of the reduction is recorded as an impairment loss.

The recoverable amount is measured based on the value in use or the net realizable value.

Value in use is estimated by considering rational asset use plans based on the annual plan and the medium-term management plan in the current use of the asset.

The net realizable value is calculated based on the real estate appraisal value or equivalent method for real estate, and for other fixed assets such as machinery and equipment, it is calculated based on the memorandum value in consideration of transaction cases.

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

The estimates may be affected due to uncertain future fluctuations in economic conditions, and if the actual amount of cash flows differs from the estimates, it could have a significant impact to the consolidated financial statements for the next consolidated fiscal year.

4. Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
As of March, 31			
Cash and cash equivalents in the balance sheets	¥ 12,502	¥ 11,857	\$ 96,883
Deposits	4,722	3,546	28,977
Total	17,225	15,404	125,860
Deposits (with maturities of more than three months)	(2,570)	(68)	(561)
Cash and cash equivalents in the cash flow statements	14,654	15,335	125,299

5. Lease

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
As of March, 31			
Investments in leases			
Current assets	¥ 299	¥ 387	\$ 3,163
Investments and other assets	592	882	7,212

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
As of March, 31			
Lease obligation			
Current liabilities	¥ 299	¥ 386	\$ 3,153
Non-current liabilities	588	881	7,199

The amounts of future lease payments under non-cancelable operating leases at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
As of March, 31			
Due within one year	¥ 37	¥ 2	\$ 22
Due after one year	15	0	4
Total	¥ 52	¥ 3	\$ 26

6. Investment Securities

Investments securities comprise the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
As of March, 31			
Available-for-sale securities			
Acquisition cost	¥ 1,985	¥ 1,985	\$ 16,224
Fair value	3,303	3,467	28,330
Net unrealized gain	1,318	1,481	12,105

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
As of March, 31			
Investments in non-public companies and others	¥ 1,763	¥ 1,761	\$ 14,393

7. Short-term Loans Payable and Long-term Loans Payable

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

As of March, 31	Millions of yen		Thousands of
	2021	2022	U.S. dollars
Short-term loans payable:			2022
Unsecured	¥ 549	¥ 25	\$ 208
Secured	-	-	-
Current portion of long-term loans payable	9	6,901	56,386
Net short-term loans payable	559	6,926	56,595

As of March, 31	Millions of yen		Thousands of
	2021	2022	U.S. dollars
Long-term loans payable:			2022
Unsecured	¥ 6,210	¥ 6,901	\$ 56,386
Secured	9	-	-
Less current portion	9	6,901	56,386
Net long-term loans payable	6,210	-	-

8. Accrued Retirement Benefits

General outline of retirement benefit plans

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

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

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

Defined benefit plan except plans applying the simplified method

(a) Movements in retirement benefit obligations:

As of March, 31	Millions of yen		Thousands of
	2021	2022	U.S. dollars
Balance at beginning of year	¥ 4,847	¥ 4,958	\$ 40,510
Service cost	342	340	2,782
Interest cost	18	17	145
Actuarial losses	19	(36)	(295)
Benefits paid	(266)	(261)	(2,138)
Others	(3)	5	42
Balance at end of year	¥ 4,958	¥ 5,023	\$ 41,046

(b) Movements in plan assets:

As of March, 31	Millions of yen		Thousands of
	2021	2022	U.S. dollars
Balance at beginning of year	¥ 3,620	¥ 4,186	\$ 34,209
Expected return on plan assets	14	16	136
Actuarial losses	547	132	1,079
Contributions from the employer	138	136	1,115
Benefits paid	(133)	(139)	(1,136)
Others	-	-	-
Balance at end of year	¥ 4,186	¥ 4,333	\$ 35,404

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
As of March, 31			
Funded defined benefit obligations	¥ 2,802	¥ 2,807	\$ 22,937
Plan assets	(4,186)	(4,333)	(35,404)
	(1,384)	(1,525)	(12,466)
Unfunded defined benefit obligations	2,155	2,216	18,108
Net of liabilities and assets of consolidated balance sheet	¥ 771	¥ 690	\$ 5,641

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
As of March, 31			
Net defined benefit liabilities	¥ 2,155	¥ 2,216	\$ 18,108
Net defined benefit assets	(1,384)	(1,525)	(12,466)
Net of liabilities and assets of consolidated balance sheet	¥ 771	¥ 690	\$ 5,641

(d) Breakdown of retirement benefit cost:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
As of March, 31			
Service cost	¥ 342	¥ 340	\$ 2,782
Interest cost	18	17	145
Expected return on plan assets	(14)	(16)	(136)
Amortization of actuarial differences	(51)	(117)	(963)
Total	¥ 294	¥ 223	\$ 1,827

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
As of March, 31			
Actuarial gains and losses	¥ (476)	¥ (50)	\$ (411)
Total	¥ (476)	¥ (50)	\$ (411)

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
As of March, 31			
Unrecognized actuarial gains and losses	¥ (740)	¥ (791)	\$ (6,465)
Total	¥ (740)	¥ (791)	\$ (6,465)

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

① Plan assets comprise

	2021	2022
Equity securities	39%	39%
Debt securities	37%	37%
General account	23%	22%
Others	1%	2%
Total	100%	100%

② Long-term expected rate of return

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

(h) Actuarial assumption:

	2021	2022
Discount rate	0.4%	0.4%
Expected rate of return on plan assets	0.4%	0.4%

Defined benefit plan applying the simplified method

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

As of March, 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Balance at beginning of year	¥ 172	¥ 190	\$ 1,557
Retirement benefit cost	17	76	622
Payment of benefits	-	(3)	(27)
Balance at end of year	¥ 190	¥ 263	\$ 2,153

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

As of March, 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Funded defined benefit obligations	¥ -	¥ -	\$ -
Plan assets	-	-	-
Unfunded defined benefit obligations	190	263	2,153
Net of liabilities and assets of consolidated balance sheet	¥ 190	¥ 263	\$ 2,153

As of March, 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Net defined benefit liabilities	¥ 190	¥ 263	\$ 2,153
Net of liabilities and assets of consolidated balance sheet	¥ 190	¥ 263	\$ 2,153

(c) Retirement benefit expenses are calculated using simplified accounting method. The amount recorded in the previous consolidated fiscal year was 17 million Japanese yen and this consolidated fiscal year was 76 million Japanese yen (\$622 thousand).

Defined Contribution Plan

The amounts required to be contributed to the defined contribution plan are 426 million Japanese yen and 446 million Japanese yen (\$3,647 thousand) for the years ended March 31, 2021 and 2022, respectively.

9. Common Stock

Changes in common stock for the fiscal years ended March 31, 2021, and 2022, are as follows.

	2021	2022
Total number of authorized shares:		
End of the year	100,000,000	100,000,000
Total number of issued shares:		
Beginning of the year	49,267,180	49,267,180
Changes during the year	-	-
End of the year	49,267,180	49,267,180

10. Treasury Stock

Changes in treasury stock as of March 31, 2021, and 2022, are as follows.

	2021	2022
Ordinary shares		
Beginning of the year	346,162	218,762
Changes during the year		
Purchase of shares less than one unit and acquisition of treasury shares by resolution of the Board of Directors	-	842,386
Disposal by exercising stock acquisition rights	(127,400)	-
Grant of transfer-restricted stock compensation	-	(92,901)
End of the year	218,762	968,247

11. Stock Acquisition Rights

Stock acquisition rights comprise the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
As of March, 31			
Stock acquisition rights as the stock options	¥ 509	¥ 509	\$ 4,163

12. Selling, general and administrative expenses

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

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
As of March, 31			
Employee salaries and bonuses	¥ 4,557	¥ 4,643	\$ 37,943
Provision for bonuses	745	895	7,315
Provision for directors' bonuses	20	62	512
Retirement benefit expenses	214	243	1,991
Provision for directors' retirements benefits	15	8	65
Provision for repairs	6	6	54
Allowance for doubtful accounts	-2	44	364
Research and development expenses	2,900	3,043	24,870

13. Research and Development Expenses

Research and development expenses comprise the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
As of March, 31			
Selling, general and administrative expenses	¥ 2,900	¥ 3,043	\$ 24,870

14. Income taxes

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

	Millions of yen		Thousands of
	2021	2022	U.S. dollars
			2022
Deferred tax assets:			
Loss carried forward*	¥ 1,396	¥ 2,096	\$ 17,131
Defined benefit liability	716	756	6,184
Provision for bonuses	377	390	3,188
Accrued expenses	341	328	2,680
Impairment losses	303	251	2,052
Inventories	227	179	1,466
Long-term accounts payable	157	162	1,323
Stock acquisition rights	156	156	1,274
Investment securities	152	152	1,242
Provision for product warranties	46	143	1,171
Membership	105	104	850
Others	586	642	5,245
Subtotal	4,567	5,362	43,812
Valuation allowance on tax losses carried forward*	(1,396)	(2,037)	(16,644)
Valuation allowance on total deductible temporary differences	(1,505)	(1,554)	(12,697)
Subtotal	(2,902)	(3,591)	(29,342)
Total deferred tax assets	1,665	1,771	14,470
Deferred tax liabilities:			
Land valuation margin	(1,608)	(1,608)	(13,142)
Defined benefit asset	(424)	(467)	(3,817)
Unrealized gains on investment securities	(329)	(361)	(2,957)
Others	(129)	(114)	(937)
Total deferred tax liabilities	(2,491)	(2,552)	(20,854)
Net deferred tax liabilities	¥ (825)	¥ (781)	\$ (6,384)

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

	Millions of yen						Total
	2021						
	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years	
Tax losses carried forward*	¥ 68	¥ 236	¥ 115	¥ 80	¥ 136	¥ 757	¥ 1,396
Valuation allowance	(68)	(236)	(115)	(80)	(136)	(757)	(1,396)
Deferred tax assets	-	-	-	-	-	-	-

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

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

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

	Thousands of U.S. Dollars						Total
	2022						
	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years	
Tax losses carried forward*	\$ 1,880	\$ 1,054	\$ 961	\$ 1,229	\$ 571	\$ 11,433	\$ 17,131
Valuation allowance	(1,880)	(1,054)	(961)	(1,229)	(571)	(10,947)	(16,644)
Deferred tax assets	-	-	-	-	-	486	486

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

15. Segment Information

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

Smart meters & solutions in Japan:

Smart meters, Energy solutions, Instrument VCT, Distribution panels

Smart meters & solutions overseas:

Smart meters, Energy solutions

Production equipment:

Sensor devices assemble equipment

Real estate: Real estate leasing

	Millions of yen						
	2021						
	Reporting Segments				Total	Adjustment	Consolidated
Smart meters & solutions in Japan	Smart meters & solutions overseas	Production equipment	Real estate				
Year ended March 31							
Sales to customers	¥ 48,169	¥ 26,678	¥ 960	¥ 448	¥ 76,255	¥ -	¥ 76,255
Intersegment sales	24	622	0	105	753	(753)	-
Total sales	48,193	27,301	960	553	77,009	(753)	76,255
Operating income	3,136	(467)	(264)	270	2,675	9	2,684

The segment income is adjusted by intersegment transaction eliminations.

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

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

The segment income is adjusted by intersegment transaction eliminations.

For the Smart meters & Solutions in Japan Business, an impairment loss of fixed assets of 74 million yen are recognized and booked as an extraordinary loss.

	Thousands of U.S. dollars						
	2022						
	Reporting Segments				Total	Adjustment	Consolidated
Smart meters & solutions in Japan	Smart meters & solutions overseas	Production equipment	Real estate				
Year ended March 31							
Sales to customers	\$ 375,710	\$ 237,725	\$ 5,369	\$ 3,663	\$ 622,469	\$ -	\$ 622,469
Intersegment sales	193	7,949	288	862	9,294	(9,294)	-
Total sales	375,904	245,675	5,658	4,525	631,763	(9,294)	622,469
Operating income	10,014	476	(2,308)	2,218	10,400	36	10,437

16. Significant Subsequent Events

Transfer of shares and tangible assets in a Consolidated Subsidiary

The Company resolved at the meeting of the Board of Directors held on May 11, 2021, that its subsidiary EDMI Limited to transfer all shares in Quantum Automation Pte Ltd, a wholly owned subsidiary of EDMI, to Totech Corporation.

The transfer of all shares of Quantum Automation Pte Ltd. was complete on March 30, 2022, along with a transfer of all real estate property including the headquarters used by Quantum Automation.

1. Outline of the transfer

(1) Name of the transferee

Totech Corporation

(2) Date of transfer

March 30, 2022

(3) Name of parties involved in the event, business and relationships

A) Name: Quantum Automation Pte.

B) Business outline: Development, integration and maintenance of building automation systems

C) Business relationships: not applicable

(4) Number of shares transferred, amount of sales by transfer, gain or loss on transfer, share ratio after the transfer

A) Number of shares transferred: 2,000,000 shares

B) Amount of sales by transfer: U.S. dollars equivalent to 4,000 million yen

C) Gain or loss on transfer: To be recorded as extraordinary gain from sale of a subsidiary in the amount of 1.73 billion yen in the first quarter ending June 30, 2022

D) Share ratio after the transfer: -%

2. Transfer of tangible assets

(1) Location and contents of tangible assets

A) Location: 9 Senoko Drive Singapore 758197

B) Contents of tangible assets: real estate property

(2) Gain or loss on transfer

To be recorded as extraordinary gain from sale of tangible assets in the amount of 0.28 billion yen in the first quarter ending June 30, 2022

(3) Outline of the transferee

A) Name: Quantum Automation Pte.

B) Business outline: Development, integration and maintenance of building automation systems

C) Business relationships: not applicable

(4) Date of transfer:

March 23, 2022

Independent Auditor's Report

RSM Seiwa

Syosankan 4F

1-3-2, Idabashi, Chiyoda-ku

Tokyo 102-0072, JAPAN

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

Opinion

We have audited the consolidated financial statements of Osaki Electric Co., Ltd and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan (JGAAP).

Basis for Opinion

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

Convenience Translation

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

Key Audit Matters

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

Estimate of provision for product warranties	
Details of Key Audit Matters and Reasons for Determination	Audit Response
<p>As described in the note 3 to the consolidated financial statements (significant accounting estimates), the Company recorded a provision for product warranties of 473 million Japanese yen mainly to prepare for product defects in connection with products sold.</p> <p>The Company estimated the future costs of repairs, refurbishment and replacements of products sold resulting from defects based on currently available information and recorded them as provision for product warranties.</p> <p>However, the contents of the provision for product warranties are highly specific and has a significant impact due to the progress of negotiations with customers. In addition, estimates are highly uncertain because some of the product quantities, repairs, replacement costs and indemnification costs used in the estimates have no historical experience and are calculated using assumptions. Accordingly, we chose provision for product warranties as Key Audit Matters.</p>	<p>We performed the following audit procedures on key audit matters.</p> <p>(1) Internal control assessments</p> <ul style="list-style-type: none"> • Checked the cause analysis underlying the provision was performed in a specialized department, and the sales department performed an analysis-based estimate and obtained appropriate intra-company approvals. • Tested the existence and completeness of events subject to provision for product warranties by reviewing of the minutes of the Board of Directors' meetings, the approval documents and the quality report materials prepared by the Quality Control Division. <p>(2) Assessment of reasonableness of estimated provision for product warranties</p> <ul style="list-style-type: none"> • Checked and inquired about cost calculation materials, external documents, negotiation materials with customers and calculation basis in order to verify the validity of estimates such as the quantities and costs, etc., for products to be repaired or replaced. • Understood the overview of product defects and status of negotiations with customers by inquiring the managers of sales departments and reviewing related documents to confirm the estimation method of provision for product warranties and reasonableness of management's assumptions.

Other Matters

The consolidated financial statements of the Group for the year ended March 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on June 23, 2021.

Other Information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the preparation and presentation of the other information. Those charged with governance are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

Etsuo Kakehi
Designated Engagement Partner
Certified Public Accountant

Kakuro Tsuda
Designated Engagement Partner
Certified Public Accountant

RSM Seiwa
Tokyo, Japan
July 22, 2022

Notes to the Reader of Independent Auditor's Report:

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

Companies

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

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

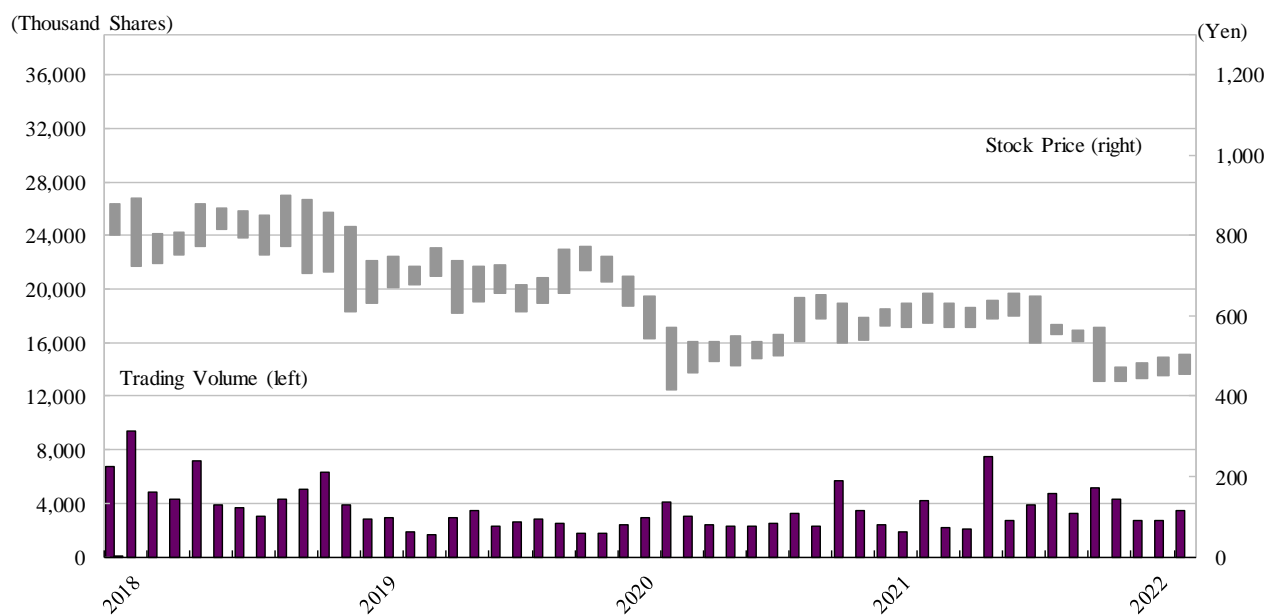
Stock Information

(As of March 31, 2022)

Common Stock

Authorized	:	100,000,000
Issued	:	49,267,180
Number of Shareholders	:	8,500

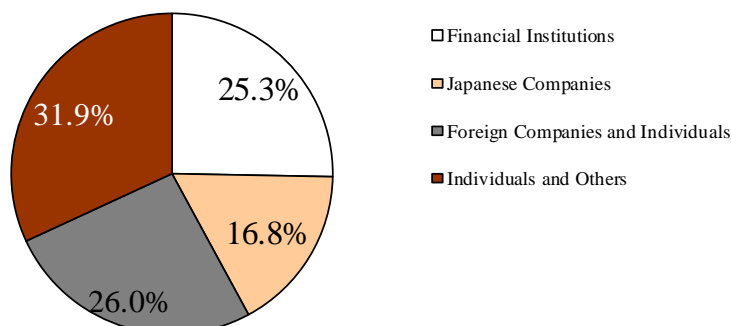
Stock Price and Trading Volume (Tokyo Stock Exchange)



Major Shareholders

	Number of shares (Thousand shares)	(%)
THE HONGKONG AND SHANGHAI BANKING CORPORATION LTD - SINGAPORE BRANCH PRIVATE BANKING DIVISION CLIENTS A/C 8221-623793	5,392	11.1
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,819	9.9
Custody Bank of Japan, Ltd. (Trust Account)	2,306	4.7
Osaki Electric cooperation company share holding commission	1,808	3.7
MUFG Bank, Ltd.	1,552	3.2

Breakdown of Shareholders



Investor Information

Management (As of June 28, 2022)

REPRESENTATIVE DIRECTORS

Chairman and CEO

Yoshihide Watanabe

President and COO

Mitsuyasu Watanabe

Executive Vice President

Haruyuki Kawabata

DIRECTORS

Managing Executive Officer

Ryuichi Ueno

Directors

Seiji Takashima (Independent)

Nobuhiro Kasai (Independent)

STATUTORY AUDITORS

Standing Auditor

Choichiro Hori

Auditors

Yutaka Hasegawa

Shigehiko Yamamoto (Independent)

Kumiko Kitai (Independent)

EXECUTIVE OFFICERS

Kazuo Nemoto

Takehiko Ota

Jun Abe

Toshiaki Takada

Hiroyuki Hatakeyama

Nobuyuki Ono

Hiroshi Takahashi

Isao Yoshino

Corporate Data (As of March 31, 2022)

Osaki Electric Co., Ltd.

Head Office

10-2, Higashi-Gotanda 2-chome

Shinagawa-ku Tokyo 141-8646

JAPAN

Phone : 81-3-3443-7171

Date of Founding

January 26th, 1937

Paid-in Capital

¥ 7,965 million (US\$ 65 million)

Stock Exchange Listings

Tokyo Stock Exchange

Independent Public Accountants

RSM Seiwa

Tokyo, Japan

Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation

Transfer Agency Department

1-1, Nikko cho, Fuchu-shi,

Tokyo, Japan

Phone : 81-42-204-0303

Mailing address :

Shin-TOKYO Post Office post office box No.29

137-8081, JAPAN

Mitsubishi UFJ Trust and Banking Corporation

Transfer Agency Department

For further information, please contact/refer to:

Osaki Electric Co., Ltd.

Investor & Media Relations Department

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

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