



ANNUAL REPORT 2024

OSAKI ELECTRIC CO., LTD.

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Financial Highlights

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

Years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2020	2021	2022	2023	2024	2024
For the year:						
Net sales	¥ 90,069	¥ 76,255	¥ 76,184	¥ 89,253	¥ 95,147	\$ 628,410
Operating income	3,691	2,684	1,277	2,226	5,874	38,800
Profit attributable to owners of parent	1,197	482	(658)	1,319	2,407	15,901
At year-end:						
Total assets	97,962	90,989	91,222	93,268	95,641	631,672
Total equity	58,637	58,887	57,611	58,629	62,532	413,004
Number of employees	3,557	3,129	2,961	2,813	2,603	
Per share of common stock:						
Profit	¥ 24.47	¥ 9.84	¥ (13.42)	¥ 27.86	¥ 51.36	\$ 0.33
Cash dividends	20.00	20.00	20.00	20.00	20.00	0.13
Equity	956.44	950.37	936.60	981.44	1,057.46	6.98

Notes: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥151.41=U.S.\$1
the approximate Tokyo foreign exchange market rate as of March 31, 2024

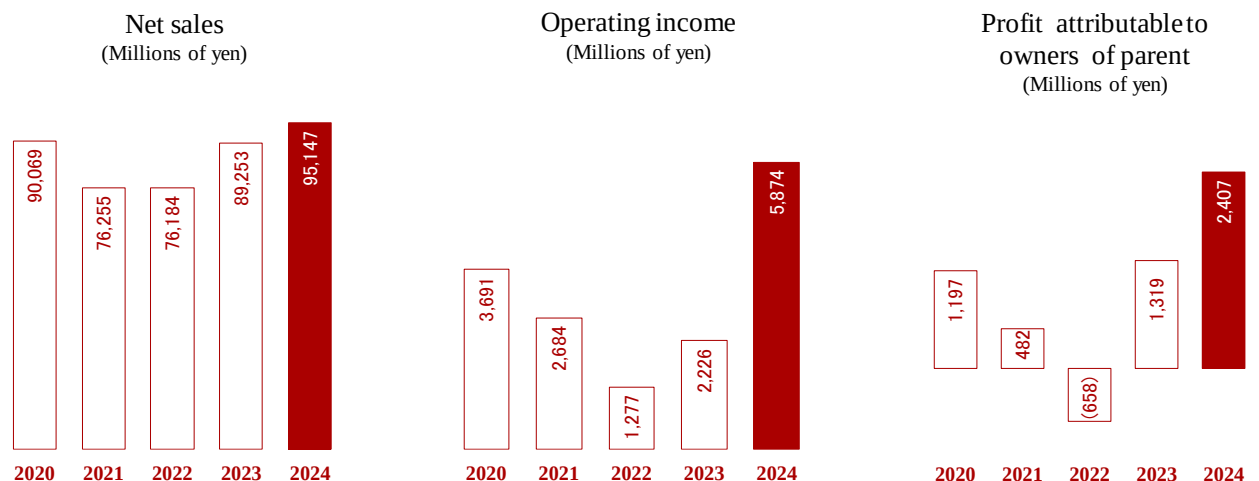
Business segments -

Smart meters & solutions in Japan: Smart meters, Instrument VCT, Energy solutions, Switchgear

Smart meters & solutions overseas: Smart metering solutions

Real estate: Real estate leasing

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



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 provides products and services to over 100 countries across Japan, Asia, Oceania, Europe, Middle East, and Africa.

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

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



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



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

The forward-looking statements in this document are based on the best assumptions made by OSAKI (hereafter as “OSAKI” or “the Company”) as of June 28, 2024.

Management Policy

1. Basic Corporate Policy

Under its corporate philosophy "We create new value for society through visualization of the invisible" and corporate vision “Global Energy Solution Leader”, OSAKI aims for sustainable growth by leveraging Group synergies to the fullest and providing new solutions for societal goals like achieving decarbonization, while keeping the smart meter at the heart of all its businesses.

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

For Smart meters & solutions in Japan segment, the smart meter business remains at the core while the solutions business will expand in response to the needs of society, including green transformation solutions and smart locks.

For Smart meters & solutions overseas segment, transformation into a profit-oriented business continues by promoting sales of meters combined with head-end systems alongside organizational reforms.

The OSAKI Group also plans to build resilient group operations infrastructure to support these strategies, and will aim for appreciation of enterprise value through the creation of recurrent profits.

Key Strategic Pillars

(a) Supplying added value to social infrastructure centered on smart meters (Japan)

In the Japan market, an optimal production system for second-generation smart meters, scheduled for full-scale deployment in fiscal 2026, will be built out with the aim of securing steady earnings. At the same time, the company will develop markets by creating new value for social infrastructure, introducing DC meters that can expand the use of renewable energy and electric vehicles.

(b) Supporting the streamlining of customers’ operations (digital transformation) by harnessing digital technology (Japan)

Smart locks contribute to labor savings in managerial operations of the rental properties market. The introduction of new products and stronger collaboration with partners will lead to expanded adoption in the rental properties market, other housing markets, corporate offices, etc. In addition, acquiring new installations and capturing replacement demand from existing customers are targeted for automated meter reading systems that reduce the burden of facility management operations.

(c) Providing comprehensive Green Transformation Solutions to achieve decarbonization (Japan)

Capitalizing on the growing urgency of decarbonization, energy management services will develop new customers across other industries as well as in the distribution and retail industries, where our current customers are engaged in physical multi-outlet operations. In addition, the company will increase profitability with further offers to current customers of high value-added green transformation solutions alongside the structuring of business platforms for new green transformation solutions that have potential to become future growth pillars.

(d) Transformation into profit-oriented business (Overseas)

The following initiatives will roll out in Oceania, Europe centered on UK, Asia, Middle East and Africa to further the transformation into a profit-oriented business:

- Provision of high value-added solutions tailored to market characteristics
- Reinforcing the commercial and industrial meter business
- Exit from low-profit markets
- Organizational reforms

(e) Building resilient Group Operations platform

The Group will implement the following initiatives to build a resilient group operations platform:

- Build strong teams by developing and deploying talent
- Strengthen group-wide risk management
- Improve capital efficiency and optimize cash allocation
- Promote sustainability initiatives

3. Mid-term Management Plan

(Millions of yen)

	Fiscal Year ending March 31, 2024 Actual	Fiscal Year ending March 31, 2025 Plan	Fiscal Year ending March 31, 2026 Plan	Fiscal Year ending March 31, 2027 Plan
Net sales	95,147	90,000	95,000	100,000
Operating income	5,874	4,700	5,500	9,000
Profit attributable to owners of parent	2,407	2,000	3,500	5,500
ROE	5.0%	4.0%	6.5%	10.0%

4. Dividend Policy

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

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

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

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

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

Dividends during the operating year of this report with record dates

Date of Resolution	Total Dividend (Millions of yen)	Dividend per Share (Yen)
Board of directors' resolution of November 7, 2023	469	10.00
Annual general shareholders meeting resolution of June 27, 2024	469	10.00

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Business update

1. Business Performance (Fiscal year ended March 31, 2024)

(1) Highlight of Operating Results of This Fiscal Year

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

Consolidated Financial Results

(Millions of yen)

	Fiscal Year ended March 31, 2023	Fiscal Year ended March 31, 2024	YoY Change		Initial Forecasts	Changes from Initial Forecasts	
			Amount	%		Amount	%
Net sales	89,253	95,147	5,894	+6.6%	88,000	7,147	+8.1%
Smart meters & solutions in Japan	54,427	55,266	838	+1.5%			
Smart meters & solutions overseas	34,613	40,693	6,079	+17.6%			
Production equipment	761	—	(761)	—			
Real estate	571	572	0	+0.1%			
Adjustment	(1,121)	(1,384)	(262)	—			
Gross profit	17,964	22,605	4,640	+25.8%			
Ratio to sales	20.1%	23.8%		(3.7)pt			
SG & A expenses	15,737	16,730	993	+6.3%			
Ratio to sales	17.6%	17.6%		(0.0)pt			
Operating income	2,226	5,874	3,647	+163.8%	2,800	3,074	+109.8%
Ratio to sales	2.5%	6.2%		+3.7pt	3.2%		+3.0pt
Smart meters & solutions in Japan	3,816	4,451	635	+16.7%			
Smart meters & solutions overseas	(1,886)	1,155	3,041	—			
Production equipment	9	—	(9)	—			
Real estate	295	277	(17)	(5.9)%			
Adjustment	(7)	(9)	(2)	—			
Ordinary income	1,885	5,488	3,603	+191.2%	2,400	3,088	+128.7%
Profit attributable to owners of parent	1,319	2,407	1,087	+82.4%	1,000	1,407	+140.8%
Net income per share (yen)	27.86	51.36	23.50	—			
ROE	2.9%	5.0%	—	+2.1pt			

Consolidated Sales by Region (Excluding intercompany sales)

(Millions of yen)

	Fiscal Year ended March 31, 2023	Fiscal Year ended March 31, 2024	YoY Change	
			Amount	%
Japan	55,450	55,711	260	+0.5%
Overseas	33,802	39,436	5,633	+16.7%
Oceania	15,628	16,966	1,337	+8.6%
Europe	10,142	15,783	5,640	55.6%
Asia	5,969	5,049	(920)	(15.4)%
Others	2,062	1,637	(424)	(20.6)%
Total	89,253	95,147	5,894	+6.6%
Average exchange rate	¥131.62/USD	¥140.67/USD		

(2) Outlook for the Fiscal Year ending March 31, 2025

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

Consolidated Forecast

(Millions of yen)

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

2. Overview of Consolidated Financial Position

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

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

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

(Millions of yen)

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

3. Cash Flows

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

(Millions of yen)

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

(1) Cash flows from operating activities

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

(2) Cash flows from (used in) investing activities

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

(3) Cash flows from (used in) financing activities

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

4. Business Environment and Responses to Business Challenges

(1) Important Accounting Policy and Estimate

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

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

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

(2) Earnings Analysis for the Current Fiscal Year

Consolidated sales and operating income in Japan for the fiscal year ended March 31, 2024 exceeded the company forecasts at the beginning of the fiscal year, due to better-than-expected performance of smart meter business.

Consolidated sales overseas for the corresponding fiscal year exceeded the company forecast at the beginning of the fiscal year, due to steady shipments to Asia and yen depreciation.

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

(Millions of yen)

	Fiscal Year ended March 31, 2024 Actual	YoY Change		Changes from Initial Plan	
		Amount	%	Amount	%
Net sales	95,147	5,894	+6.6%	7,147	+8.1%
Operating income	5,874	3,647	+163.8%	3,074	+109.8%
Ordinary income	5,488	3,603	+191.2%	3,088	+128.7%
Profit attributable to owners of parent	2,407	1,087	+82.4%	1,407	+140.8%

(3) Capital Sources and Capital Liquidity

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

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

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

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

5. Corporate Governance

(1) Fundamental Approach to Corporate Governance

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

(2) Overview of Corporate Governance Organization

OSAKI adopts a corporate auditor system. The Board of Auditors, which includes independent auditors, oversees management activities of the group. The Board of Auditors consists of four members, of whom two are independent auditors to maintain objectivity and provide external monitoring functionality over management activities. In addition, one auditor is a certified public accountant and a certified tax accountant with a wealth of practical experience, and one auditor have vast experience in our Accounting Department, contributing to the Company with their knowledge in finance and accounting.

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

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

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

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

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

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

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

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

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

Overview of the Nomination and Compensation Committee

At the meeting of the Board of Directors held on February 6, 2024, the name was changed from "Nomination and Compensation Advisory Committee" to "Nomination and Compensation Committee" and the members were reviewed.

1. Structure

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

2. Role

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

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

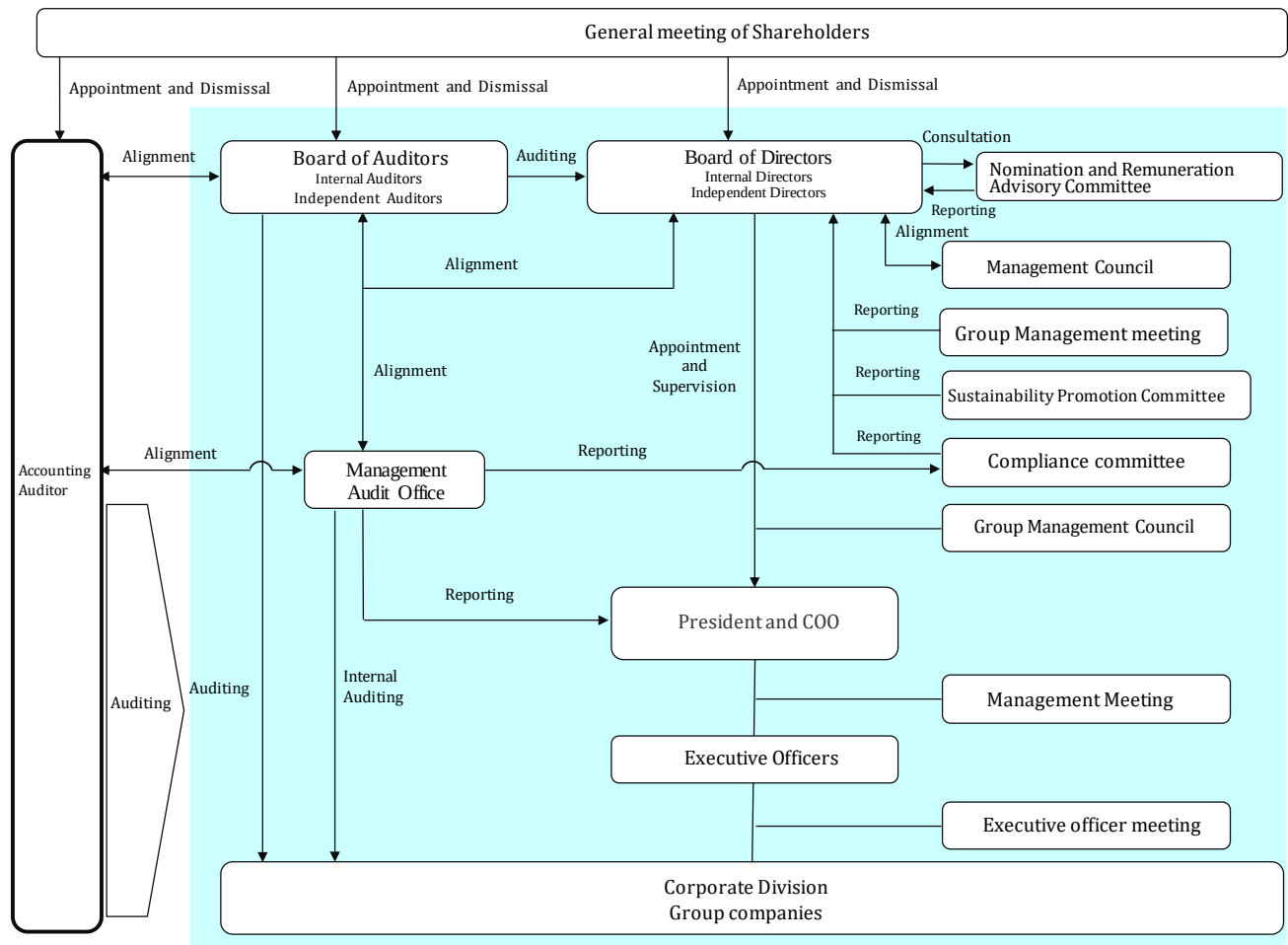
Overview of the Compliance Committee

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

Overview of the Sustainability Promotion Committee

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

Diagram of the Corporate Governance System



(3) Organization of Internal Control System

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

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

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

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

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

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

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

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

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

- * The Company establishes goals of the Company and the 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 the Osaki Group. The Company hosts a management council prior to the board of directors' meetings to have discussions in depth and to clarify decision-making process.
- * In principle, the Company convenes management meetings weekly to conduct multi-faceted studies and discussions over management issues that affect the corporate Osaki Group.
- * The Company convenes executive meetings monthly in principle, and otherwise as necessary to share information by attending executives and to carry out prompt execution.
- * The Company convenes group management meetings monthly in principle, and otherwise as necessary to report business activities of the Company, Enegate and EDMI Limited as group governance.
- * Execution of daily duties at the Company and its subsidiaries shall be based in accordance with occupational duty authority rules and internal approval process rules.

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

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

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

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

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

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

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

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

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

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

Consolidated Financial Statements

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Consolidated Balance Sheets

March 31, 2023, and 2024

ASSETS	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Current assets:			
Cash and cash equivalents (Note 4)	¥ 9,171	¥7,135	\$ 47,124
Deposits (Note 4)	4,611	3,717	24,554
Notes and accounts receivable - trade, and contract assets	20,495	18,825	124,335
Merchandise and finished goods	7,775	10,331	68,235
Work in process	2,673	2,747	18,147
Raw materials and supplies	8,626	9,230	60,965
Other current assets	3,778	3,936	25,995
Allowance for doubtful accounts	(514)	(460)	(3,040)
Total current assets	56,618	55,464	366,317
Non-current assets:			
Property, plant and equipment			
Buildings and structures	22,160	22,330	147,480
Less-accumulated depreciation	(13,820)	(14,350)	(94,781)
Total buildings and structures	8,339	7,979	52,698
Machinery, equipment and vehicles	15,993	15,829	104,544
Less-accumulated depreciation	(13,152)	(13,396)	(88,479)
Total machinery, equipment and vehicles	2,841	2,432	16,065
Land	12,090	12,099	79,914
Leased assets	3,389	3,413	22,541
Less-accumulated depreciation	(1,866)	(2,036)	(13,452)
Total leased assets	1,523	1,376	9,089
Construction in progress	74	186	1,230
Other fixed assets	7,418	7,527	49,712
Less-accumulated depreciation	(6,783)	(6,855)	(45,274)
Total other fixed assets	634	672	4,438
Net property, plant and equipment	25,502	24,746	163,437
Intangible assets			
Other intangible assets	735	783	5,176
Total intangible assets	735	783	5,176
Investments and other assets			
Investment securities (Note 6)	5,660	8,149	53,823
Defined benefit asset	1,571	2,201	14,537
Deferred tax assets	1,412	1,275	8,426
Other assets	1,770	3,025	19,983
Allowance for doubtful receivables	(3)	(4)	(31)
Total investments and other assets	10,412	14,647	96,740
Total non-current assets	36,649	40,177	265,354
TOTAL	¥ 93,268	¥ 95,641	\$ 631,672

See notes to consolidated financial statements

Consolidated Balance Sheets

March 31, 2023, and 2024

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Current liabilities:			
Notes and accounts payable - trade	¥ 8,172	¥ 7,071	\$ 46,706
Electronically recorded obligations - operating	3,799	2,857	18,871
Short-term loans payable	2,864	1,874	12,378
Accrued income taxes	904	786	5,194
Provision for bonuses	1,543	1,676	11,073
Provision for directors' bonuses	39	107	707
Provision for loss on liquidation of subsidiaries and associates	14	-	-
Provision for product warranties (Note 3)	576	462	3,055
Other current liabilities	7,092	7,361	48,618
Total current liabilities	25,008	22,197	146,605
Non-current liabilities:			
Long-term loans payable	2,642	2,823	18,650
Lease obligation	1,516	1,719	11,359
Provision for directors' retirements benefits	47	52	346
Provision for repairs	28	52	344
Defined benefit liability	2,404	2,347	15,503
Deferred tax liabilities	2,209	3,151	20,817
Other non-current liabilities	781	763	5,041
Total non-current liabilities	9,630	10,910	72,062
Total liabilities	34,638	33,108	218,668
Equity:			
Shareholders' equity			
Common stock (Note 8)	7,965	7,965	52,610
Capital surplus	8,759	8,762	57,875
Retained earnings	26,033	27,503	181,651
Treasury stock (Note 9)	(1,254)	(1,198)	(7,913)
Total shareholders' equity	41,503	43,034	284,223
Accumulated other comprehensive income			
Unrealized gains on investment securities	1,423	3,203	21,157
Foreign currency translation adjustments	2,510	2,521	16,654
Remeasurements of defined benefit plans	496	850	5,615
Total accumulated other comprehensive income	4,430	6,575	43,427
Stock acquisition rights (Note 10)	466	466	3,083
Non-controlling interests	12,228	12,456	82,270
Total equity	58,629	62,532	413,004
TOTAL	¥ 93,268	¥ 95,641	\$ 631,672

See notes to consolidated financial statements

Consolidated Statements of Income

Years ended March 31, 2023, and 2024

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Net sales	¥ 89,253	¥ 95,147	\$ 628,410
Cost of sales	71,288	72,542	479,110
Gross profit	17,964	22,605	149,299
Selling, general and administrative expenses (Note 11,12)	15,737	16,730	110,499
Operating income	2,226	5,874	38,800
Non-operating income:			
Interest income	21	36	239
Dividend income	229	277	1,835
Gain on sales of investment securities	98	14	92
Others	166	155	1,028
	516	483	3,196
Non-operating expenses:			
Interest expenses	147	172	1,140
Foreign exchange loss	586	563	3,723
Others	124	133	884
	858	870	5,747
Ordinary income	1,885	5,488	36,249
Extraordinary gains:			
Gain on sales of property, plant and equipment	327	-	-
Gain on sale of shares of subsidiaries and associates	1,957	-	-
	2,284	-	-
Extraordinary losses:			
Impairment losses	-	213	1,409
Loss on sales of shares of subsidiaries and associates (Note 13)	580	233	1,543
Provision for loss on liquidation of subsidiaries and associates (Note 14)	14	-	-
	595	447	2,952
Income before income taxes and non-controlling interests	3,574	5,041	33,296
Income taxes			
Current	1,346	1,585	10,472
Deferred	25	207	1,370
	1,371	1,793	11,843
Profit	2,202	3,248	21,453
Profit attributable to non-controlling interests	882	840	5,552
Profit (Loss) attributable to owners of parent	¥ 1,319	¥ 2,407	\$ 15,901

See notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

Years ended March 31, 2023, and 2024

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Profit	¥ 2,202	¥ 3,248	\$ 21,453
Other comprehensive income			
Unrealized gains on investment securities	303	1,780	11,756
Foreign currency translation adjustments	843	10	70
Remeasurements of defined benefit plans	(52)	354	2,339
	<u>1,094</u>	<u>2,144</u>	<u>14,165</u>
Comprehensive income	¥ 3,296	¥ 5,393	\$ 35,620
Comprehensive income (loss) attributable to owners of the parent	2,413	4,552	30,067
Comprehensive income attributable to non-controlling interests	882	840	5,552

Consolidated Statements of Changes in Equity

Years ended March 31, 2023, and 2024

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2022	¥ 7,965	¥ 8,750	¥ 25,670	¥ (487)	¥ 41,900
Cash dividends paid			(957)		(957)
Profit attributable to owners of parent			1,319		1,319
Purchase of treasury stock (Note 9)				(847)	(847)
Disposal of treasury stock (Note 9)		8		80	88
Net changes of items other than shareholders' equity					
Balance at March 31, 2023	7,965	8,759	26,033	(1,254)	41,503
Cash dividends paid			(937)		(937)
Profit attributable to owners of parent			2,407		2,407
Purchase of treasury stock (Note 9)				(0)	(0)
Disposal of treasury stock (Note 9)		3		56	60
Net changes of items other than shareholders' equity					
Balance at March 31, 2024	¥ 7,965	¥ 8,762	¥ 27,503	¥ (1,198)	¥ 43,034

	Thousands of U.S. dollars				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2023	\$ 52,610	\$ 57,851	\$ 171,939	\$ (8,288)	\$ 274,112
Cash dividends paid			(6,189)		(6,189)
Profit attributable to owners of parent			15,901		15,901
Purchase of treasury stock (Note 9)				(0)	(0)
Disposal of treasury stock (Note 9)		24		374	398
Net changes of items other than shareholders' equity					
Balance at March 31, 2024	\$ 52,610	\$ 57,875	\$ 181,651	\$ (7,913)	\$ 284,223

	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, 2022	¥ 1,119	¥ 1,667	¥ 549	¥ 3,336	¥ 509	¥ 11,865	¥ 57,611
Cash dividends paid							(957)
Profit attributable to owners of parent							1,319
Purchase of treasury stock (Note 9)							(847)
Disposal of treasury stock (Note 9)							88
Net changes of items other than shareholders' equity	303	843	(52)	1,094	(42)	363	1,414
Balance at March 31, 2023	1,423	2,510	496	4,430	466	12,228	58,629
Cash dividends paid							(937)
Profit attributable to owners of parent							2,407
Purchase of treasury stock (Note 9)							(0)
Disposal of treasury stock (Note 9)							60
Net changes of items other than shareholders' equity	1,780	10	354	2,144	-	227	2,372
Balance at March 31, 2024	¥ 3,203	¥ 2,521	¥ 850	¥ 6,575	¥ 466	¥ 12,456	¥ 62,532

	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, 2023	\$ 9,401	\$ 16,583	\$ 3,276	\$ 29,261	\$ 3,083	\$ 80,766	\$ 387,222
Cash dividends paid							(6,189)
Profit attributable to owners of parent							15,901
Purchase of treasury stock (Note 9)							(0)
Disposal of treasury stock (Note 9)							398
Net changes of items other than shareholders' equity	11,756	70	2,339	14,166	0	1,504	15,670
Balance at March 31, 2024	\$ 21,157	\$ 16,654	\$ 5,615	\$ 43,427	\$ 3,083	\$ 82,270	\$ 413,004

Consolidated Statements of Cash Flows

Years ended March 31, 2023, and 2024

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 3,574	¥ 5,041	\$ 33,296
Depreciation and amortization	2,587	2,304	15,222
Impairment losses	-	213	1,409
Amortization of goodwill	-	-	-
Increase (decrease) in allowance for doubtful accounts	(44)	(64)	(427)
Interest and dividend income	(251)	(314)	(2,074)
Interest expenses	147	172	1,140
(Increase) decrease in notes and accounts receivable - trade	(3,421)	1,459	9,636
(Increase) decrease in inventories	(2,593)	(3,332)	(22,010)
Increase (decrease) in notes and accounts payable - trade	1,982	(798)	(5,274)
Increase (decrease) in provision for bonuses	(71)	112	746
Increase (decrease) in provision for product warranties	127	(114)	(753)
Increase (decrease) in provision for directors' retirements benefits	4	4	32
Increase (decrease) in provision for directors' bonuses	(10)	66	441
Increase (decrease) in defined benefit liability	(75)	(57)	(377)
Decrease (increase) in defined benefit asset	(122)	(119)	(786)
Increase (decrease) in provision for repairs	7	24	160
(Gain) loss on sales of property, plant and equipment	(311)	6	41
Loss on retirement of non-current assets	28	85	566
Loss (gain) on sale of shares of subsidiaries and associates	(1,376)	233	1,543
(Gain) loss on sales of investment securities	(98)	(14)	(92)
Other, net	924	861	5,689
Interest and dividend received	252	315	2,086
Interest paid	(147)	(174)	(1,154)
Income taxes paid	(851)	(1,727)	(11,406)
Net cash provided by (used in) operating activities	260	4,187	27,655
Cash flows from investing activities:			
Payments for property, plant and equipment	(1,443)	(1,238)	(8,176)
Proceeds from sales of property, plant and equipment	671	148	979
Payments for intangible assets	(211)	(313)	(2,068)
Proceeds from sales of investment securities	99	42	283
Payments for long-term deposits	-	(1,000)	(6,604)
Proceeds from refund of long-term deposits	-	1,000	6,604
Payments for derivatives trading	(1,396)	(1,321)	(8,724)
Payment for sale of shares of subsidiaries resulting in change in scope of consolidation	-	(114)	(755)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	3,638	-	-
Other, net	(7)	(100)	(662)
Net cash provided by (used in) investing activities	1,349	(2,895)	(19,124)

Consolidated Statements of Cash Flows

Years ended March 31, 2023, and 2024

	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Cash flows from financing activities:			
Increase (decrease) in short-term loans payable, net	2,812	(1,178)	(7,782)
Proceeds from long-term bank loans	2,632	-	-
Repayments for long-term loans payable	(7,909)	-	-
Repayments of lease obligation	(284)	(258)	(1,706)
Payments for treasury stock	(847)	(0)	(0)
Cash dividends paid	(957)	(937)	(6,189)
Dividends paid to non-controlling interests	(528)	(616)	(4,071)
Proceeds from share issuance to non-controlling shareholders	10	-	-
Other, net	0	-	-
Net cash provided by (used in) financing activities	(5,072)	(2,990)	(19,750)
Effect of exchange rate changes on cash and cash equivalents	845	(176)	(1,162)
Net increase (decrease) in cash and cash equivalents	(2,616)	(1,874)	(12,382)
Cash and cash equivalents at beginning of year	15,335	12,718	84,001
Cash and cash equivalents at end of year (Note 4)	¥ 12,718	¥ 10,843	\$ 71,619

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, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. Foreign subsidiaries maintain financial accounting books according to accounting principles generally accepted in their country of presence and prepare financial statements accordingly.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the financial statements issued domestically in Japan in order to present these statements in a form which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements do not include certain information which is required under generally accepted accounting principles and practices in Japan.

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

Scope of consolidation

The consolidated Financial Statement as of March 31, 2024 include the accounts of the Company and its 24 subsidiaries. Principal Consolidated Subsidiaries are described in the Companies section. Four companies have decreased due to the sale of a domestic subsidiary and overseas subsidiaries.

Disclosure about the application of the equity method

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

Accounting periods of consolidated subsidiaries

Of the consolidated subsidiaries, the fiscal year-end date of 15 consolidated subsidiaries including Osaki United International Pte. Ltd. is December 31. In preparing the consolidated financial statements, the Company uses the financial statements as of that date, and makes necessary adjustments for significant transactions which occurred between their fiscal year-end date and the consolidated fiscal year-end date.

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

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

(3) Foreign Currency Conversion

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

(4) Cash and Cash Equivalents

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

(5) Marketable Securities

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

(6) Inventories

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

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

(7) Derivative

Financial derivative transactions are recognized using the market value method.

(8) Property, Plant and Equipment

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

(9) Intangible Assets

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

(10) Leases Assets

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

(11) Allowance for Doubtful Accounts

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

(12) Provision for Bonuses

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

(13) Provision for Directors’ Bonuses

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

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

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

(15) Provision for Product Warranties

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

(16) Provision for Directors' Retirements Benefits

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

(17) Provision for Repairs

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

(18) Accounting Method of Retirement Benefits

Method of allocating projected retirement benefit obligation to periods

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

Method of recording actuarial gains and losses

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

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

Adoption of simplified accounting method by small enterprises, etc.

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

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

The 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 obligated to repurchase the goods to be paid, and it is recognized as inventory.

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

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

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

(21) Significant hedge accounting method

Hedge accounting method

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

Hedge instruments and hedged items

(Hedge instruments) Interest rate swaps

(Hedge items) Interest on loan payables

Hedging policy

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

Hedge effectiveness assessment method

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

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

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

2. U.S. Dollar Amounts

U.S. dollar amounts presented in the financial statements are solely for the reference of the reader. These translations should not be construed as representations that the yen amounts actually represent or have been or could be converted into U.S. dollars. As the amounts shown in U.S. dollars are for reference only, the rate of ¥151.41 = U.S.\$1, the approximate current rate on Tokyo Foreign Exchange Market at March 31, 2024, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements.

3. Significant Accounting Estimates

Provision for product warranties

(Amounts Recorded in the Consolidated Financial Statements)

As of March 31	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Provision for product warranties	¥ 576	¥ 462	\$ 3,055

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

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

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

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

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

4. Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Cash and cash equivalents in the balance sheets	¥ 9,171	¥ 7,135	\$ 47,124
Deposits	4,611	3,717	24,554
Total	13,782	10,852	71,678
Time deposits (with maturities of more than three months)	(63)	(9)	(59)
Deposits (with maturities of more than three months)	(1,000)	-	-
Cash and cash equivalents in the cash flow statements	12,718	10,843	71,619

5. Lease

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

As of March 31	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Investments in leases			
Current assets	¥ 399	¥ 541	\$ 3,574
Investments and other assets	881	1,151	7,608

As of March 31	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Lease obligation			
Current liabilities	¥ 395	¥ 540	\$ 3,568
Non-current liabilities	879	1,153	7,621

6. Investment Securities

Investments securities comprise the following:

As of March 31	Millions of yen				Thousands of U.S. dollars
	2023		2024		2024
Available-for-sale securities					
Acquisition cost	¥	1,985	¥	1,956	\$ 12,924
Fair value		3,901		6,392	42,220
Net unrealized gain		1,915		4,435	29,295

As of March 31	Millions of yen				Thousands of U.S. dollars
	2023		2024		2024
Investments in non-public companies and others	¥	1,758	¥	1,756	\$ 11,603

7. Accrued Retirement Benefits

General outline of retirement benefit plans

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

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

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

Defined benefit plan except plans applying the simplified method

(a) Movements in retirement benefit obligations:

As of March 31	Millions of yen				Thousands of U.S. dollars
	2023		2024		2024
Balance at beginning of year	¥	5,023	¥	4,867	\$ 32,149
Service cost		337		313	2,068
Interest cost		23		36	242
Actuarial losses		(177)		(86)	(571)
Benefits paid		(346)		(366)	(2,422)
Others		7		(5)	(36)
Balance at end of year	¥	4,867	¥	4,758	\$ 31,430

(b) Movements in plan assets:

As of March 31	Millions of yen				Thousands of U.S. dollars
	2023		2024		2024
Balance at beginning of year	¥	4,333	¥	4,314	\$ 28,492
Expected return on plan assets		21		34	227
Actuarial losses		(32)		601	3,973
Contributions from the employer		132		130	859
Benefits paid		(140)		(194)	(1,286)
Others		-		-	-
Balance at end of year	¥	4,314	¥	4,885	\$ 32,267

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

As of March 31	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Funded defined benefit obligations	¥ 2,742	¥ 2,684	\$ 17,729
Plan assets	(4,314)	(4,885)	(32,267)
	(1,571)	(2,201)	(14,537)
Unfunded defined benefit obligations	2,125	2,074	13,700
Net of liabilities and assets of consolidated balance sheet	¥ 553	¥ (126)	\$ (837)

As of March 31	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Net defined benefit liabilities	¥ 2,125	¥ 2,074	\$ 13,700
Net defined benefit assets	(1,571)	(2,201)	(14,537)
Net of liabilities and assets of consolidated balance sheet	¥ 553	¥ (126)	\$ (837)

(d) Breakdown of retirement benefit cost:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Service cost	¥ 337	¥ 313	\$ 2,068
Interest cost	23	36	242
Expected return on plan assets	(21)	(34)	(227)
Amortization of actuarial differences	(221)	(177)	(1,173)
Total	¥ 117	¥ 137	\$ 910

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

As of March 31	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Actuarial gains and losses	¥ 76	¥ (510)	\$ (3,372)
Total	¥ 76	¥ (510)	\$ (3,372)

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

As of March 31	Millions of yen		Thousands of U.S. dollars
	2023	2024	2024
Unrecognized actuarial gains and losses	¥ (714)	¥ (1,225)	\$ (8,094)
Total	¥ (714)	¥ (1,225)	\$ (8,094)

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

① Plan assets comprise

	2023	2024
Equity securities	38%	42%
Debt securities	36%	36%
General account	22%	19%
Others	4%	3%
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:

	2023	2024
Discount rate	0.5%	0.8%
Expected rate of return on plan assets	0.5%	0.8%

Defined benefit plan applying the simplified method

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

	Millions of yen		Thousands of U.S. dollars
As of March 31	2023	2024	2024
Balance at beginning of year	¥ 263	¥ 279	\$ 1,844
Retirement benefit cost	22	22	149
Payment of benefits	(7)	(29)	(192)
Balance at end of year	¥ 279	¥ 272	\$ 1,802

(b) 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
As of March 31	2023	2024	2024
Funded defined benefit obligations	¥ -	¥ -	\$ -
Plan assets	-	-	-
Unfunded defined benefit obligations	279	272	1,802
Net of liabilities and assets of consolidated balance sheet	¥ 279	¥ 272	\$ 1,802

	Millions of yen		Thousands of U.S. dollars
As of March 31	2023	2024	2024
Net defined benefit liabilities	¥ 279	¥ 272	\$ 1,802
Net of liabilities and assets of consolidated balance sheet	¥ 279	¥ 272	\$ 1,802

(c) Retirement benefit expenses are calculated using simplified accounting method. The amount recorded in the previous consolidated fiscal year was 22 million Japanese yen and this consolidated fiscal year was 22 million Japanese yen (\$149 thousand).

Defined Contribution Plan

The amounts required to be contributed to the defined contribution plan are 579 million Japanese yen and 555 million Japanese yen (\$3,665 thousand) for the years ended March 31, 2023 and 2024, respectively.

8. Common Stock

Changes in common stock for the fiscal years ended March 31, 2023, and 2024, are as follows.

	2023	2024
Total number of authorized shares:		
End of the year	100,000,000	100,000,000
Total number of issued shares:		
Beginning of the year	49,267,180	49,267,180
Changes during the year	-	-
End of the year	49,267,180	49,267,180

9. Treasury Stock

Changes in treasury stock as of March 31, 2023, and 2024, are as follows.

	2023	2024
Ordinary shares		
Beginning of the year	968,247	2,464,755
Changes during the year		
Purchase of shares less than one unit and acquisition of treasury shares by resolution of the Board of Directors	1,657,777	27
Disposal by exercising stock acquisition rights	(71,300)	-
Grant of transfer-restricted stock compensation	(89,969)	(111,373)
End of the year	2,464,755	2,353,409

10. Stock Acquisition Rights

Stock acquisition rights comprise the following:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2023	2024	2024
Stock acquisition rights as the stock options	¥ 466	¥ 466	\$ 3,083

11. Selling, general and administrative expenses

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

	Millions of yen		Thousands of U.S. dollars
As of March 31	2023	2024	2024
Employee salaries and bonuses	¥ 5,096	¥ 5,183	\$ 34,234
Provision for bonuses	786	895	5,912
Provision for directors' bonuses	37	111	736
Retirement benefit expenses	179	209	1,380
Provision for directors' retirements benefits	4	4	32
Provision for repairs	6	6	44
Allowance for doubtful accounts	0	(17)	(112)
Research and development expenses	3,233	3,529	23,309

12. Research and Development Expenses

Research and development expenses comprise the following:

	Millions of yen		Thousands of U.S. dollars
As of March 31	2023	2024	2024
Selling, general and administrative expenses	¥ 3,233	¥ 3,529	\$ 23,309

13. Impairment losses

Due to the decision to sell part of the electricity meter production equipment in the "Smart meters & solutions overseas" segment, the book value of the asset has been reduced to its recoverable amount.

14. Loss on sales of shares of subsidiaries and associates

EDMI Limited, a consolidated subsidiary of the Company, sold shares of four subsidiaries.

15. Income taxes

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

	Millions of yen				Thousands of U.S. dollars
	2023		2024		2024
Deferred tax assets:					
Loss carried forward*	¥	1,939	¥	2,255	\$ 14,898
Defined benefit liability		733		716	4,731
Provision for bonuses		387		361	2,388
Accrued expenses		339		350	2,313
Inventories		183		163	1,082
Provision for product warranties		175		138	914
Long-term accounts payable		158		158	1,045
Investment securities		152		143	949
Stock acquisition rights		142		142	944
Impairment losses		142		120	793
Membership		107		107	710
Others		661		350	2,312
Subtotal		5,124		5,009	33,085
Valuation allowance on tax losses carried forward*		(1,780)		(1,941)	(12,820)
Valuation allowance on total deductible temporary differences		(1,365)		(1,243)	(8,214)
Subtotal		(3,146)		(3,184)	(21,035)
Total deferred tax assets		1,977		1,824	12,050
Deferred tax liabilities:					
Land valuation margin		(1,608)		(1,608)	(10,623)
Defined benefit asset		(481)		(674)	(4,451)
Unrealized gains on investment securities		(492)		(1,232)	(8,137)
Others		(192)		(186)	(1,228)
Total deferred tax liabilities		(2,774)		(3,700)	(24,441)
Net deferred tax liabilities	¥	(797)	¥	(1,876)	\$ (12,390)

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

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

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

	Millions of yen						Total
	2024						
	Due in	Due after	Due after	Due after	Due after	Due after	
	One Year	One Year	Two Years	Three Years	Four Years	Five Years	
or Less	through	through	through	through	through		
	Two Years	Three Years	Four Years	Five Years			
Tax losses carried forward*	¥ 60	¥ 75	¥ 106	¥ 11	¥ 38	¥ 1,963	¥ 2,255
Valuation allowance	(60)	(75)	(106)	(11)	(38)	(1,648)	(1,941)
Deferred tax assets	-	-	-	-	-	314	314

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

	Thousands of U.S. dollars						Total
	2024						
	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*	\$ 399	\$ 501	\$ 702	\$ 73	\$ 255	\$ 12,966	\$ 14,898
Valuation allowance	(399)	(501)	(702)	(73)	(255)	(10,888)	(12,820)
Deferred tax assets	-	-	-	-	-	2,077	2,077

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

16. Segment Information

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

Smart meters & solutions in Japan:

Smart meters, Instrument VCT, Energy solutions, Switchgear

Smart meters & solutions overseas:

Smart metering solutions

Real estate: Real estate leasing

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

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

The segment income is adjusted by intersegment transaction eliminations.

Year ended March 31	Millions of yen					
	2024					
	Reporting Segments			Total	Adjustment	Consolidated
	Smart meters & solutions in Japan	Smart meters & solutions overseas	Real estate			
Sales to customers	¥ 55,244	¥ 39,436	¥ 466	¥ 95,147	¥ -	¥ 95,147
Intersegment sales	22	1,256	105	1,384	(1,384)	-
Total sales	55,266	40,693	572	96,531	(1,384)	95,147
Operating income	4,451	1,155	277	5,884	(9)	5,874

The segment income is adjusted by intersegment transaction eliminations.

Year ended March 31	Thousands of U.S. dollars					
	2024					
	Reporting Segments			Total	Adjustment	Consolidated
	Smart meters & solutions in Japan	Smart meters & solutions overseas	Real estate			
Sales to customers	\$ 364,866	\$ 260,461	\$ 3,082	\$ 628,410	\$ -	\$ 628,410
Intersegment sales	145	8,299	696	9,141	(9,141)	-
Total sales	365,011	268,760	3,779	637,552	(9,141)	628,410
Operating income	29,403	7,628	1,833	38,865	(64)	38,800

The segment income is adjusted by intersegment transaction eliminations.

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.	●
	La crasin Inc.	●
	OSAKI ESTATE CO., LTD.	●
SINGAPORE	OSAKI UNITED INTERNATIONAL PTE. LTD.	●
	EDMI LIMITED	●
CHINA	EDMI (SHENZHEN) CO., LTD	●
MALAYSIA	EDMI ELECTRONICS SDN. BHD.	●
UNITED KINGDOM	EDMI EUROPE LIMITED	●
AUSTRALIA	EDMI PTY LTD	●

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

*There are 10 consolidated subsidiaries other than those listed above.

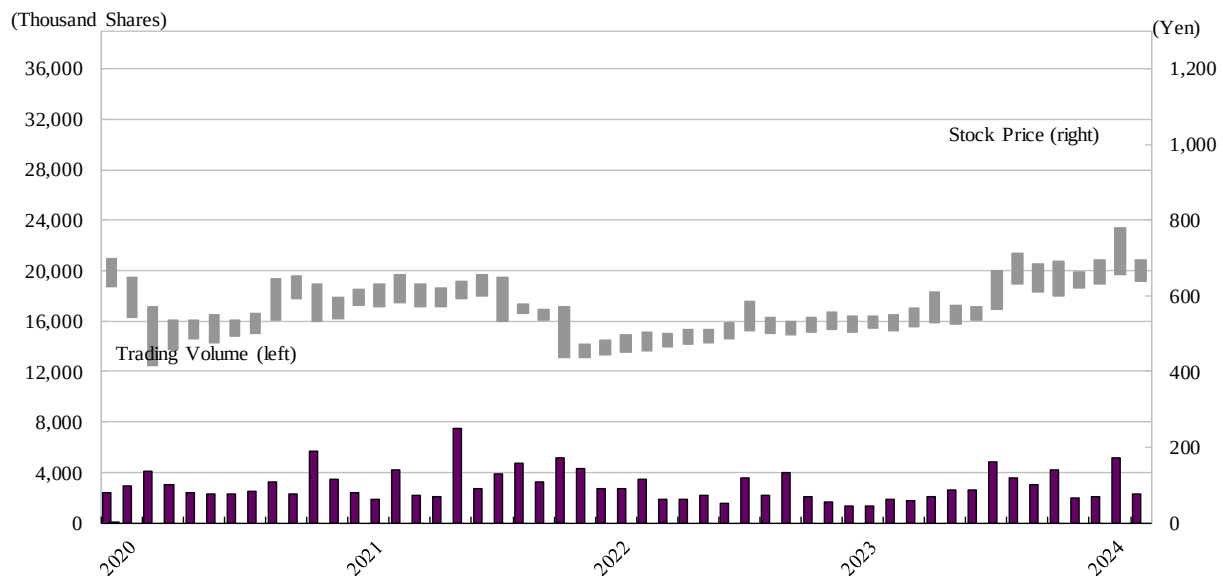
Stock Information

(As of March 31, 2024)

Common Stock

Authorized	:	100,000,000
Issued	:	49,267,180
Number of Shareholders	:	7,540

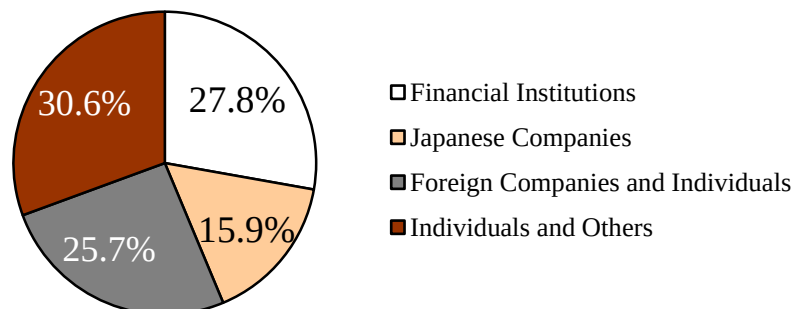
Stock Price and Trading Volume (Tokyo Stock Exchange)



Major Shareholders

	Number of shares	
	(Thousand shares)	(%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,964	12.7
THE HONGKONG AND SHANGHAI BANKING CORPORATION LTD - SINGAPORE BRANCH PRIVATE BANKING DIVISION CLIENTS A/C 8221-623793	5,062	10.7
Custody Bank of Japan, Ltd. (Trust Account)	2,327	4.9
Osaki Electric cooperation company share holding commission	1,690	3.6
MUFG Bank, Ltd.	1,552	3.3

Breakdown of Shareholders



Investor Information

Management (As of June 27, 2024)

REPRESENTATIVE DIRECTORS

Chairman and CEO

Yoshihide Watanabe

President and COO

Mitsuyasu Watanabe

Executive Vice President

Haruyuki Kawabata

DIRECTORS

Senior Managing Executive Officer

Ryuichi Ueno

Directors

Masami Mizuno (Independent)

Nobuhiro Kasai (Independent)

Shoko Kuroki (Independent)

CORPORATE AUDITORS

Standing Auditors

Choichiro Hori

Yutaka Hasegawa

Auditors

Kumiko Kitai (Independent)

Chihiro Kawai (Independent)

EXECUTIVE OFFICERS

Takehiko Ota

Jun Abe

Toshiaki Takada

Hiroshi Takahashi

Hiroyuki Hatakeyama

Nobuyuki Ono

Noriyuki Tokumoto

Corporate Data (As of March 31, 2024)

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

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