



OSAKI Group Integrated Report

2023

 OSAKI

Global Energy Solution Leader

Providing tomorrow's energy solution for a better society

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● Reporting Period
April 1, 2022 to March 31, 2023
* It also contains some latest initiatives and policies to provide updated information.

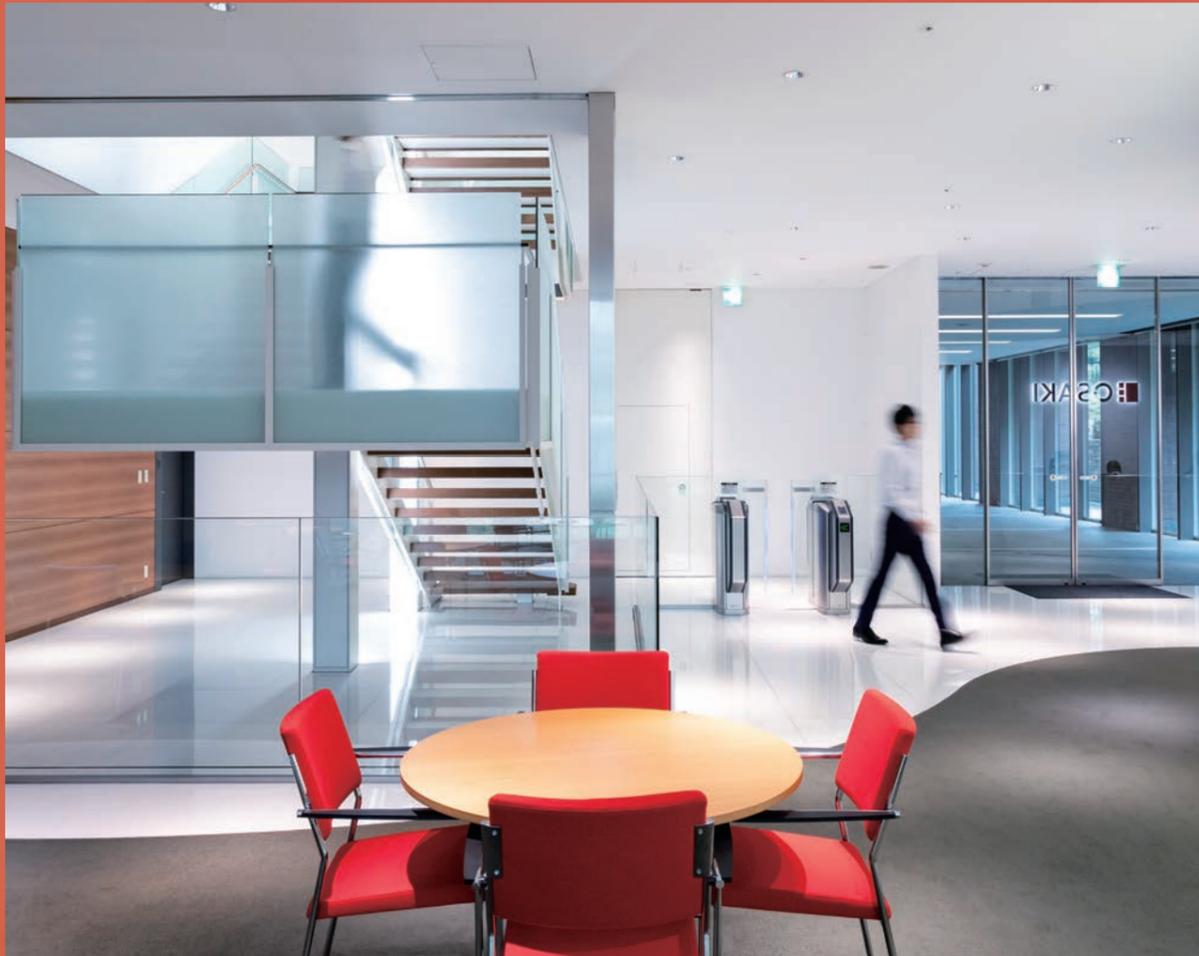
● Editing Policy
OSAKI Group Integrated Report 2023 serves to provide our shareholders, investors, and other stakeholders with a clear overview of our Group's initiatives for sustainable growth. The Integrated Report includes both financial and non-financial information mainly on our performance and strategies for increasing corporate value, referring to the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC).

● Notice on forward-looking statements:
This Integrated Report 2023 contains forward-looking statements such as the future business performance of the OSAKI Group. As these statements are based on the information available at the time of the preparation of this report, please note that the actual results might differ materially from the content described or suggested therein due to various factors.

In this Integrated Report, OSAKI ELECTRIC Co., Ltd. is written as OSAKI ELECTRIC or the Company, and OSAKI ELECTRIC Group as OSAKI, the OSAKI Group or the Group.

Chapter 1

The OSAKI Group's Value Creation



First-floor entrance at OSAKI ELECTRIC's headquarters



Yoshihide Watanabe
Chairman and CEO

Messages from the Chairman

Since its founding in 1916, the OSAKI Group has remained committed to the effective application of energy through power measurement and control.

While capturing the top position in Japan for smart meters, we welcomed EDM I Limited, a global manufacturer of smart meters, to the OSAKI Group in 2012 as we accelerate our global expansion. Currently, the OSAKI Group operates in many countries and regions, including Japan, Oceania, Europe, and various emerging countries.

The OSAKI Group's corporate vision is to be a "Global Energy Solution Leader" that takes on social challenges related to energy. We will bring together the Group's power measurement and control technology and our global business network to provide solutions for climate change and decarbonisation, which are major issues facing the international community.

In closing, we ask for your continued understanding and support.

OSAKI Group Vision

Global Energy Solution Leader

Top Message



Mitsuyasu Watanabe
President and COO
OSAKI ELECTRIC Co., Ltd.

A Solution Company That Solves Energy-Related Challenges with Power Measurement and Control Technology

Though the coronavirus pandemic's profound global impact has subsided, the business landscape in which the OSAKI Group operates is undergoing major changes, due to, for example, rising geopolitical risks brought on by Russia's invasion of Ukraine, rising interest rates and prices, and exchange rate fluctuations.

In such an environment, it is important for us to respond flexibly to changes and continue to provide added value. So far, we have been expanding our business centered on smart meters that measure electricity usage.

However, climate change has become a major social issue, and while the function of our smart meters themselves has not changed significantly, their role is changing. Until recently, their primary use has been to bill for electricity usage, now they are also being used to provide CO₂ emission data to promote decarbonisation.

All-Important Decarbonisation Initiatives

Decarbonisation is a major issue for the international community within the energy environment and one of the Sustainable Development Goals (SDGs). As such, the OSAKI Group recognises decarbonisation as its top management priority and is strengthening its promotion of the energy solution business towards this goal.

The OSAKI Group utilises its strength, namely electricity usage measurement technology, to collect data on when,

where, how much, and in what way the CO₂-emitting electricity is used. This data plays a key role in considering measures for decarbonisation.

By concentrating and utilising the Group's technologies and know-how and promoting research and development, we will contribute to improving efficient energy use throughout the entire global community while also promoting activities for decarbonisation at our own bases.

Creating New Added-Value Together with Business Partners

OSAKI ELECTRIC established the open innovation laboratory "NEXT 100teX Lab," where we are pushing ahead with new value creation via collaboration with various university laboratories, local governments, and venture companies.

Through these partnerships, we will continue efforts to create new businesses for the realisation of a bountiful earth and enriched society.

Clarify Values and Foster Corporate Culture

To ensure that the OSAKI Group achieves sustainable growth as a "Global Energy Solution Leader," I believe it is important to create a corporate culture that takes ownership of environmental conservation and social issues and takes on the challenge of resolving these issues. In addition, I would like to foster a corporate culture in which all employees act spontaneously towards the realisation of a sustainable society.

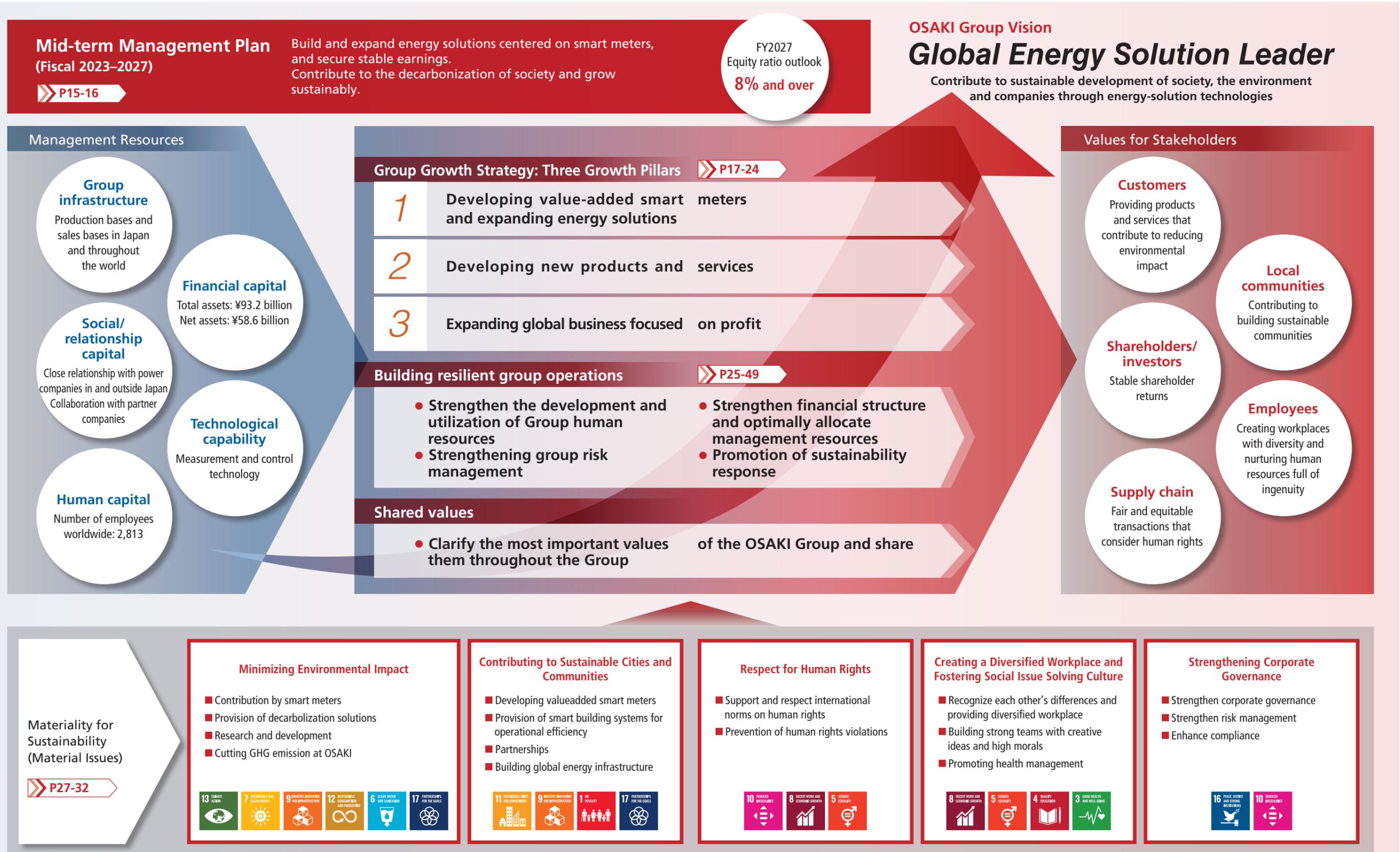
To achieve our goals, it's crucial that the entire group aligns with these cherished corporate values. As an initial step, we are clarifying these values through discussions with our employees, customers, business associates, and other key stakeholders.

Furthermore, we are stepping up our investments in human resources, and as part of this effort, launched a Sustainable Development Goals (SDGs) education program for our employees. This program will help all employees understand SDGs and efforts to achieve sustainable society, thereby creating environment for their own active promotion of SDGs.

To become a global company needed by society 100 years from now, the OSAKI Group is committed to contributing to the creation of an enriched future by continuing to grow and evolve with society.

We ask for and appreciate your kind support.

Value Creation Process



Financial and Non-financial Highlights (Year ended 31st March 2023)

Net sales

¥ **89,253** million
YoY 17.2%↑

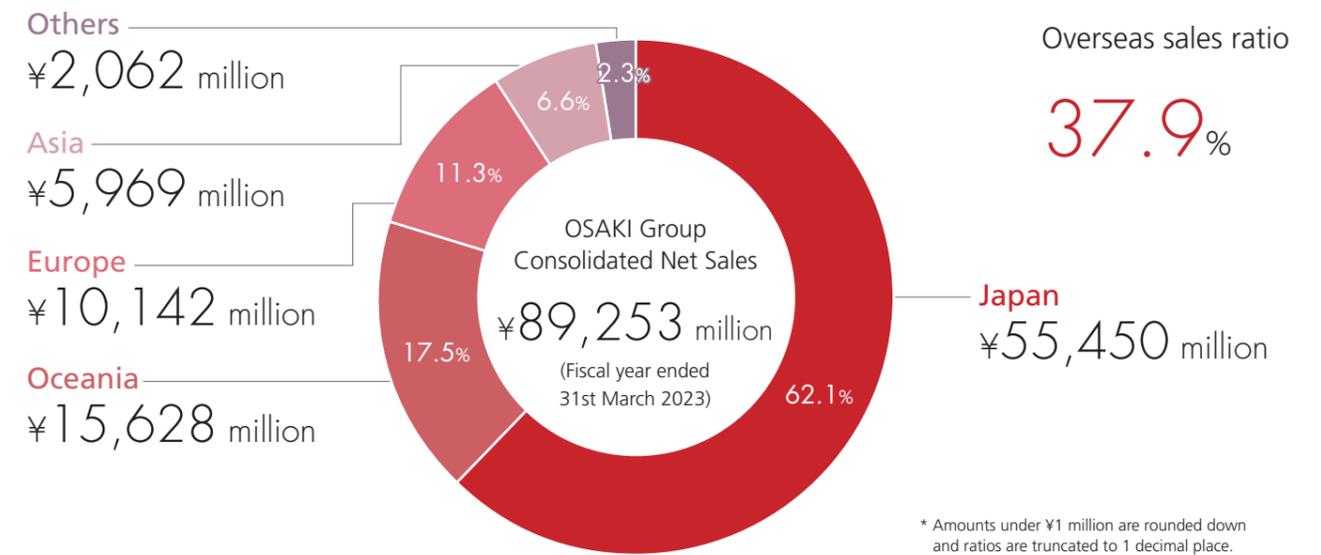
In Japan, sales of smart meters and solutions increased. Overseas, although shipments to the UK decreased due to electronic component procuring difficulties, sales increased due to the depreciation of the yen.

Operating income

¥ **2,226** million
YoY 74.3%↑

Overseas profits decreased due to component procuring difficulties and higher prices, but on a consolidated profit increased due to the higher sales in Japan.

Sales by region



Profit attributable to owners of parent

¥ **1,319** million
¥ -658 million for the year ended 31st March 2022

Increase due to the increase in operating income and extraordinary gains from the sale of subsidiaries in Japan and overseas.

Net income per share

¥ **27.86**
¥ -13.42 for the year ended 31st March 2022

Increase due to increase in operating income.

Net assets

¥ **58,629** million
YoY 1.8%↑

Increase due to increase from foreign currency translation adjustments, retained earnings, and non-controlling interests.

Net assets per share

¥ **981.44**
YoY ¥ 44.84↑

Increase due to increase in net assets and repurchase of own shares.

Return on equity (ROE)

2.9%
-1.4% as of the end of the previous fiscal year

Improvement due to increase in profits attributable to owners of parent.

Equity ratio

49.2%
YoY -0.3 percentage points↓

Decrease due to repurchase of own shares.

Number of employees / Ratio of overseas employees (consolidated)

2,813 / **42.3%**

Ratio of female employees

OSAKI ELECTRIC **21%**
EDMI **43%**

Number of employees who took childcare leave (OSAKI ELECTRIC)

4
(Three of whom are male employees)

Average rate of annual paid leave taken (OSAKI ELECTRIC)

72%

Operating Results and Business Portfolio

Analysis of Business Results for Fiscal 2022

The business environment in fiscal 2022 continued to be challenging, marked by soaring prices of energy and raw materials, coupled with rapid exchange rate movements.

Notwithstanding these challenges, growth of the Smart Meters & Solutions business in Japan surpassed that of the previous year, driven by higher sales of smart meters and solutions and resulting in a year-on-year increase of 211.4% in operating income.

As for Smart Meters & Solutions Overseas, while

shipments to Oceania showed steady growth, shipments to the UK declined due to electronic component procuring difficulties. Overseas sales on a US dollar basis, the functional currency, declined, but consolidated sales were higher due to the depreciation of the yen. The decrease in sales on a US dollar basis and steep increases in the cost of parts and materials resulted in an operating loss.

The consolidated financial results are shown in the table below.

(¥ million)

	FY 2022 results	Year-on-Year [or: YoY]		Changes from initial forecasts	
		Amount	Ratio (%)	Amount	Ratio (%)
Net sales	89,253	13,069	17.2	9,253	11.6
Operating income	2,226	949	74.3	1,226	122.7
Ordinary income	1,885	695	58.5	785	71.4
Profit attributable to owners of parent	1,319	1,978	-	(180)	(12.0)

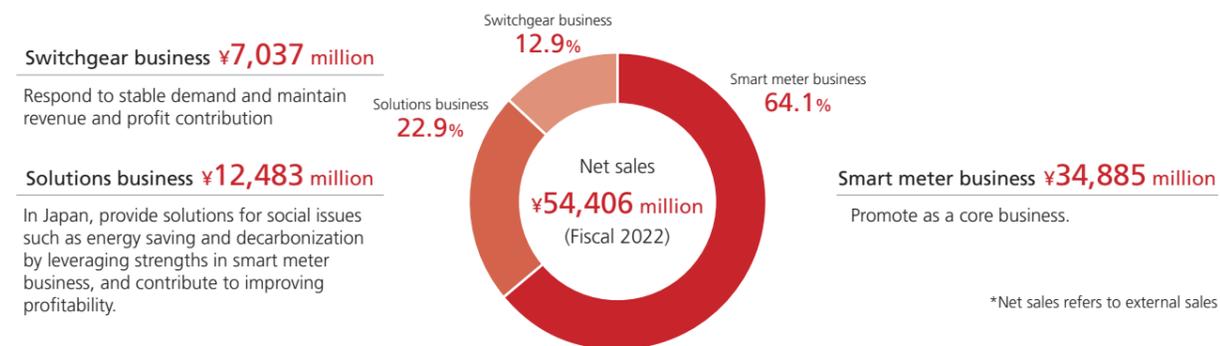
Business Portfolio

The Group's business portfolio strategy is to operate the smart meter & solutions business in Japan by product and

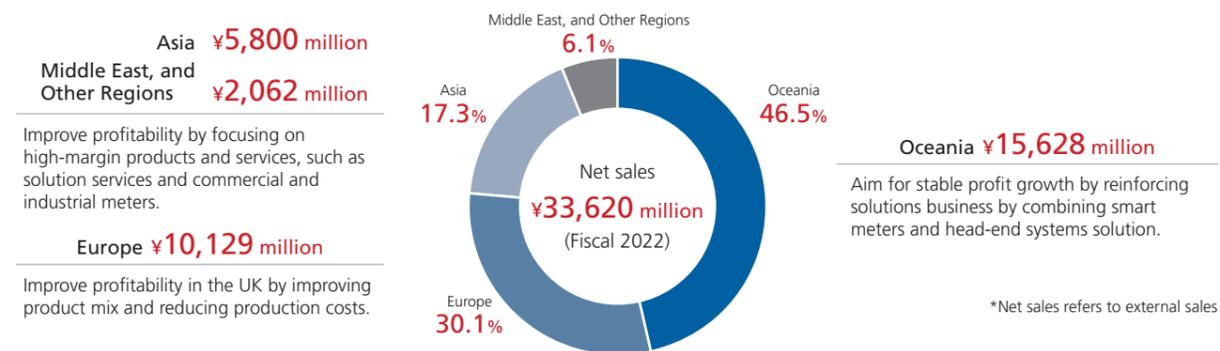
service, and the overseas business by region, each further subdivided into respective subsegments.

Business portfolio categories and positioning

Smart Meters & Solutions in Japan (by product and service)



Smart Meters & Solutions Overseas (by region)



"Other" includes the manufacturing equipment* and real estate businesses

Net sales ¥1,226 million (Fiscal 2022) *The manufacturing equipment business is being sold in fiscal 2022.

Capital Policy and Dividends

Financial Goals and Approach to Capital Policy

The Group has set financial goals focused on profit growth.

To ensure implementation of growth investments and returns for shareholders, we will safeguard free cash flow, divide returns for shareholders in accordance with dividend

policy, and continue to consider the additional means of returns for shareholders, including the repurchase of own shares. Specific approach is as follows.

		FY 2022 results	Approach
Profit Growth	Operating income	¥2,226 million	Carry out the group growth strategy to attain on operating income of ¥5.5 billion by fiscal 2025
	ROE	2.9%	Attain ROE exceeding capital cost (currently at 5.5%) by fiscal 2025, and aim for 8% and higher as a mid-term goal
Capital Efficiency	FCF	¥1,610 million	Secure a sufficient free cash flow for investments and Generate cash to provide investment and dividends
	Portfolio management	Sale of manufacturing equipment business	Set and monitor KPIs of product/services and regions to reinforce portfolio management
Financial Soundness	Capital adequacy ratio	49.2%	Keep the capital adequacy ratio at around 50%
Shareholders Returns	Dividends	Annual dividend of ¥20 per share	Provide either the higher of DOE (Dividend on Equity Ratio) of 2% or pay out ratio of 30%
	Repurchase of own shares	Total acquisition amount of ¥1.25 billion	Evaluate cash, working capital, business performance, stock prices, status of investments and other factors in decision-making process

Shareholder Return Policy

The Group regards the return of profits to shareholders as one of the most important management policies, with its basic policy being to distribute results in accordance with business performance while maintaining stable dividends to shareholders.

Specifically, we determine the amount based on the higher of a dividend on an equity ratio of 2% or a payout ratio of 30%.

In addition, for the purpose of improving capital efficiency, we will continue to consider share buybacks

based on a comprehensive review of available funds, working capital requirements, recent business performance, stock price, and the status of investments.

Aiming to expand corporate value over the long term, internal reserves will be used as a source of funds for R&D investment and capital investment to strengthen competitiveness, and will also be effectively utilized for future business development, including M&A, in order to improve business performance.

Management Indicators

We put strong emphasis on improving the efficiency of shareholders' equity and aim to continuously improve ROE (Return on Equity). Specifically, we aim to exceed the cost of capital as soon as possible, and over the medium term, we aim to achieve a return on equity of 8% or more. The targets of the Fiscal 2023-2027 Mid-term Management Plan announced in May 2023 are shown in the right table.



Mid-term Management Plan (Fiscal 2023-2027)

In May 2019, a medium-term growth strategy for the OSAKI Group was announced as a five-year Mid-term Management Plan. We intend to review the numerical targets of the Mid-term Management Plan every year and make revisions accordingly.

Management Policies

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 create new value

throughout the world and achieve sustainable growth through our energy solutions aimed at combatting climate change and realizing decarbonisation.

Business Outlook

The Group promotes strategies based on its business portfolio so that it can respond to changes in the business environment and achieve sustainable growth. The basic policy of the business portfolio strategy is to divide the business segment into sub-segments, conduct PDCA management at the Board of Directors and reflect it in the

resource allocation in the Mid-term Management Plan.

The following are the numerical targets of the Mid-term Management Plan announced in May 2023 (for the fiscal year ending March 31, 2024 to the fiscal year ending March 31, 2028).

(¥ million)

	FY2022	FY2023 Forecasts	FY2024 Mid-term outlook	FY2025 Mid-term outlook	FY2027 Targets
Net sales	89,253	88,000	91,000	98,000	-
Operating income	2,226	2,800	4,000	5,500	-
Profit attributable to owners of parent	1,319	1,000	2,200	3,300	-
Net income ratio	1.5%	1.1%	2.4%	3.4%	-
ROE	2.9%	2.5%	5.0%	7.0%	8% and over

Strategies Based on the Mid-term Management Plan

In carrying out the Mid-term Management Plan, the OSAKI Group will use the following strategies.

(1) Developing value-added smart meters and expanding energy solutions

In Japan, we will move ahead with the development of next-generation smart meters along with focusing on developing and promoting solutions business that provides one-stop decarbonisation and GX (Green Transformation), and expanding energy solutions that create new value-added.

(2) Developing new products and services

We will collaborate with various partners to accelerate technology development and reinforce marketing, and leverage the Group's strengths and management resources to create new businesses to contribute to the realisation of a sustainable society and environment.

(3) Expanding global business focused on profit

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

- Transition to high value-added solutions business tailored to market characteristics
- Optimization of organizational functions through consolidation of development sites
- Strengthen supply chain management

In Oceania, we are currently providing solution services and have achieved stable and high profitability. Going forward, we will aim for stable growth by maintaining a high market share and continuing to upgrade our solutions.

In the UK, as planned at the beginning of the smart meter project, a certain level of shipments is expected over the next three years, and we will work to improve profit margins by reducing costs.

In other regions, to improve profits we will expand the provision of high value-added solutions to Asia, the Middle East, and Africa.

We will further simplify production and supply chains and look to streamline development by consolidating development bases.

(Figure) Current Status of Global Expansion



(4) Building resilient group operations

The OSAKI Group will strive to strengthen its management base by implementing the following measures.

- Build strong teams through training and utilization
- Strengthen Group risk control
- Enhance financial soundness and optimize allocation of management resources
- Promote sustainability activities

We will develop human resources able to create business opportunities attuned to changes in society. We will also focus on Group risk management in response to geopolitical risks. In addition, we will strive to further

strengthen our financial resilience to any changes in the business environment and optimize allocation of management resources.

With the business fields of the Group being closely linked to the SDGs, we will continue to develop our business with special regard to the importance of solving social issues.

(5) OSAKI Group awareness reforms

To ensure the above priority strategies are implemented and the Group grows as a single, united entity, we will once again clarify OSAKI's most important values and ensure that they are shared throughout the Group.

Intellectual Property Initiatives

We recognize that initiatives related to patents and other intellectual properties are important for the sustainable growth of the Group. We are therefore engaged in various activities that include providing continuous education

relating to patents, developing systems, analyzing the current status of intellectual property, and considering areas that need to be strengthened.

Group Basic Policy of Intellectual Property

1. Strengthening intellectual property

We will promote intellectual property activities in Japan and internationally in the field of smart meters and related solutions to increase the added value of our products.

2. Respect for intellectual property

We respect the intellectual property of others and protect our own rights.

3. Intellectual property education

We will conduct ongoing educational activities to improve employees' understanding of intellectual property.

Chapter 2 Business Strategies for Value Creation



Smart meter line-up in Japan (top); EDMI in Australia (bottom)

Smart Meters & Solutions in Japan

Efforts to Realise a Decarbonised Society

OSAKI ELECTRIC has contributed to efficient use of electric power by providing the technology to accurately measure invisible energy and the technology to realise the monitoring of usage information and controlling consumption. With this power measurement and control technology based on our smart meters as the starting point, we are using new technologies such as IoT and AI to optimize power consumption and provide laboursaving solutions in operations related to social infrastructures.

Going forward, we will work with various partners to strengthen technology development and marketing, and promote the creation of new businesses that leverage the strengths and management resources of the Group. We will focus on solution businesses that provide one-stop decarbonisation and Green Transformation, and contribute to the realisation of a sustainable society and environment.

Fiscal 2022 Financial Results

In Japan, sales of smart meters and of solutions business both grew from the previous fiscal year. Net sales increased by 18.3% compared to the previous fiscal year, to 54,427 million yen.

The increase in net sales led to a 211.4% year-on-year increase in operating income, to 3,816 million yen.

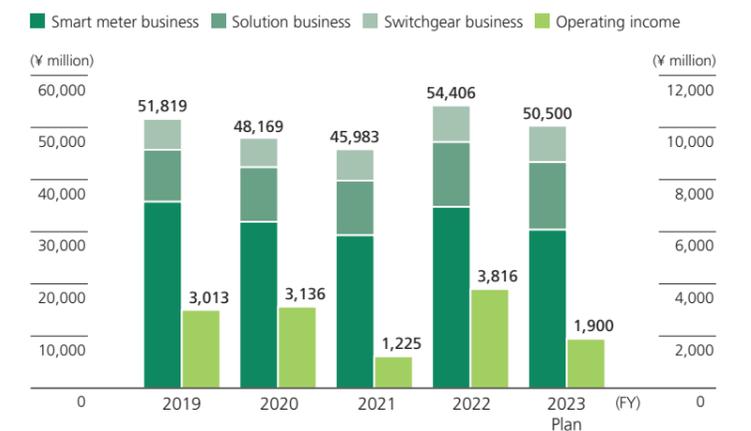
* Net sales include internal sales between segments.

Future Outlook

For fiscal 2023, while the solution business is expected to expand, net sales is anticipated to decrease from the previous fiscal year due to demand trough of smart meters until the expected renewal period in fiscal 2025, Operating

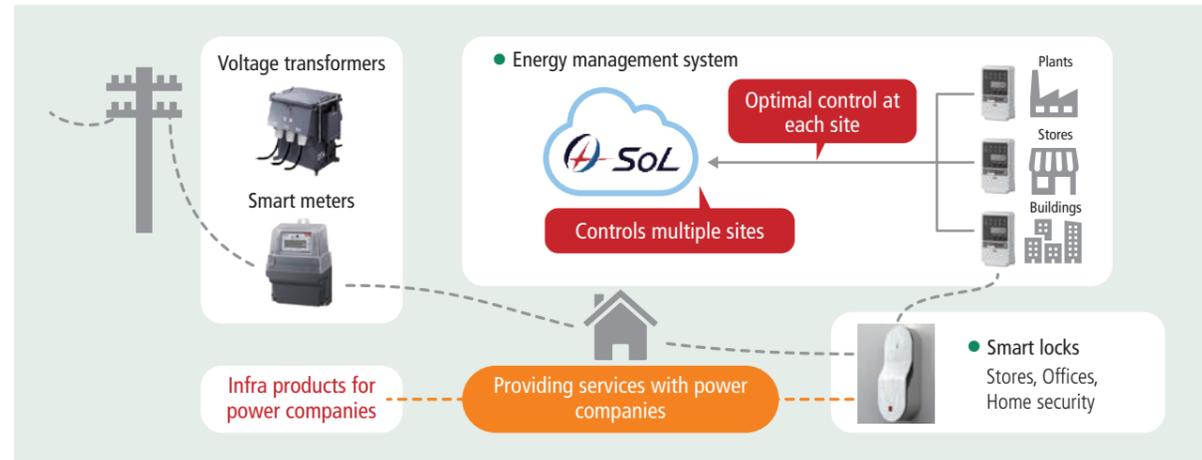
income is also forecast to decrease due to drop in net sales, as raw material prices that had been controlled to some extent are expected to soar due to the continuing depreciation of Japanese yen.

Net Sales and Operating Income of Smart Meters & Solutions in Japan



* Net sales represent external sales.

Products and Services



In Japan, we provide products and services based on energy measurement and control technologies. For power companies, we provide smart meters, transformers and other products.

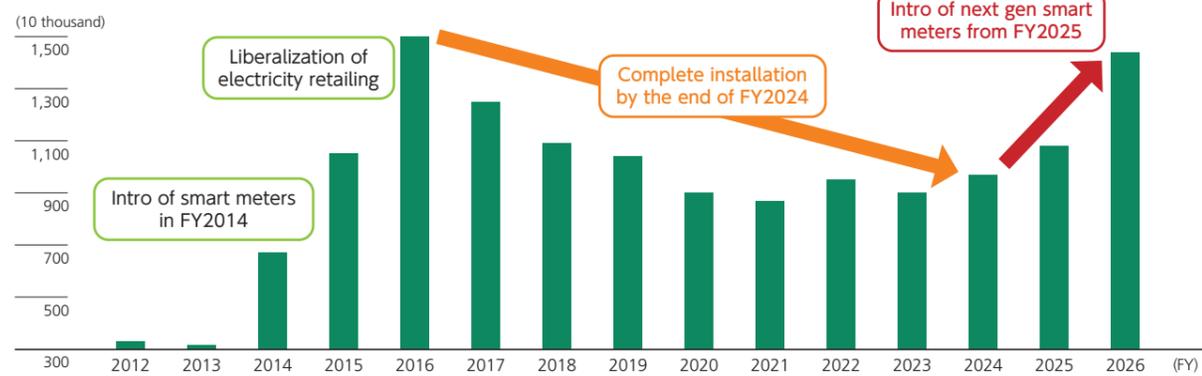
We provide energy management system to mass retailers operating multiple stores and to large-scale commercial facilities. As for smart locks, we have provided mainly to rental developers to date.

Initiative for Installation of Next Generation Smart Meters

The installation of smart meters in all households and buildings is projected to be completed by fiscal 2024, after which replacement demand for smart meters is expected to decline. However, more sophisticated next generation smart meters are scheduled to be introduced in Japan in fiscal

2025. We aim to strengthen cooperation among group companies and establish our systems for development and production of next-generation smart meters, and capture demand firmly in and after fiscal 2025 to increase our market share by ensure competitiveness.

Smart Meters for Households in Japan



* Company estimate based on a report by JEMIMA

Smart Meter Installation Plan (provided by Agency of Natural Resources and Energy)

- TEPCO, KEPCO, Chuden completed installation of smart meters for households
- All households are expected to be installed by the end of Fiscal 2024
- Expected to introduce next generation smart meters from Fiscal 2025 nationwide

Developing and reinforcing manufacturing of next generation smart meters to capture market opportunity

Expanding the Solution Business

Energy Management Business in Japan, it is believed to achieve significant growth in the next ten years supported by the government's clean energy strategy.

In this environment, we will expand delivering comprehensive solution services towards decarbonisation, as well as conventional energy management services, support the visualization of CO₂ emissions, energy conservation activities and the shift to non-fossil sources of energy.

Decarbonisation is an urgent issue, particularly to companies with high voltage contracts, including small- and medium-sized manufacturers. In 2022, our Saitama Factory achieved a huge reduction in the power consumption of its air conditioning systems using our Energy management system (EMS). In the future, we will advance the development of the EMS that respond to the supply and demand of electricity by system linkage with solar power generation and storage battery.

In addition, we will engage to expand the business domains through our solution for changing markets.

The Smart locks market in Japan has the potential to expand since its market penetration is lower compared to

overseas markets.

We have received orders for a cumulative total of 200,000 smart locks from a number of large rental developers as a solution for the streamlining of their operations (digital transformation). Our smart locks now have the largest share of the rental real estate market, as the companies using our smart locks manage 4 million property units. It is believed that the housing market includes 62 million property units, including vacant houses and rooms, detached houses, condominium units and public housing. We will strive to increase the number of units using our smart locks in this market.

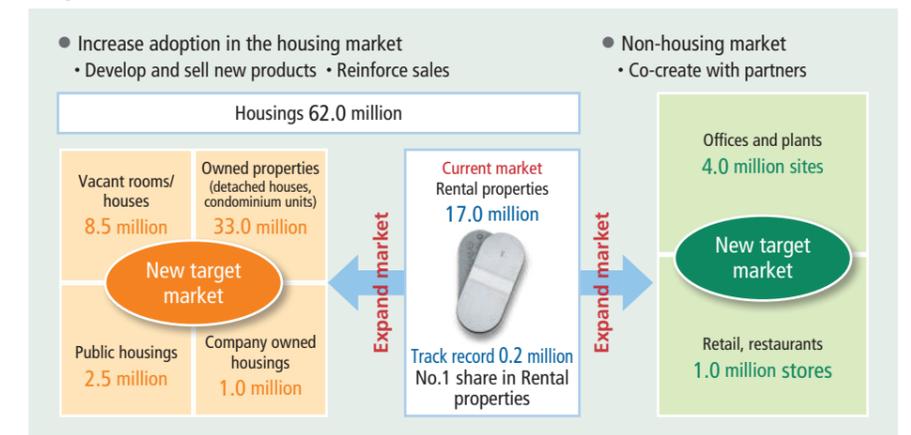
In addition, we are working to cultivate new markets outside of the housing market in collaboration with partner companies in various business sectors with a view toward offices, retail stores, restaurants and other businesses using smart locks as a solution for streamlining key management operations.

In the medium term, we will consider selling packages together with the smart meter business, the energy management business and other solutions businesses.

Image of Future Actions in the Smart Locks Business



Activities at the Saitama Factory to reduce electricity consumption using an EMS



Open Innovation Laboratory

The OSAKI Group is strengthening cooperation among its group R&D divisions to realize further synergies. At the same time, we efficiently move forward with our development by pursuing open innovation through collaboration with partner companies, universities, and research institutions, the outsourcing of development, and the utilization of external resources.

In November 2018, OSAKI established an open innovation laboratory in Gotanda, Tokyo, where OSAKI ELECTRIC was founded, as a venue for collaborative creation with universities, local governments, and start-ups.

The role of the new laboratory is to provide a place that will give rise to projects that will form the cornerstones for building the society of the next 100 years. It is also aimed at ensuring a better society by collaborating in the creation of new value that surpasses industrial and corporate barriers.

At the laboratory, OSAKI aims to leverage its strengths

in measurement and control technology while collaborating with university research laboratories, local governments, and start-ups to accelerate development of advanced IoT and AI technologies. The endeavours will include the building of new business models, development of IoT devices, and utilisation of big data to deliver new energy solutions.



Smart Meters & Solutions Overseas



Roy Kirsopp
Chief Executive Officer (CEO) of EDMI Group

Driving Global Growth with Solutions Offerings in Response to Worldwide Increased Demand for Efficient Energy Management

Since its establishment in Australia in 1978, EDMI has built a leading position as a meter manufacturer which has evolved with the international smart metering solutions market into a position of thought and market leadership. With the increased demand for efficient energy management, EDMI is continuing to expand the scope of its customer offerings, including the delivery of highly scalable and future-proof software solutions across the electricity, gas and water industries and to be a company with sustainable recurring profit as a trusted supplier to many of the world's leading utility businesses.

Fiscal 2022 Financial Results

In fiscal 2022, overseas shipment to Oceania grew steadily, while shipments to the United Kingdom decreased due to shortage of electronic components.

On a U.S. dollar basis of the functional currency, overall sales decreased due to depreciation of the Japanese Yen. However, net sales increased by 15.1% compared to the

previous fiscal year, to 34,613 million yen.

Operating income resulted in loss of 1,886 million yen due to forex impacts on a U.S. dollar basis and hikes in material costs (resulted in profit of 58 million yen in the previous fiscal year).

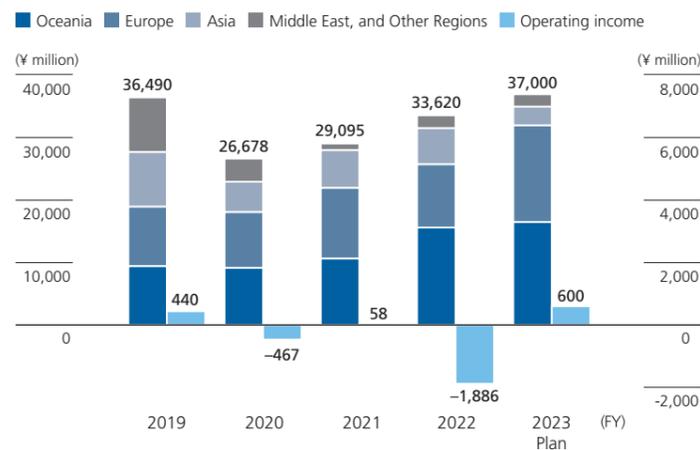
* Net sales include internal sales between segments.

Future Outlook

In fiscal 2023, shipments to the United Kingdom are expected to increase due to the upturn in the environment of electronic components procurement, stable growth is expected to continue in Oceania and leading to overall

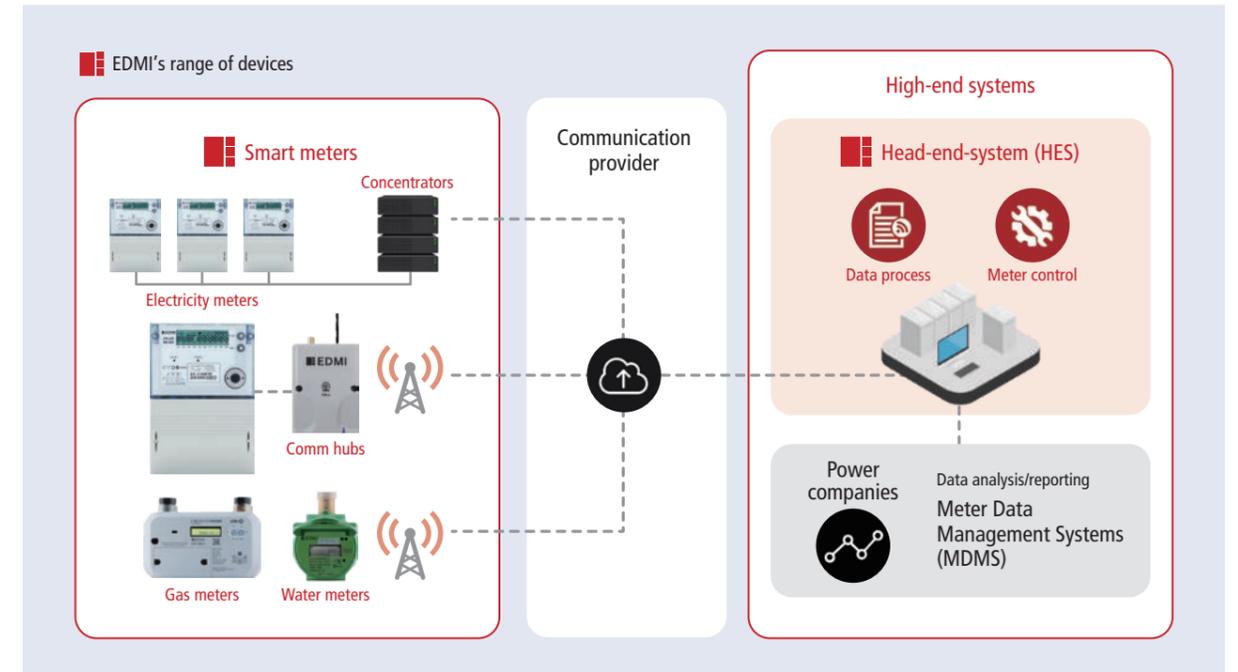
net sales to increase. Operating income is also expected to increase due to the increase in net sales and the slowdown in the surge of electronic components cost caused by a shortage of components.

Net Sales and Operating Income of Smart Meters & Solutions Overseas



* Calculated based on securities report classifications (external sales)

Products and Services



In the Smart Meters & Solutions Overseas, in addition to smart meters, we also provide head-end system with functions such as data process and meter control, mainly for customers in Oceania. Additionally, we provide communication hubs and gas meters to the United Kingdom and water meters to parts of Oceania.

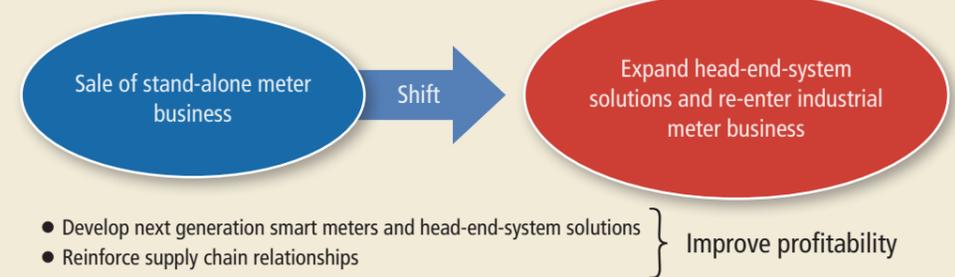
In the medium term, the need to reduce CO₂ emissions

will increase amid the global acceleration of environmental conservation measures. We expect more customers to include comprehensive solutions for controlling emissions in their bidding conditions. Going forward, we will expand our provision of high value-added solutions from Oceania, where we already operate, to Asia, the Middle East and Africa to increase profit margins.

Business environment

- More proactive approach for environmental protections worldwide pushes increasing need to measure and control CO₂ emissions (= power consumption)

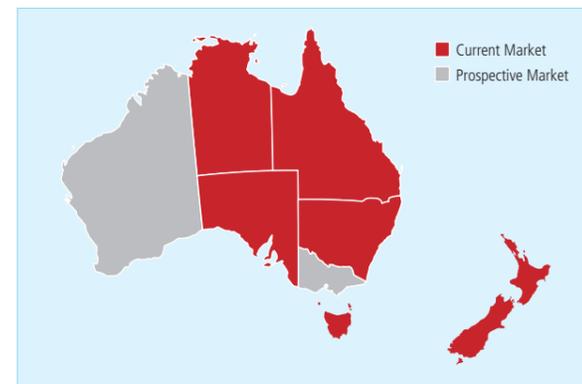
Our Actions



Situation by Region

● Oceania

EDMI has established in Oceania and its strong customer relationship, maintaining a very high market share. In this region, we provide the value-added smart meter with head-end-system and maintain stable profitability. In fiscal 2022, business performance attained steadily due to the installation of new smart meters in Australia and replacement demand in New Zealand. As a market leader in Oceania, EDMI is aiming to further expand its market share and contribute to its business growth by continuing the expansion of smart meter sales with head-end-system,



developing markets that it has yet to enter and advancing the development of next-generation smart meters.

■ Current Market

Australia (5 Eastern states)	
Demand	7.1 million pcs
Actual shipment	1.8 million pcs
Shipment outlook	3.5 million pcs (up to 2029)
Market share	Approx. 75%

New Zealand	
Demand	2 million pcs
Actual shipment	1.5 million pcs
Shipment outlook	1.2 million pcs (Replacement up to 2035)
Market share	Approx. 75%

■ Prospective Market

Australia	
Western Australia	1.2 million pcs
Victoria	2.8 million pcs

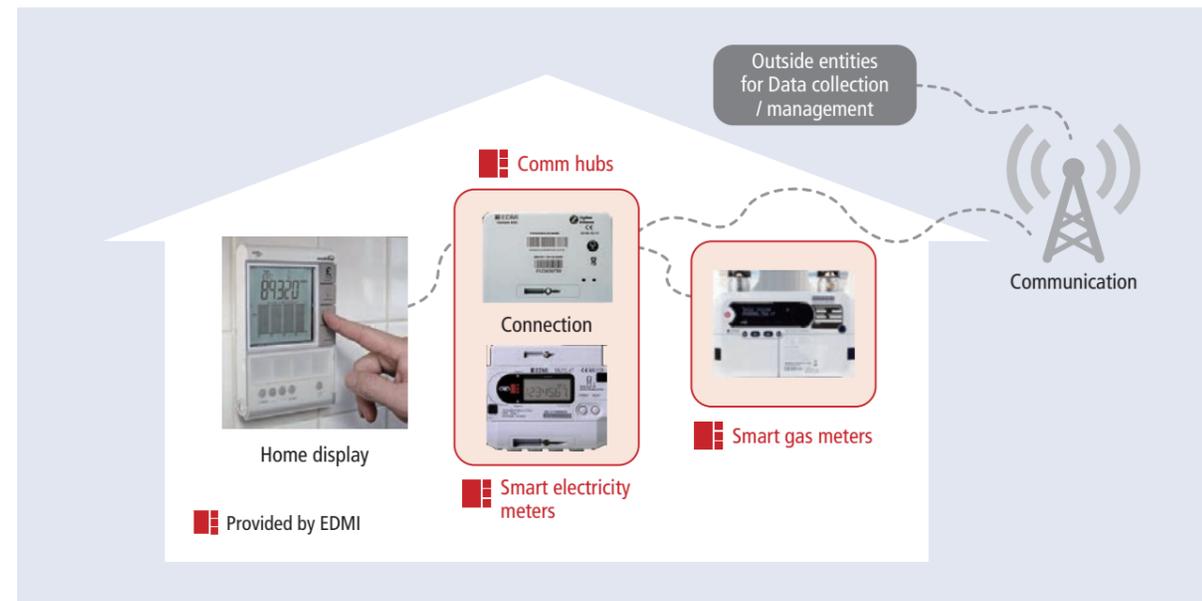
● Europe (mainly the UK)

In the UK smart grid conversion is underway in a move to renewable energy for a decarbonised society. EDMI is taking part in the ongoing residential smart meter rollout project there.

In fiscal 2022, difficulties in procuring electronic

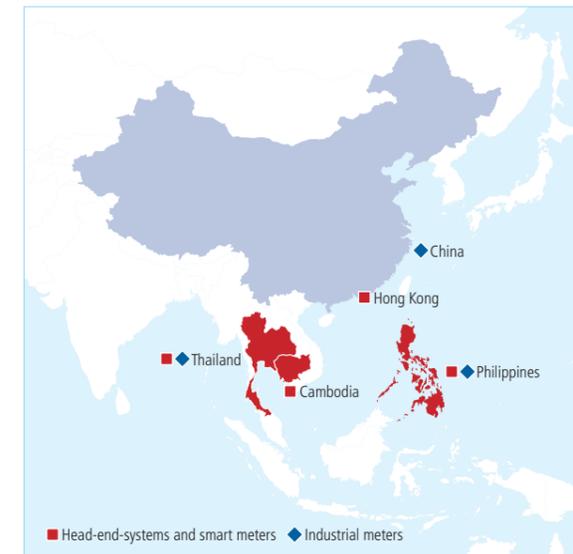
components led to decreases in shipments and net sales. In fiscal 2023, the potential is there for the procurement of electronic components to be nearly stable. We expect annual net sales of around 1.6 billion yen by fiscal 2025. We also anticipate replacement demand from a long-term perspective.

Installation Image



● Asia, Middle East, and Other Regions

With a focus on profitability, we are scaling down stand-alone meter sales and exiting from low-profitability markets in Asia. Our business will contract temporarily and net sales will be decreasing until fiscal 2025. In the future, we will concentrate our resources in markets where we anticipate high profitability from the sale of smart meter with head-end-system. Specifically, we will strengthen expansion in Cambodia, Thailand, the Philippines and Hong Kong, among other places. In addition, we will strengthen sales towards China, the Philippines, Thailand and other



countries where strong demand for high-quality and accuracy industrial meters.

In the Middle East and Africa, the markets are experiencing overall growth and anticipated strong demand. In this situation, we will select projects by comprehensively examining a range of factors including various risks and the soundness of cash flows. Specifically, we will expand sales of smart meter with head-end-system mainly in the Kurdish autonomous region in Iraq, in Nigeria and Tanzania.



Other Business

Real Estate Business

In the real estate business, net sales increased 3.2% year on year to 571 million yen, and operating income increased 8.7% to 295 million yen.

Chapter 3 Foundation of Value Creation



Production lines to manufacture high-quality products

Value Creation Capabilities

The OSAKI Group's corporate vision is to become a "Global Energy Solution Leader." We are committed to delivering energy solutions that create value, and have won the trust of society by responding to the demands of stakeholders

and assuming responsibility for the social impact of our activities.

This chapter presents our environmental, social, and governance initiatives.

OSAKI Group Approach to ESG

Environment: OSAKI Group delivers smart meters and energy-saving services which contribute to the reduction of CO₂ emissions, and as a responsible manufacturer, our business operations are environmentally friendly.

Social: The measurement and control technology we have refined over the years is applied to products and services to improve safety and security. Recognising that diversity of personnel is an essential part of resolving social

issues, the OSAKI Group is committed to ensuring workplace diversity.

Governance: OSAKI ELECTRIC regularly evaluates the effectiveness of the Board of Directors' activities in a continuous effort to improve the Board's function, and has established a Nomination and Remuneration Advisory Committee, as well as an executive officer system, to ensure fairness, objectivity, and transparency.

Environment

Effect of business operations on the environment

Solving environmental issues

Providing products and services that help to reduce CO₂ emissions

Along with its smart meters, the OSAKI Group provides other products and services for optimising energy usage.

Reducing Group environmental footprint

Recycling

We promote recycling by manufacturing environmentally friendly products and by reducing chemical and other waste, increasing our recycling rate.

Social

Solving social issues through socially responsible operations

Measurement and control technologies

Using measuring and connection technologies to provide society with new value in terms of increased safety and security

We use AI and IoT technologies to create comfortable, safe, and secure environments for buildings, commercial complexes, and residential housing.

Diversity

Diverse human resources working together

New value created by people collaborating across borders, industries, and organisations

Governance

Elevate corporate value and minimise risk

Supervisory and executive functions

Executive officer system

Nomination and Remuneration Advisory Committee

Introduction of executive officer system in June 2020
The main role of the Board of Directors is to supervise management decision-making and business execution.
Clarification of executive authority and responsibility
→ For a management system that quickly responds to changes in the business environment

A Nomination and Remuneration Advisory Committee was set up in February 2019, chaired by an independent director. A majority of the new committee's members are independent officers.
→ For fairness, objectivity, and transparency

Management

Effectiveness of the Board

Yearly evaluation to improve Board's effectiveness
→ Continuous improvements

Materiality for Sustainability

Group's Direction for Sustainability

With a vision to become a "Global Energy Solution Leader," the OSAKI Group will contribute to sustainable development of society and conserving the environment through its

energy-solution technologies by collaborative efforts with its stakeholders, and pursue its own sustainable growth.

Materiality for Sustainability

Taking diversifying social issues and the Group's business characteristics into account, the OSAKI Group has identified material issues that it will prioritise. By strengthening

business activities in its areas of priority, we aim to realise a sustainable society and achieve stable growth for the Group.

1. Minimise Environmental Impact

The OSAKI Group develops and deploys products and services that will minimise negative impact on the environment. We are also committed to take measures to reduce the impact to the environment through our business activities.



Contribution by smart meters

Smart meters are important infrastructure equipment with data collection and control functions and being installed all over the world. The OSAKI Group contributes to improving energy efficiency by providing technologies for measuring and controlling through smart meters worldwide.



Promoting solutions to support decarbonisation

Utilising O-SOL, total solutions including energy management systems (EMS) and smart metering systems (SMS), we will contribute to reducing the environmental impact of society by visualisation of CO₂ emissions, support for the planning of CO₂ reduction plans, and implementation of plans to reduce CO₂ emissions.

Promotion of research and development

The Research and Development Center in Japan pursues development of smart meters that contribute to more efficient use of electricity in society. The Group also collaborates with other organisations actively through open innovation to contribute to decarbonisation.

Furthermore, we are developing total solution services in Oceania that combine smart meters and head-end systems for better energy consumption efficiency. We aim to deliver the total solution services to other regions in the future.

Reducing greenhouse gas emissions at manufacturing sites

We promote the reduction of greenhouse gases emitted particularly at manufacturing sites in and out of Japan. We declared our commitment and support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. We will strengthen our organisational framework to follow the financial disclosure guidelines recommended by the TCFD recommendations.



2. Contributing to Sustainable Cities and Communities



Towards contributing to sustainable cities and communities in Japan, we are addressing particularly the issues related to labour shortages due to the declining birth rate and aging population, and building disaster-resilient cities. Overseas, we recognise the stable supply of electricity as issues to address and we are committed to building the basic power infrastructure worldwide by delivering smart meters. The OSAKI Group provides solutions to sustainable cities and communities through products and services based on its measuring and controlling technologies.

Creating value-added smart meters

Smart meters are equipped with reliable communication protocols and are remotely operable, which enable smooth power recovery. These functions can be applied in the event of a disaster, such as prevention of electrical fires and spotting locations of power outages. We are working to develop smart meters to create new added value.

Promoting smart building systems to realise labour-saving operations

We will contribute to the realisation of a sustainable society by introducing systems that contribute to the efficiency of facility management operations (facility inspections and facility security) by improving the level of service, in addition to operational efficiency improvements, such as the automated meter reading system (improving the efficiency of tenant meter reading) and support for the preparation of reports on environmental laws and regulations, which we have been developing in the past.

Cooperating with partners

OSAKI ELECTRIC launched NEXT 100teX Lab, an open laboratory, to promote collaboration across industries, university laboratories, local governments, and ventures. Together with our partners, we aim to create new solutions based on our development technologies for electric power measurement and control equipment with an aim to realise sustainable cities and communities.



Contributing to global power infrastructure

EDMI, a subsidiary of OSAKI ELECTRIC, is expanding its business globally, including in Oceania and Europe as well as in Asia and the Middle East. We will further expand our solutions services for smart meters and software, and contribute to the stable and efficient supply of electricity worldwide.



3. Respect for Human Rights



The OSAKI Group is committed to ensuring that we do not violate human rights and that we are not complicit in the violation of human rights through our group or our supply chains. We support and respect international codes of human rights, including the United Nations International Bill of Human Rights, the United Nations Global Compact, and the ILO Declaration on Fundamental Principles and Rights at Work.

The Group states in "OSAKI Group's Charter of Corporate Behavior" that the Group shall "conduct business that respects the human rights of all persons and take no part in any discriminatory action at all phases of our businesses." We conduct employee training and seminars on human rights, while conducting surveys of our business partners on human rights. In addition, we declared the statement on Modern Slavery acts in the United Kingdom and Australia, and work to prevent human rights infringement.

4. Creating a Diversified Workplace and Fostering Social Issue Solving Culture



The OSAKI Group emphasises the education of its employees for the development of a corporate culture where all employees have high moral standards for environmental conservation and social issues and are actively pursuing solutions for these issues. We are committed to providing a secure and safe work environment where diversity is mutually recognised and all employees can work to their fullest capabilities.

Materiality for sustainability

■ Establishment of a workplace environment that recognises and accepts differences

We promote the development of workplace environments and organisations so that employees with diverse attributes, values, and ideas can work comfortably and safely. We believe that the active participation by a diverse workforce contributes to the flexible resolution of important issues. In Japan, we are focusing on establishing a flexible work system where employees can choose various work styles according to their lifestyles and life events. Overseas, while diversity in workplaces is permeated, we are striving to elevate the quality of the work environment.

■ Cultivating corporate culture with rich ideas and high morals

We encourage employees to gain a variety of experience and knowledge so that they can respond flexibly and conceptually to changes and issues in society. In Japan, we provide opportunities for employees to step up in their career and gain new challenges and experience. We support employees' autonomous career advancement through a variety of training programs and job rotations. At the same time, employees are provided with flexible work styles and a unique leave system. Overseas, as our headquarters is based in Singapore and there are subsidiaries in Australia, UK, Malaysia, and other countries, we respect cultural diversity, and provide a work environment where highly specialised professionals in such areas as sales, R&D, operations, and administrative can demonstrate their capabilities. We are also working to invigorate intra-group communication to strengthen cooperation among different divisions.

■ Promoting health management

OSAKI ELECTRIC promotes health and productivity management by acquiring certification as an Excellent Health and Productivity Management Corporation (Large Corporate Group). We conduct ongoing activities, such as holding health seminars for employees and endorsing each project, such as the "Action for Companies Promoting Countermeasures against Cancer."

5. Strengthening Corporate Governance



In order to fulfil its responsibilities to stakeholders based on its corporate philosophy, the OSAKI Group strives to strengthen its Group management foundation and aims for sustainable growth.

■ Corporate governance

We recognise that strengthening corporate governance is an important management issue in maximising sustainable corporate value. We continue to make fair management judgment to further increase management efficiency and transparency.

■ Risk management

In ensuring the sustainable development of our business, we prevent and mitigate risks, and promote risk management to minimise damage from crises and ensure rapid recovery.

■ Compliance

To strengthen the governance system, the Group recognises the importance of all employees to comply with laws and regulations and act with a high sense of ethics. To ensure that all employees are aware of their actions, the OSAKI Group promotes and provides compliance manuals and a group helpline system.

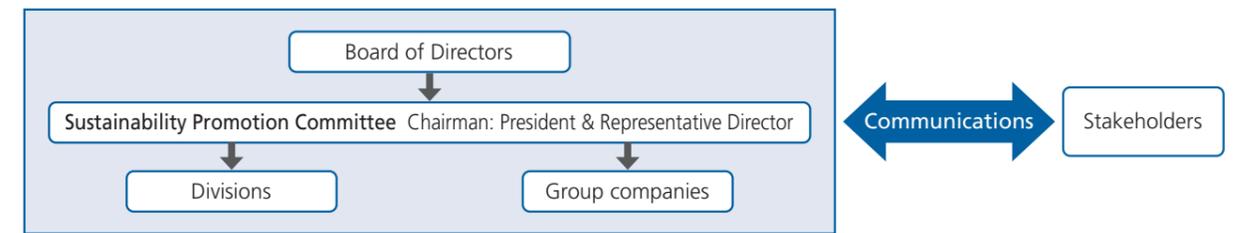
Structure to Promote

The OSAKI Group promotes all sustainability-related activities through the Sustainability Promotion Committee, chaired by the President and Representative Director.

The Committee and the Secretariat are composed of members appointed by the Chairman, and the Committee

promotes and evaluates the Group's sustainability initiatives. The content of the Committee's deliberations is reported to the Board of Directors as appropriate, and reflected to the group management policy.

Our group's current sustainability promotion structure is described in below.



Responding to Climate Change

TCFD

In November 2021, the OSAKI Group announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and joined the TCFD Consortium.

Furthermore, in May 2022, the OSAKI Group disclosed medium-term goals for 2030 in the areas of governance, strategy, risk management, and indicators and targets, based on the TCFD recommendations framework.

We will continue to contribute to the creation of a sustainable society by actively disclosing information in accordance with TCFD disclosure framework recommendations.



CDP

The Company responded to a survey on climate change by CDP, a non-governmental organization internationally committed to the disclosure of information on environmental assessments, and was given a B rating certification in December 2022.

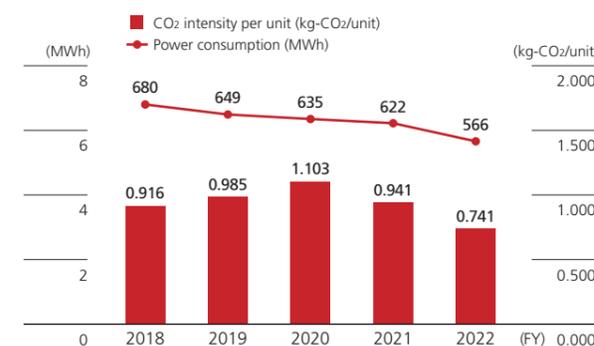


Scope 3 Calculation

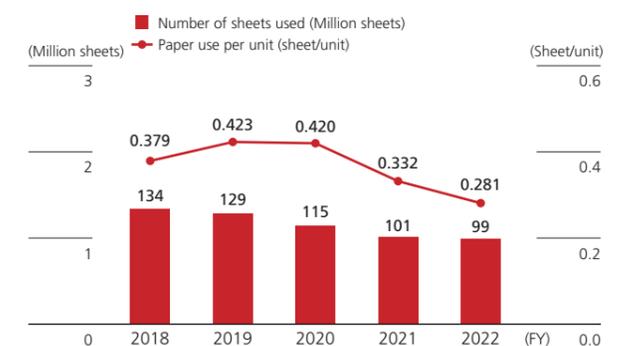
The Company has conducted Scope 3 calculation of GHG emissions throughout its supply chain, and in the future will expand the scope of calculation to the entire group and work toward reducing GHG emissions.

Decarbonisation Initiatives (Saitama Factory)

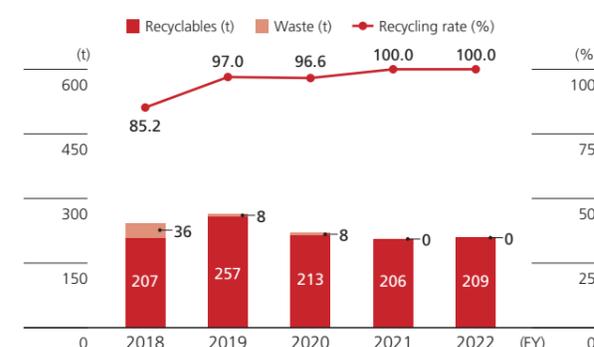
Power Consumption and CO₂ Intensity per Unit



Number of Sheets Used and Paper Use per Unit



Recycling Rate



Materiality Goals

The OSAKI Group recognizes that responding to challenges against sustainability is one of its most important management issues that not only threatens corporate identity, but also expands profit opportunities.

The OSAKI Group Materiality Goals

We set materiality goals to prioritize our challenges in providing solutions to social issues related to energy

through our operations, and continue to be an active member of sustainable society.

1. Minimizing Environmental Impact

4. Creating a Diversified Workplace and Fostering Social Issue Solving Culture

2. Contributing to Sustainable Cities and Communities

5. Strengthening Corporate Governance

3. Respect for Human Rights

1. Minimizing Environmental Impact

Mid-term plan growth strategy: Developing value-added smart meters and expanding energy solutions

Material Issues	Social Issues	SDGs Goals	Scope	2030 Goals
Contribution by smart meters	Efficient use of energy		Group	Provide smart meters contribute to an efficient and stable supply of various types of energy such as renewable energy or carbon neutral fuels
	Improving energy efficiency		Group	
Provision of decarbonization solutions	Cut down GHG emission		OSAKI ELECTRIC	Provide decarbonization solutions to transform buildings and factories into eco-friendly facilities
	Actively form partnerships		OSAKI ELECTRIC	Develop a new service for decarbonization with partners
Research and development	Improving energy efficiency		Group	<ul style="list-style-type: none"> Develop Smart meters contributing to an efficient and stable supply of various types of energy Develop decarbonization solutions for greener effects
	Develop sustainable infrastructure		Group	
	Develop green technologies		Group	
Cutting GHG emission at OSAKI	Cut down GHG emission		Group	Cut GHG emission by 46% (compared to FY2013)
	Using renewable energy		OSAKI ELECTRIC	More than 99.5% recycle at the Saitama R&D and Manufacturing Center
	Efficient consumption of natural resources		OSAKI ELECTRIC	
	Improving water quality		OSAKI ELECTRIC	Control water quality through operations for greener effects

2. Contributing to Sustainable Cities and Communities

Mid-term plan growth strategy: Developing value-added smart meters and expanding energy solutions / Developing new products and services / Expanding Global Business

Material Issues	Social Issues	SDGs Goals	Scope	2030 Goals
Developing value-added smart meters	Ensure access for basic infrastructure services in urban areas		Group	Contribute to building efficient and resilient power infrastructure by smart meters
	Build resilient cities against natural disasters		Group	
	Realize sustainable cities		Group	

Material Issues	Social Issues	SDGs Goals	Scope	2030 Goals
Provision of smart building systems for operational efficiency	Realize sustainable cities		OSAKI ELECTRIC	Provide facility maintenance services to support cities respond to a decrease in work population and maintaining living properties
Partnerships	Realize sustainable cities		OSAKI ELECTRIC	Create new businesses and technologies with partners
	Actively form partnerships		OSAKI ELECTRIC	
	Develop sustainable infrastructure		OSAKI ELECTRIC	
Building global energy infrastructure	Build sustainable power infrastructure globally		EDMI Group	Contribute to building a stable and efficient power infrastructure worldwide by providing smart meters
	Ensure access for resilient infrastructure with a focus on protecting the poor and people in vulnerable situations		EDMI Group	

3. Respect for Human Rights

Mid-term plan growth strategy: Building resilient group operations (Managing group risks)

Material Issues	Social Issues	SDGs Goals	Scope	2030 Goals
Respect for Human Rights	Abolish discriminatory laws, regulations, policies, and practices		Group	Build a framework to prevent any act or practice that violates human rights in the OSAKI Group and its supply chain
	Eradication of forced labor and child labor		Group	
	Ensure gender equality		Group	

4. Creating a Diversified Workplace and Fostering Social Issue Solving Culture

Mid-term plan growth strategy: Building resilient group operations (Building strong teams)

Material Issues	Social Issues	SDGs Goals	Scope	2030 Goals
Providing diversified workplace	Respect differences		in Japan	<ul style="list-style-type: none"> Provide a work environment and regulations to ensure that every employee is accepted, safe and well motivated at work Keep a no-accident workplace
	Provide rewarding work experience		in Japan	
	Ensure gender equality		OSAKI ELECTRIC	<ul style="list-style-type: none"> More than one member of female Board of Directors 30% or more female employees
Building strong teams	Build strong teams		OSAKI ELECTRIC	<ul style="list-style-type: none"> Reinforce human resource development to build a flexible and creative organization in responding to changes in society Provide SDGs educational programs and certificates unique to OSAKI (All employees are to be certified in the programs)
	Provide high-quality education to all		OSAKI ELECTRIC	
Promoting health management	Provide rewarding work experience		OSAKI ELECTRIC	Provide healthy work environment, both physically and mentally
	Ensure healthy work life		OSAKI ELECTRIC	<ul style="list-style-type: none"> 100% secondary medical check-up rate 0% smoking rate

5. Strengthening Corporate Governance

Mid-term plan growth strategy: Building resilient group operations (Strengthen risk management)

Material Issues	Social Issues	SDGs Goals	Scope	2030 Goals
Strengthen corporate governance	Strengthen governance framework		Group	Continue to strengthen corporate governance
Strengthen risk management	Strengthen governance framework		Group	Ensure risk management
Enhance compliance	Promote fair policy		Group	<ul style="list-style-type: none"> Ensure compliance Aim for a zero-occurrence of compliance case
	Abolish discriminatory laws, regulations, policies, and practices		Group	

TOPICS



SDGs training on a personal as well as knowledge level

Masaru Takahashi
Executive Officer
Deputy Head of Corporate Strategy Division

We have a rich history in energy solutions, evident from our pioneering inventions such as the watt-hour meter in 1949 and the smart meter in 2008. In this situation, we have established the "Environment Committee" and continued addressing the reduction of CO₂ emissions as a core company concern. In April 2022, we have established the "Sustainability Committee" as an evolution of our "Environment Committee." This is an approach to be aimed to link the SDGs initiatives and OSAKI's corporate activities in a deeper way. To cultivate a culture of genuine SDGs awareness, we have initiated SDGs training for our employees. Our objective isn't merely about corporate branding or SDGs tokenism. Instead, we aim to nurture individuals who seamlessly incorporate SDGs thinking into their everyday professional and personal life.

This time, our SDGs training, we have the cooperation of "Sotokoto" magazine, which has been addressing themes such as environment and regional revitalization for 25 years since its first issue in 1999, and its Chief Editor, Kazumasa Sashide.

The collaboration with "Sotokoto" magazine for SDGs training is from the background that there is a challenge of making it not just about knowledge but also experiential learning for our employee.

If we consider the approach to SDGs as a simple dualism of "doing" or "not doing", "doing" would certainly be the better choice. However, when it comes to corporate engagement, there are also associated costs. If not managed thoughtfully, striving for global and societal sustainability might unintentionally jeopardize the sustainability of the company itself. To avoid this situation, it is necessary for our employees to understand meaning of their actions, how much effort is required for them, and to have proper sense of balance of the significance, benefits, time and resources required in our SDGs initiatives.

We expect to create favorable cycle among OSAKI, our employee and society each other through this SDGs training that will foster our employee's growth and development, and OSAKI's evolution as a conscious corporate entity.

SDGs training system



SDGs初級編

SDGsとは何か？
どのような目標が、
なぜ掲げられているのか？
SDGsの基礎を学びましょう。



Corporate Governance

We are improving our governance to sustain growth and increase corporate value.

Fundamental Approach

In line with its corporate philosophy, the OSAKI Group emphasises the interests of shareholders and other stakeholders. The enhancement of governance is important for

the long-term maximisation of corporate value, and we will continue to work to increase management efficiency, transparency, and fairness.

Basic Policy

Following its fundamental approach, the basic policy of the OSAKI Group for corporate governance is as follows.

1. Ensure the substantial rights and equality of shareholders.
2. Maintain good relationships with stakeholders, including business partners, shareholders, financial institutions, employees, and local communities.

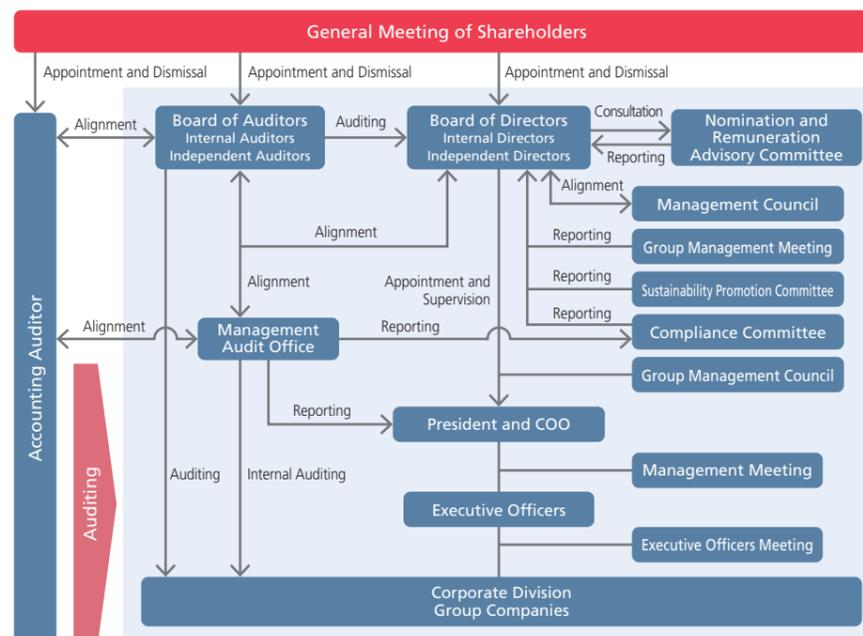
3. Ensure transparency through the timely disclosure of corporate information.
4. Ensure that Board directors and corporate auditors fulfil their fiduciary and accountability responsibilities to shareholders.
5. Engage in constructive dialogue with shareholders.

Management Structure

OSAKI ELECTRIC has a board of four auditors that includes two independent auditors, providing an auditing function for objective management oversight. The Board of Directors consists of seven members, three of whom are independent directors.

The independent directors and auditors were selected for their extensive management experience and practical knowledge, and the insight based on those qualities, and the external monitoring they perform will strengthen management monitoring and oversight functions.

Furthermore, the introduction of an executive officer system in June 2020 has further enhanced the supervisory function of the Board of Directors and at the same time ensured the speed and flexibility of executive functions, forming an ideal corporate governance system.



Board of Directors

The Board of Directors consists of seven members, including three independent directors. The Board of Directors supervises executive directors and executive officers to ensure the fairness and transparency of management and decides on matters that based on law and regulations cannot be delegated to directors.

Authority regarding other matters to be resolved and decided on is delegated to executive directors and executive officers, and the Board of Directors conducts appropriate supervision based on status reports.

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, with an eye to delivering meaningful

discussions and clarifying decision-making processes. This practice allows the Board to respond flexibly to management environment changes and service efficient operations.

Additionally, Management Meeting involving internal directors are held on a weekly basis in principle. They implement multi-faceted studies and discussions of management issues that impact the OSAKI Group. Executive Officers Meeting is held once a month in principle to share information on a company-wide scale and to expedite business operations.

As a part of Group governance, Group Management Meeting is held once a month in principle, monitoring the activities of OSAKI ELECTRIC, Enegate Co., Ltd and EDMI Limited.

Independent Officers

The company seeks persons who have extensive management experience and practical knowledge as well as keen insight based on those qualities. These persons are appointed as directors or auditors who are independent of the management team. We expect these officers to provide

good, independent advice, supervision and auditing of our business operations and activities.

Criteria used by OSAKI ELECTRIC to determine the independence of these officers are based on the listing guidelines of the Tokyo Stock Exchange.

Criteria to determine the independence of independent officers (in Japanese only):

https://www.osaki.co.jp/ja/sustainability/governance/c_governance/main/08/teaserItems1/01/linkList/0/link/Independent%20officers.pdf

Skills Matrix

OSAKI ELECTRIC maintains a small core team of excellent people, restricting the number of directors responsible for making important management decisions and supervising the execution of business. We emphasise skills in the eight areas specified below, believing these skills are necessary

for properly fulfilling the roles mentioned above.

The skills of each of the directors and auditors are as shown in the skills matrix below, and the Company believes that the Board of Directors as a whole has skill diversity and possesses a good balance of skills.

	Representative	Independent	Members	Officers	Management in general	Industry knowledge	Global	Sales and marketing	Manufacturing and development	Financial and accounting	Legal, governance and risk management	Human resources, labor and human resources development
Directors	●		○	Yoshihide Watanabe	●	●	●	●	●			
	●		○	Mitsuyasu Watanabe	●	●	●		●			
	●		○	Haruyuki Kawabata	●	●		●				
				Ryuichi Ueno		●	●			●		
		●	◎	Seiji Takashima	●		●		●			
		●	○	Nobuhiro Kasai	●		●	●				
Auditors		●		Shoko Kuroki			●			●	●	●
				Choichiro Hori		●		●				
				Yutaka Hasegawa		●				●	●	
		●	○	Shigehiko Yamamoto				●		●		
	●	○	Kumiko Kitai							●	●	

* Members: Nomination and Remuneration Advisory Committee (Chairperson:◎ Member:○)

Board of Auditors

The Board of Auditors consists of four members, including two independent auditors. The Board of Auditors establishes audit policies and audit plans, and each of the auditors attends important meetings, including meetings of the Board of Directors, meetings of the Management Council and Group Executive Meetings, investigates the status of business and assets, and inspects important internal decision-making documents in accordance with these audit policies and audit plans. The auditors also conduct interview surveys of the directors and executive officers in charge of each division and, through such activities, audit the execution of duties by directors.

The key audit items for fiscal 2022 are specified as follows.

- (1) Implementation status of the Group growth strategy
- (2) Activities towards standardising all power companies' specifications for next-generation smart meters
- (3) Activities for addressing various management issues in overseas business, including the improvement of supply chains and the proper management of inventories
- (4) Activities towards the increased profitability of smart locks and the watch series
- (5) Activities towards expanding the commercial products business
- (6) Activities for sustainability, including the enhancement of corporate governance and risk management and the handling of environmental issues

Nomination and Remuneration Advisory Committee

OSAKI ELECTRIC established a Nomination and Remuneration Advisory Committee as an advisory body to the Board of Directors. The new committee strengthens the fairness, objectivity, and transparency of procedures relating to the nomination and remuneration of directors and auditors.

The Advisory Committee has seven members, the majority of whom are independent directors or auditors. The chairman is an independent director.

The roles of the Nomination and Remuneration Advisory Committee include matters for which it receives consultation from the Board of Directors specified on the right.

Internal auditors conducted interview surveys of executive officers and employees in each division and audited the status of business and assets. Internal auditors also sought to exchange information with directors and others at the two overseas subsidiaries and seven domestic subsidiaries by visiting each subsidiary or through other means such as the Internet, and received business reports where necessary.

They compiled the results of audits of individual divisions and subsidiaries into the audit report to communicate them to the audited organizations and to independent directors. The report was circulated to directors, heads of divisions and related organisations.

The independent auditors attended the survey interview of the executive officers responsible for divisions at the beginning of the fiscal year. They received reports on the activities above and the results from internal auditors and made remarks from their own perspectives at Board of Auditors meetings and on other occasions. They also visited business sites where necessary to conduct business audit.

To fulfill its role of overseeing audits, the Board of Auditors compiled the results of the audits in the business year at the end of each fiscal year and submitted reports during Board of Directors and other meetings.

1. Matters concerning the appointment and dismissal of directors, auditors, and executive officers
2. Independence standards for independent officers
3. Matters concerning the selection and dismissal of representative directors
4. Matters concerning the selection and dismissal of executive directors and executive officers with a role
5. Director and executive officer remuneration system and remuneration determination policy
6. Details of remuneration for individual directors and executive officers
7. Remuneration limits for directors and auditors
8. Other matters deemed necessary by the Board of Directors

Evaluation of the Effectiveness of the Board of Directors

OSAKI ELECTRIC conducts regular analysis and evaluation of the functioning of the Board of Directors to make continuous improvements as required.

As in previous years, in the fiscal year ended 31st March, 2023, we confirmed that the Board of Directors is effective, with gradual improvement and progress made on issues identified the previous fiscal year.

In summary, it was confirmed that actions had begun to improve the sharing of value and communication with stakeholders and to build a structure and framework for reviewing the business

portfolio and investing in human capital. Meanwhile, it was recognised that there were still issues to address in terms of the consideration of specific policies and strategies for human capital investments, the need to revise the member composition of the Nomination and Remuneration Advisory Committee and the formulation of a successor plan.

The Company will continue implementing initiatives for further improvements in the future, such as increasing the deliberations of the Management Council.

Training of Directors and Auditors

OSAKI ELECTRIC provides the following training to directors and auditors at its own expense so that its directors and auditors properly fulfil their expected roles as individuals who are a part of the Company's organs of corporate governance.

- (1) Newly appointed directors and newly appointed auditors
 - Participation in outside seminars directly after assuming office
 - Internal corporate governance training

- (2) Directors and auditors
 - Delivery of seminars on topics such as the Companies Act by outside experts at least once a year
 - Encouragement to participate in seminars on other useful topics
- (3) Independent directors and independent auditors
 - Provision of internal training on the Company's business in general (including tours of business sites) directly after assuming office, in addition to the foregoing

Officers' Remuneration, etc.

(i) Matters pertaining to the policy on determining the content of remuneration, etc. for individual directors

The Company has established a policy on determining the content of remuneration, etc. for individual directors (hereinafter referred to as the 'determination policy'). This determination policy was determined by resolution of the Board of Directors based on the deliberations and report of the Nomination and Remuneration Advisory Committee, a majority of whose members are independent directors and independent auditors.

When determining the content of remuneration, etc. for individual directors, the Nomination and Remuneration Advisory Committee considered consistency with the determination policy and appropriateness, and the Board of Directors also basically respected the committee's report, judging it be in line with the determination policy.

The amount of remuneration of each auditor is determined through consultation among the auditors.

Starting from the fiscal year ended 31st March, 2022, the Company abolished stock options as stock-based remuneration and introduced a restricted stock unit plan (excludes independent directors) to increase incentive to improve performance in the medium and long term and to further promote shared values with shareholders. Furthermore, to increase incentive to improve business results in the short term, the Company introduced performance-linked remuneration to be included within the total amount of annual monetary remuneration for directors of 300 million yen (provided that this amount does not include the employee wages of any director who is also an employee) resolved at the 92nd Ordinary General Meeting of Shareholders held on 29th June, 2006.

Basic policy

The Company's basic policy is that officers' remuneration shall be set at a level and composed in such a way that allows the Company to attract and retain the talent required for continuous enhancement of corporate value and improvement of corporate competitiveness and to function as an incentive to improve performance. More specifically, remuneration for directors who are responsible for business execution shall consist of basic remuneration, performance-linked remuneration and restricted stock units, and the percentages of each component shall be set at the optimal level for contributing to the sustainable improvement of corporate value. The remuneration for independent directors shall consist of basic remuneration only.

Basic remuneration

Basic remuneration shall be fixed monetary remuneration paid monthly. The amount of basic remuneration shall be determined based on an officer's position, responsibilities and other factors and shall be reviewed in a timely manner taking into consideration factors such as business results, pay levels at other companies and social conditions.

Performance-linked remuneration

Performance-linked remuneration shall be monetary remuneration that reflects performance indicators to raise the awareness of performance improvement each business year, and an amount calculated according to the degree of attainment of a target value

shall be paid as a bonus at a certain time every year, with the consolidated and non-consolidated operating margins, which indicate income earned from core business each fiscal year used as a benchmark. In the fiscal year under review, the consolidated operating margin was 2.5% against a target level of 3.6% and the non-consolidated operating margin was 4.6% against a target level of 1.7%.

Restricted stock units

At a set time each year, directors who are responsible for business execution are granted restricted stock units with a restriction period of up to 30 years, for the purpose of promoting shared values with shareholders and increasing incentive for improvement of performance in the medium and long term. The number of shares to be granted is determined based on various factors including position and responsibilities.

(ii) Matters related to resolutions of the General Meeting of Shareholders about remuneration, etc. for directors and auditors

The Company's 92nd Ordinary General Meeting of Shareholders held on 29th June, 2006 resolved that the amount of monetary remuneration for directors shall not exceed 300 million yen per year (provided that this amount does not include the employee wages of any director who is also an employee). The number of directors as of the conclusion of the 92nd Ordinary General Meeting of Shareholders was fifteen. Aside from such monetary remuneration, the 107th Ordinary General Meeting of Shareholders held on 25th June, 2021 resolved that the amount of monetary claim remuneration for the granting of restricted stock units shall not exceed 100 million yen per year (provided that this amount does not include the employee wages of any director who is also an employee). The number of directors (excluding independent directors) as of the conclusion of the 107th Ordinary General Meeting of Shareholders was five.

The 95th Ordinary General Meeting of Shareholders held on 26th June, 2009 resolved that the amount of monetary remuneration for auditors shall not exceed 70 million yen per year (including monetary remuneration for independent auditors not exceeding 20 million yen per year). The number of auditors at the conclusion of the 95th Ordinary General Meeting of Shareholders was four (including two independent auditors).

(iii) Matters related to delegation of determination of the content of remuneration, etc. for individual directors

Yoshihide Watanabe, Chairman and CEO (Representative Director) and Mitsuyasu Watanabe, President and COO (Representative Director) both determine specific content such as the amount of remuneration for individual directors, taking the deliberations and report of the Nomination and Remuneration Advisory Committee into consideration and in accordance with a resolution by the Board of Directors delegating authority to them. The reason for delegation is that the Company judges that objectivity and propriety are ensured through the deliberations of the Nomination and Remuneration Advisory Committee and that these two individuals are familiar with the Group's management environment and circumstances and are capable of making an overall judgment.

Election of Chief Executive Officer, etc. and Succession Planning

On the election of the Chief Executive Officer or other Representative Director, Chairman and CEO (Representative Director) prepares a proposal and consults the other Representative Director before submitting the proposal to the Board of Directors. Through the establishment of the Nomination and Remuneration Advisory Committee as an optional advisory body for the Board of Directors and its involvement in this process, the Company increases

independence, objectivity and accountability in relation to the nomination process.

Similarly for succession planning, the Company will consider using the Nomination and Remuneration Advisory Committee in the future, in addition to consultation with the other Representative Director.

Board of Directors, Statutory Auditors & Executive Officers

Board of Directors

Yoshihide Watanabe Chairman and CEO (Representative Director)

Jul. 1980 Director, OSAKI ELECTRIC Co., Ltd.
 Jul. 1984 Managing Director
 Jul. 1986 Senior Managing Director
 Jun. 1987 Executive Vice President (Representative Director)
 Nov. 1988 President and COO (Representative Director)
 Jan. 1989 Director, Tohoku Electric Meter Industry Co., Inc. (to date)
 Mar. 1989 Director, KYUSHU DENKI SEIZO Co., Ltd.
 (currently Kyuden Technosystems Corporation) (to date)
 Feb. 2007 Director, Enegate Co, Ltd. (to date)
 Jan. 2009 Chairman and CEO, OSAKI ELECTRIC Co., Ltd. (to date)
 Mar. 2012 Chairman, SMB United Limited (currently OSAKI United International Pte. Ltd.) (to date)



Mitsuyasu Watanabe President and COO (Representative Director)

Aug. 1986 Joined OSAKI ELECTRIC Co., Ltd.
 Jun. 1988 Director
 Jun. 1994 Managing Director
 Jun. 2004 Senior Managing Director
 Jan. 2009 Executive Vice President (Representative Director)
 Mar. 2012 Chief Executive Officer, SMB United Limited (currently OSAKI United International Pte. Ltd.) (to date)
 Jun. 2014 President and COO (Representative Director), OSAKI ELECTRIC Co., Ltd.
 Jun. 2020 President and COO (Representative Director) (to date)



Haruyuki Kawabata Executive Vice President (Representative Director)

Apr. 1970 Joined OSAKI ELECTRIC Co., Ltd.
 Jun. 2000 Director
 Jun. 2004 Managing Director and Head of Administration Division
 Jun. 2011 Managing Director and Head of Domestic Sales Division
 Jun. 2012 Senior Managing Director and Head of Domestic Sales Division
 Jun. 2014 Executive Vice President (Representative Director)
 Jul. 2014 Director, OSAKI United International Pte. Ltd. (to date)
 Jun. 2016 Executive Vice President (Representative Director)
 Jun. 2020 Executive Vice President (Representative Director) (to date)



Ryuichi Ueno Managing Executive Officer Head of Corporate Strategy Division

Jul. 2010 Joined OSAKI ELECTRIC Co., Ltd.
 Deputy General Manager of International Division
 Jun. 2013 Director and Deputy Head of Corporate Strategy Division
 Jun. 2014 Managing Director and Deputy Head of Corporate Strategy Division
 Jun. 2018 Managing Director and Head of Corporate Strategy Division
 Jun. 2020 Managing Executive Officer, Head of Corporate Strategy Division (to date)



Seiji Takashima Director (Independent)

Jun. 2012 Advisor, KYOWA EXEO CORPORATION (Retired September 2015)
 Jun. 2014 Director, OSAKI ELECTRIC Co., Ltd. (to date)
 Oct. 2015 Honorary Advisor, KYOWA EXEO CORPORATION (to date)



Nobuhiro Kasai Director (Independent)

Jan. 2009 President & CEO, ROHDE & SCHWARZ JAPAN K.K. (Retired June 2014)
 Jun. 2016 Director, OSAKI ELECTRIC Co., Ltd. (to date)
 Oct. 2016 Head of Sales Division, Phase One Japan Co., Ltd. (Retired in February 2022)



Shoko Kuroki Director (Independent)

Feb. 2017 Member of the Board, Executive Officer, CFO, CHRO, JASTE Co., Ltd. (Retired February 2019)
 Jun. 2019 Outside Director, IX Knowledge Inc. (to date)
 Jun. 2021 Outside Director, C'BON COSMETICS Co., Ltd. (to date)
 Apr. 2022 Professor, Faculty of Economics, Teikyo University (to date)
 Jun. 2023 Director, OSAKI ELECTRIC Co., Ltd. (to date)



Statutory Auditors

Choichiro Hori Standing Auditor

Jul. 2006 Tokyo Electric Power Company (currently Tokyo Electric Power Company Holdings, Inc.)
 Jul. 2008 Seconded to Toko Electric Corporation (currently TAKAOKA TOKO CO., LTD.)
 Oct. 2011 Seconded to OSAKI ELECTRIC Co., Ltd. General Manager of Domestic Sales Division
 Jun. 2012 Director and Deputy Head of Domestic Sales Division
 Jun. 2018 Standing Auditor (to date)

Yutaka Hasegawa Auditor

Apr. 1988 Joined OSAKI ELECTRIC Co., Ltd.
 Jun. 2014 General Manager of General Affairs Department, Administration Division
 Jun. 2022 Auditor (to date)

Shigehiko Yamamoto Auditor (Independent)

Mar. 2007 Managing Advisor, JAFCO Co. Ltd.
 Jun. 2007 Outside Director, NEC Capital Solutions Limited (Retired in June 2014)
 Jun. 2008 Auditor, OSAKI ELECTRIC Co., Ltd. (to date)

Kumiko Kitai Auditor (Independent)

Jun. 2014 Director (Independent), Sumitomo Mitsui Construction Co., Ltd. (Retired June 2019)
 Jul. 2014 Established Kachidoki Legal Office (to date)
 Jun. 2019 Auditor, OSAKI ELECTRIC Co., Ltd. (to date)
 Jun. 2022 Outside Director, Japan Petroleum Exploration Co., Ltd. (to date)

Executive Officers

Kazuo Nemoto
Senior Managing Executive Officer
Head of Administration Division

Takehiko Ota
Managing Executive Officer
Head of Domestic Sales Division

Jun Abe
Executive Officer
Head of Research & Development Division

Toshiaki Takada
Executive Officer
Head of Manufacturing Division

Hiroyuki Hatakeyama
Executive Officer

Nobuyuki Ono
Executive Officer

Hiroshi Takahashi
Executive Officer

Isao Yoshino
Executive Officer

Masaru Takahashi
Executive Officer

Messages from Independent Directors & Auditors

OSAKI ELECTRIC carries out a new growth strategy to continuously improve corporate value in a changing business environment. Here are messages from independent directors and auditors.



Seiji Takashima
Director (Independent)

To become a "Global Energy Solution Leader," as OSAKI's vision states, we focus on our core smart meter business in Japan, as well as creating new value-added products and services based on the technology we have cultivated to date. Furthermore, we will strengthen overseas business, where we anticipate steady market growth and better profitability.

In supporting the aforementioned efforts, we have undertaken significant reforms in our management structure and evaluation & compensation systems. In February 2019, we established a Nomination and Remuneration Advisory Committee. As a Chairman of the Committee, I welcomed such new measures as performance-based remuneration to invigorate business execution. To further accelerate the reform, the executive officer system was introduced in June 2020 to separate management from execution. Over the medium- to long-term, the Board of Directors will further deepen discussions on important issues, with the object of forming management that boldly engages in self reformation.



Nobuhiro Kasai
Director (Independent)

The Japanese market for smart meters, the OSAKI Group's main business, remains stable but has limited room for growth. In order to generate further growth for OSAKI ELECTRIC and increase its market value, in 2019 we formulated and announced a Mid-term Management Plan focused on the four pillars of "developing value-added smart meters," "developing new products and services," "expanding global business focused on profit," and "building resilient group operations." We have been moving forward with prioritizing management resources on these four pillars.

In the past several years, the Company's situation has become more challenging due to stagnant economic conditions brought on by COVID-19, global semiconductor supply shortages, rising energy and other costs, and sharp fluctuations in foreign exchange rates. We are accordingly reviewing our plans to respond to the changing circumstances. As an independent director, I will continue with my commitment to contributing to improving the interests of the Company's stakeholders.



Shoko Kuroki
Director (Independent)

The OSAKI Group aspires to be a "Global Energy Solution Leader" that delivers new value to the world through energy solutions, that is being actively discussed by the Board of Directors. The biggest challenge for the group is strengthening profitability, and robust profit generation is required for the future investments. It is crucial to ensure that invested capital leads to certain profit and to pursue capital efficiency, we believe that it is essential to build a foundation where introducing indicators such as ROIC enable every employee to be conscious of capital efficiency on a daily basis.

My commitment as an independent director is to contribute to fostering a sustainable future by upholding our shared values, intensifying group synergies under the One OSAKI, and driving the organization to consistently elevate the value it provides to its customers.



Shigehiko Yamamoto
Auditor (Independent)

The OSAKI Group has built a solid management base by making full use of the precision, reliability, and technical capabilities that it has steadily accumulated over its more than 100-year history. In recent years, however, with the business environment in Japan and abroad in the midst of a paradigm shift, various complex risks have emerged. In this environment, we have put forth our vision of becoming a "Global Energy Solution Leader" rather than just a manufacturer of meters that merely measure electricity, and are subjecting ourselves to tough questions as we work on undergoing a transformation to an ideal future corporate entity.

Companies listed on the Prime Market of the Tokyo Stock Exchange, are required to have a higher level of group governance and audit credibility. As an independent auditor, I strive to collect information and understand actual risk status through interviews with executive officers and compilation of daily audit reports.

In addition, I share the management issues with other auditors and compile recommendations as an "Audit Summary" for reporting to the Board of Directors.

I am committed to fulfilling my duties as an auditor under the mandate of shareholders and contributing to the OSAKI Group's medium-to long-term sustainable growth and enhancement of corporate value through fair and transparent corporate management.



Kumiko Kitai
Auditor (Independent)

In recent years, the OSAKI Group has been facing a challenging business environment that includes significant changes both in Japan and overseas. In the midst of this every effort is being made to improve earnings and strengthen the Group's management base by reinforcing revenues.

In addition to fulfilling our statutory responsibilities to protect the Group in accordance with laws and regulations, corporate auditors and the Board of Auditors, including myself, consider it important to contribute to the sustainable growth of the Group by appropriately expressing opinions we deem necessary to management based on information obtained through audits. As part of this process, the Board of Corporate Auditors expends a significant amount of time at the end of each fiscal year to compile a summary of the results of key audit items, issues, and recommendations for the future, and reports the summary to the Board of Directors. The report is discussed by the Board and at other management discussion meetings, which cover individual reviews, reports on initiatives by the various divisions, and verification and evaluation of business results.

We also pay close attention to corporate governance, such as sustainability initiatives and human capital strategy, which are required to be at a higher standard as companies with a Prime Market listing.

As an independent auditor, I will continue to focus on keeping track of relevant information and risks, express my frank opinion, and contribute to the Group's sustainable growth and enhancement of corporate value.



Compliance

The OSAKI Group promotes activities to ensure that employees comply with legal requirements and observe high ethical standards.



Risk Management

The OSAKI Group takes precautions to minimise risks.

Basic Policy

The basic Group policy is that officers and employees shall comply with the letter and spirit of laws, show social common sense in their actions, and fulfil their social

responsibilities at a high ethical level under the principles set out by the Group's Charter of Corporate Behaviour.

Compliance Code of Practice

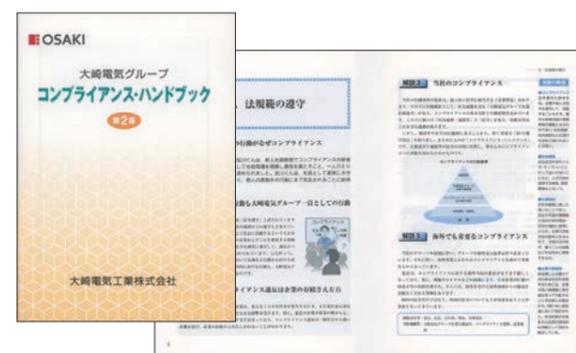
The code of practice is based on the Corporate Philosophy, with the Charter of Corporate Behaviour forming the action guidelines that define the basic policies and principles of compliance. These include 22 compliance items of the OSAKI Group Compliance Handbook, and internal rules and regulations based on legal requirements, which officers and employees are required to observe.

Compliance Code of Practice



Compliance Manual

Based on the compliance policy, the Compliance Handbook includes a compliance manual of 22 items showing guidelines related to specific compliance actions to be taken by all executives and employees. The handbook is handed out to promote compliance educational activities.



OSAKI Group Helpline

To strengthen compliance management, the OSAKI Group has established a helpline system to handle information or consultations related to organisational or individual violations of law and fraudulent acts.

Such information is reported internally, as well as

externally via a law firm that is independent of the company. Information is reported anonymously in verbal, written form, or by email, etc. Whistleblowers are assured that they will not be subject to dismissal or other unfair treatment for their action.

Basic Policy

The basic policy shows a commitment to the continuous and stable development of the business by identifying and evaluating risks in advance and taking countermeasures.

Risk management identifies, evaluates, and minimises

latent risks in daily work operations, and crisis management is used to minimise the effect of disruptive and unexpected events and get back on track.

Guidelines

The following action guidelines have been established in line with the basic policy.

1. The highest priority is on ensuring the quality and safety of products and services. To that end, we strive to eliminate and mitigate factors that adversely affect all stakeholders.

2. We are a committed supplier of products and services that are widely used throughout society. We provide a stable supply of products and services.
3. Officers and employees obey laws, rules and regulations in a spirit of compliance, and act ethically based on their best judgment.

Process

Risk management is performed according to the following procedure.

1. Risk identification
 - i. Identify actual or potential risks in the operations of each department.
 - ii. Compliance, quality, environment, product liability, export and control committees each identifies actual and potential risks.
2. Risk analysis and evaluation
 - i. Each department and committee evaluates the impact

- and possibility of occurrence of each identified risk and creates a risk map.
 - ii. A company-wide risk map is created based on the risk maps submitted by each department and committee.
3. Response to risk
 - i. Take measures to avoid, reduce, and control evaluated risks.
 - ii. Establish an emergency response plan when risks become apparent.

In addition, business risks are monitored every month at management meetings and other meetings.

Information Security Management

Recognizing the importance of information assets, the OSAKI Group considers it has a social obligation to protect information.

The energy management department has an information security management system (ISMS) to protect customer and corporate information assets from tampering, leakage, and loss, and to quickly provide required information. If an information security incident does occur, the damage can be contained, recovery is quick, and recurrence

prevented. In 2017 the ISMS received ISO/IEC 27001 certification. The system ensures the confidentiality, integrity, and availability of important information assets and their continued effectiveness.





Together with Employees

OSAKI respects diversity in the workplace and encourages its employees to play an active role in promoting a fair and transparent work environment. Employees have access to development programmes for advancing their careers.



Together with Customers and Business Partners

The OSAKI Group ensures the quality and safety of products and services. We promote fair and appropriate transactions with business partners and socially responsible procurement.

Diversity

We respect diversity in the workplace and strictly forbid any form of prejudice based on race, nationality, gender or age, and any other forms of disrespect against diversity.

Supporting increased participation of female employees

As an equal opportunity employer, OSAKI ELECTRIC is strengthening the recruitment of women.

OSAKI ELECTRIC action plan goals

Goal 1: By 31st March 2026, to have a ratio of female employees of 23%, compared to 18% in 2021.

Goal 2: Provide career design training to raise the career awareness of female employees.

Promoting Work-Life Balance

OSAKI ELECTRIC makes continuous efforts to improve the work environment so that all employees can make full use of their abilities. The company is promoting a healthy work-life balance through the following initiatives.

Parenting and nursing care support

Employee benefits include parental and nursing care leave,

and exemption from or restrictions on overtime work for parent employees.

Promoting work style reforms

Reforms include reducing overtime, encouraging employees to take paid leave, and instituting telework.



Enhancing Health and Productivity Management

In March 2023, for the fourth consecutive year OSAKI ELECTRIC was certified as a Health and Productivity Management Excellent Corporation (in the Large-scale Corporate Division).

* "Health and productivity management" is a registered trademark of Nonprofit Organization Kenkokeiei.



Human Resource Diversity and Health Management Goals

The following goals have been set to achieve human resource diversity and health management.

Indicators	FY2025 Target	FY2030 Target	FY2022 Results
Percentage of female in management positions	6%	10%	4.9%
Percentage of male employees who took childcare leave	65%	100%	50.0%
Wage differential between men and women	70%	75%	66.6%
Percentage of female employees	23%	30%	20.7%
Percentage of smokers	15%	0%	20.6%

Quality

The OSAKI Group places the highest priority on ensuring the quality and safety of its products and services. We engage in sincere dialogue on products and services to maintain the trust of our customers.

We are a responsible supplier of products and services that are widely used throughout society. It is our social mission to provide a stable supply of products and services.

Quality Management System

The OSAKI Group makes continuous improvements in quality-related activities. In 1996, OSAKI obtained ISO 9001 quality management certification. As of 2023, OSAKI

ELECTRIC and some of its Group companies have obtained ISO 9001:2015 certification.



Designated Manufacturer

On 23rd February 1999, OSAKI ELECTRIC became the first manufacturer in Japan designated by the Ministry of Economy, Trade and Industry. As a designated manufacturer, OSAKI ELECTRIC ships out self-inspected products

with a guaranteed quality equal to the certification of the Japanese Electric Meters Inspection Corporation.



Promoting Fair Business

The OSAKI Group conducts procurement with the emphasis on fair and free competition, transparent transaction, and an awareness of our social responsibility. The Group also maintains a sound relationship with government agencies for the following two matters.

Product liability management

We act in full compliance with the Product Liability Act and promote product safety measures, the prevention of accidents, and the taking of appropriate measures in the event of an accident group-wide.

Security export control

OSAKI Group has established a Security Export Control Committee headed by the president. The Committee is composed of administrative, sales, and technical departments, and is responsible for developing regulations, reviewing and approving export transactions, and providing Group companies with guidance.



Together with Society

OSAKI ELECTRIC contributes to society through activities in various fields.

Decarbonisation Lessons by Top Management

Decarbonisation is a major issue for the international community and a top management priority for the OSAKI Group. We are promoting the reduction of CO₂ emissions through products and services that support the energy-saving activities of our customers and consider that we can also contribute to decarbonisation by helping the next generation to understand the current energy environment and various issues. To that end, we have started giving lessons at schools.

In July 2021, for example, OSAKI ELECTRIC President Mitsuyasu Watanabe gave a special lesson in English to about 100 elementary school students at an international school in Tokyo. This led the students to think about how to use energy in ways that are friendly to the planet, and to come up with many questions and suggestions in a direct and open way.

OSAKI ELECTRIC intends to further strengthen its efforts in the area of climate change and decarbonisation, while at the same time continuing to help educate the next generation to stimulate interest in the status of climate change and promote smart power utilisation.

In addition, we will set business goals and promote the decarbonisation of society through business activities and education for the next generation, as priority issues currently under consideration as goals 13 and 7 of the Sustainable Development Goals (SDGs) promotion project.



Sotokoto SDGs Award 2021

In 2021, OSAKI ELECTRIC was chosen as the recipient of the first Sotokoto SDGs Award, given out by the SDGs news site Sotokoto NEWS (with the Sotokoto magazine and Sotokoto Online), which is operated by Sotokoto Planet Co., Ltd. and Mirai Relations, Inc.

The award will be bestowed each year for examples of SDGs achievements and initiatives reported in the news that will help to create a better society and tomorrow. OSAKI ELECTRIC was selected for the dedication and determination it displays, starting with top management, in working to achieve the SDGs and contributing towards a decarbonised society.

We will continue to promote SDGs activities and contribute to energy utilisation to form the foundation for creating a sustainable and prosperous society.



Handball Team: Supporting Sports and Community

OSAKI ELECTRIC has been supporting handball events for over 50 years. The Company has a handball team, "OSAKI OSOL."

OSAKI OSOL contributes to communities by taking part in youth handball classes and regional sporting events. The Company takes part in community activities that go beyond athletic sports.

Furthermore, in collaboration with the town of Miyoshi, which is where the handball team is based, the Company strengthens its engagement with children in the local community through sport and contributed to regional revitalization and youth development, including forming a junior handball team. The Company received an award from the town of Miyoshi in 2022 in recognition of these achievements.



OSAKI Sports Foundation

OSAKI ELECTRIC established the Foundation in 1996. It supports the development of corporate sports and the expansion of the Japanese sporting population. It also helps

the next generation of athletes through subsidies, research, surveys, and sporting exchange events.



Together with Shareholders and Investors

The OSAKI Group discloses corporate information in a fair and timely manner. Constructive dialogue with stakeholders is used to build relationships of trust and improve corporate value.

Dialogue with Investors

The OSAKI Group holds regular events such as meeting on financial results and also holds one-on-one interactions with institutional investors and securities analysts whenever needed, to provide timely, accurate, and fair information to establish and maintain long-term relationships of trust with shareholders and investors. Opinions and information received through dialogues are regularly reported to the management committee, and feedback is provided internally including to management, as necessary.

We also strive to focus on actively expanding information disclosure in line with market requirements. Information is distributed in principle via the Timely Disclosure Network (TDnet) of the Tokyo Stock Exchange.

The information is also posted on the Investor Relations section of the OSAKI ELECTRIC website, and includes financial information as well as IR materials and stock information.

OSAKI ELECTRIC IR information: <https://www.osaki.co.jp/en/ir.html>

IR Activities in Fiscal 2022

	Target audience	Main respondents	Implementation
Financial results briefing	Institutional investors (in Japan and overseas) Securities analysts	Presenter: President and CEO Head of Corporate Strategy Division, Head of IR & Public Relations Department, and Head of Accounting & Finance Department were also present to answer questions.	Twice a year
Individual consultation	Institutional investors (in Japan and overseas) Securities analysts	Head of IR & Public Relations Manager of IR & Public Relations	As needed
Feedback to management team	Feedback to management team	Head of IR & Public Relations	Quarterly Other times as needed

Integrated Report

The OSAKI Group prepares and publishes an Integrated Report for the purpose of helping a wide range of stakeholders, which includes shareholders and investors, understand its future value creation efforts. In addition to management strategy, business activity report and ESG (environment, society, governance) initiatives that were published in the former Corporate Report, the Integrated Report, which has been published since 2021, includes our value creation story and sustainability basic policy.



Chapter 4 Data Section



OSAKI ELECTRIC Saitama Factory

11-year Financial Data (consolidated)

	(FY) (Millions of yen)											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Year-on-year change rate (% / pts.)
Financial Data												
Net sales	61,205	65,663	77,366	75,596	86,159	78,780	82,089	90,069	76,255	76,184	89,253	17.2
Operating profit	2,278	1,766	3,270	3,738	7,692	5,544	4,299	3,691	2,684	1,277	2,226	74.3
Ordinary profit	2,900	1,905	3,584	4,003	7,426	5,634	4,293	3,544	2,888	1,189	1,885	58.5
Profit (loss) attributable to owners of parent	1,472	783	2,754	1,493	3,803	2,666	1,806	1,197	482	(658)	1,319	—
Profit attributable to owners of parent per share (yen)	41.30	21.96	74.30	33.46	80.65	54.63	36.95	24.47	9.84	(13.42)	27.86	—
Operating profit ratio (%)	3.7	2.7	4.2	4.9	8.9	7.0	5.2	4.1	3.5	1.7	2.5	0.8 pts.
Ordinary profit ratio (%)	4.7	2.9	4.6	5.3	8.6	7.2	5.2	3.9	3.8	1.6	2.1	0.6 pts.
Net income ratio	2.4	1.2	3.6	2.0	4.4	3.4	2.2	1.3	0.6	(0.9)	1.5	2.3 pts.
Return on equity (ROE) (%)	5.6	2.6	7.8	3.9	9.2	5.8	3.8	2.5	1.0	(1.4)	2.9	4.3 pts.
Return on assets (%)	3.6	2.2	4.0	4.5	8.3	6.3	4.7	3.6	3.1	1.3	2.0	0.7 pts.
Overseas sales ratio (%)	33.2	35.3	37.6	27.1	26.6	23.9	29.7	40.6	34.9	38.2	37.9	(0.3 pts.)
Total assets	82,656	87,918	89,579	87,428	92,206	85,785	98,314	97,962	90,989	91,222	93,268	2.2
Net assets	39,830	42,760	50,537	51,028	55,347	57,924	58,881	58,637	58,887	57,611	58,629	1.8
Capital adequacy	28,297	31,404	38,806	38,343	44,563	46,794	47,695	46,790	46,614	45,236	45,933	1.5
Capital adequacy ratio (%)	34.2	35.7	43.3	43.9	48.3	54.5	48.5	47.8	51.2	49.6	49.2	(0.3 pts.)
Net assets per share (yen)	793.80	880.54	875.32	854.31	913.09	958.80	974.95	956.44	950.37	936.60	981.44	4.8
Cash flows from operating activities	6,741	1,052	5,289	6,373	7,369	8,110	76	(394)	10,503	4,422	260	(94.1)
Cash flows from investing activities	(5,828)	(2,524)	5,250	(4,332)	(4,302)	(4,305)	(2,818)	(4,120)	(1,187)	(1,219)	1,349	—
Cash flows from financing activities	(1,102)	(185)	(6,231)	(3,096)	(3,142)	(5,510)	5,739	328	(6,939)	(2,934)	(5,072)	—
Free cash flow	913	(1,472)	10,539	2,041	3,067	3,805	(2,742)	(4,514)	9,316	3,203	1,610	(49.7)
Cash and cash equivalents at end of period	13,046	11,876	17,287	15,691	15,417	13,701	16,422	12,366	14,654	15,335	12,718	(17.1)
Capital investment	5,090	2,153	3,061	3,362	5,187	2,403	1,885	2,064	1,662	2,537	1,643	(35.2)
Research and development expenses	2,252	2,480	3,464	3,422	3,317	3,398	3,059	3,242	2,900	3,043	3,233	6.2
Depreciation	2,282	2,378	2,456	2,214	2,664	2,820	2,634	2,905	2,749	2,536	2,587	2.0
Payout ratio (%)	29.1	54.6	20.2	35.9	24.8	36.6	54.1	81.7	203.3	—	71.8	—
Annual dividends per share (yen)	12.00	12.00	15.00	12.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	0
Total dividends	427	428	613	537	959	976	978	978	980	974	942	(3.3)

Company Profile (As of 31st March 2023)

Company Profile

Established: 26th January 1937

Capital: ¥7,965 million (US\$65 million)*

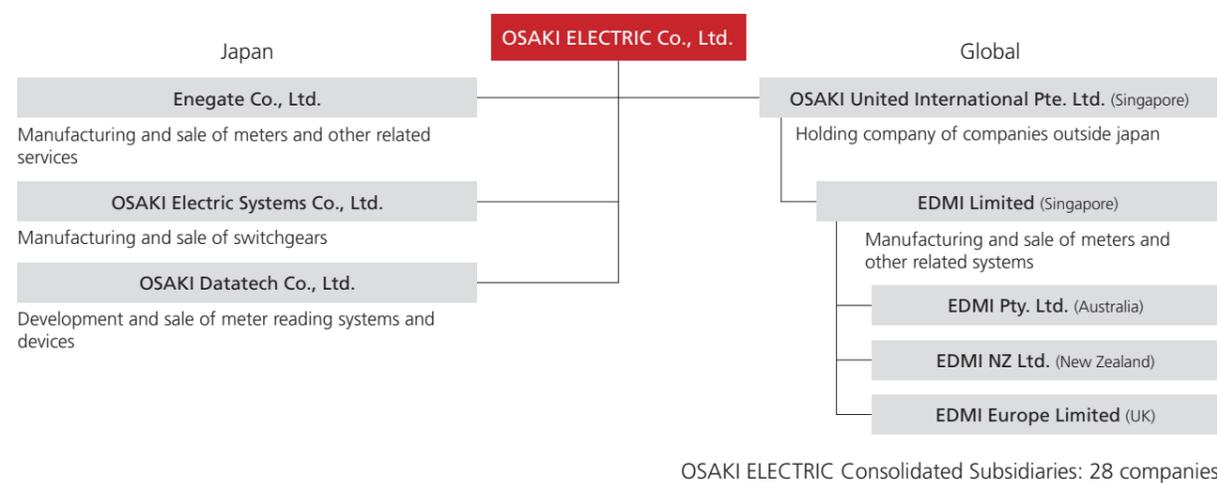
Number of Employees: 2,813 (consolidated)

Offices:

- Headquarters:** 2-10-2 Higashi-Gotanda, Shinagawa-ku, Tokyo 141-8646
Phone: +81-3-3443-7171
- Headquarters Annex:** the OSAKI ELECTRIC-2nd Bldg., 2-1-12 Higashi-Gotanda, Shinagawa-ku, Tokyo 141-0022
- Saitama Operation Center:** 1131 Fujikubo, Miyoshimachi, Irumagun, Saitama 354-8501
- Sapporo Office:** Sapporo Odorinishi 4 Bldg., 4-6-1 Odorinishi, Chuo-ku, Sapporo, Hokkaido 060-0042
- Sendai Office:** Oak Sendai Bldg., 2-5-1 Honcho, Aoba-ku, Sendai, Miyagi 980-0014
- Nagoya Office:** Chikusa First Bldg. Kato, 3-23-10 Aoi, Higashi-ku, Nagoya, Aichi 461-0004
- Osaka Office:** Sanei Bldg., 3-20-9 Toyosaki, Kita-ku, Osaka, Osaka 531-0072
- Hiroshima Office:** Nakamachi Mitsui Bldg., 9-12 Nakamachi, Naka-ku, Hiroshima, Hiroshima 730-0037
- Okinawa Office:** 1-22-18 Nagata, Naha, Okinawa 902-0077

* U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥133.53=U.S.\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2023.

OSAKI Group Companies



Stock Information (As of 31st March 2023)

Common Stock

Authorised: 100,000,000

Issued: 46,802,425
(Excluding treasury stocks of 2,464,755 shares)

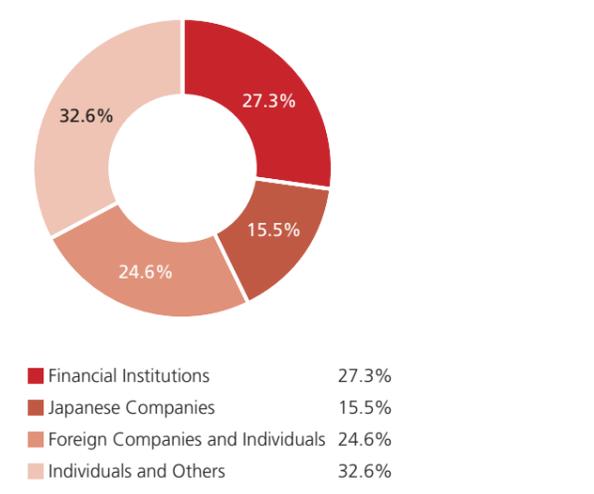
Number of Shareholders: 7,657

Major Shareholders

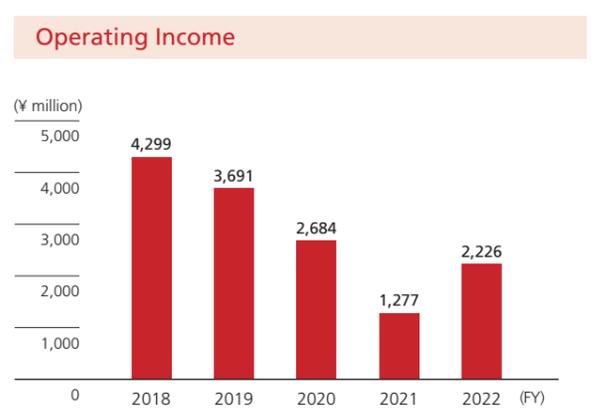
	Number of shares (Thousand shares)	(%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,739	12.2
THE HONGKONG AND SHANGHAI BANKING CORPORATION LTD - SINGAPORE BRANCH PRIVATE BANKING DIVISION CLIENTS A/C 8221-623793	5,392	11.5
Custody Bank of Japan, Ltd. (Trust Account)	2,406	5.1
Osaki Electric cooperation company shareholding commission	1,783	3.8
MUFG Bank, Ltd.	1,552	3.3
Kyuden Technosystems Corporation	1,389	2.9
Yoshihide Watanabe	1,200	2.5
Fukoku Mutual Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.)	1,104	2.3
The Kansai Electric Power Company, Incorporated	1,000	2.1
Aioi Nissay Dowa Insurance Co., Ltd. (Standing proxy: The Master Trust Bank of Japan, Ltd.)	800	1.7

Note: Percentages of voting rights are calculated after deducting treasury stocks, and rounded down to 1 decimal place.

Breakdown of Shareholders



Trend of Business Results





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