



ANNUAL REPORT
2015

OSAKI ELECTRIC CO.,LTD.

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Financial Highlights

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

Years ended March 31

	Millions of yen					Thousands of U.S.dollars
	2011	2012	2013	2014	2015	2015
For the year:						
Net sales	¥ 45,975	¥ 47,362	¥ 61,205	¥ 65,663	¥ 77,366	\$ 643,807
Operating income	3,825	3,329	2,278	1,766	3,270	27,218
Net income	1,020	1,339	1,472	783	2,754	22,920
At year-end:						
Total assets	63,051	79,352	82,656	87,918	89,579	745,437
Total equity	39,301	36,204	39,830	42,760	50,537	420,548
Number of employees	1,821	3,369	3,504	3,534	3,069	
Per share of common stock:						
Net income	¥ 27.26	¥ 36.95	¥ 41.30	¥ 21.96	¥ 74.30	\$ 0.61
Cash dividends	12.00	12.00	12.00	12.00	15.00	0.12
Equity	668.97	688.13	793.80	880.54	875.32	7.28

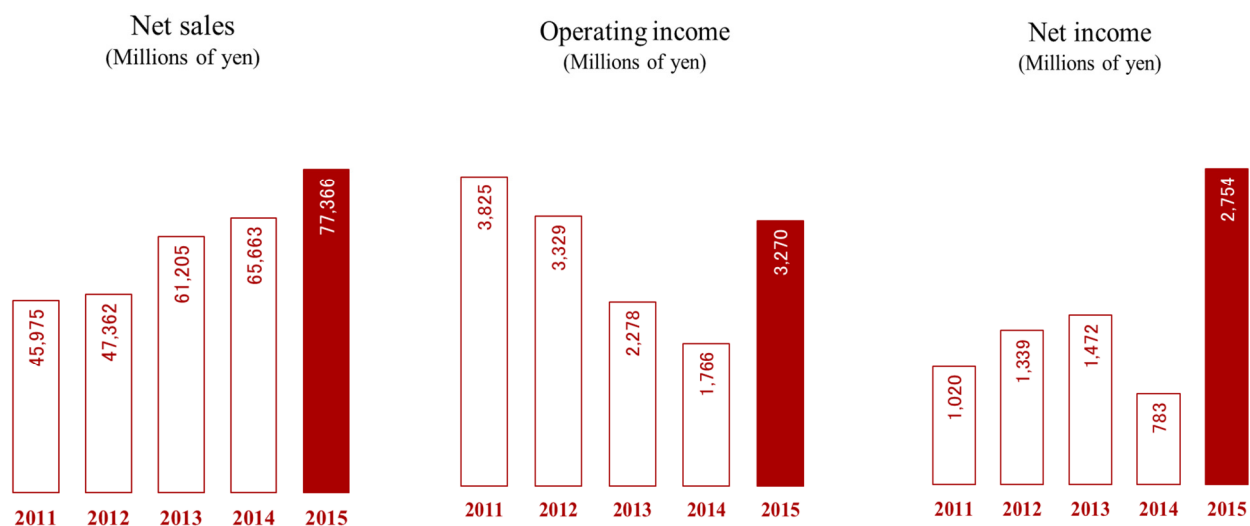
Notes : U.S.dollar amounts have been translated from yen, for convenience only, at the rate of ¥120.17=U.S.\$1
the approximate Tokyo foreign exchange market rate as of March 31, 2015

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

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

FPD Assembly equipments:

Sensor related equipments, Energy related equipments, FPD related equipments.

Real estate: Estate for rent.

Osaki Philosophy

Osaki group's guidelines for corporate actions with incessant personal development and a broader view, be responsible for better society, better global environment while creating outstanding customer value.

O PEN MIND

Creating products that please our customers comes first.

Regardless of the market or the times, without any preconceptions, we respond to our customer's needs with flexibility, and also look ahead to actively answer to unseen needs.

S OCIETY

In harmony with society, we aim to grow with society.

With our accumulated expertise as the foundation, we work to answer the dreams of society with our new technology. As a member of society, we work in harmony with society, contribute to society, and aim to become a company that society cannot do without.

A CTIVITY

Making use of each person's abilities to the full, we bring out people's dreams and create a high quality life.

Each person's characters and abilities combined create a whole new value that moves the company towards growth. Coming forward with original ideas, suggestions and challenging. We believe that this is what makes it worth living and working, and furthermore, what brings out each person's dreams and a more relaxed atmosphere.

K NOWLEDGE

With a wide interest in what goes on around us, we actively challenge ourselves to new things.

In this rapidly changing world, we absorb information from a global viewpoint and respond with sensibility. We believe that actively challenging ourselves to new things will vitalize our company and liven up our society.

I NTEGRATION

Looking at things from the viewpoint of the entire company, we aim to develop a cooperative organization.

We constantly view ourselves and our roles in the company through the eyes of the entire company, and take action accordingly. By cooperating with each other, the information and values that each of us hold join together, creating something new of even greater value, along with a lively company atmosphere.

A message from the Chairman and President



TO OUR SHAREHOLDERS

Since the original company's founding in 1916, the Osaki Electric Group has remained dedicated to delivering technologies and products associated with measurement and control, and information and communications for the effective utilization of energy. In this context, our primary philosophy has aligned with the effective utilization of limited resources in furnishing comfortable living to people in society. Thus, Osaki Electric Group has consistently taken on new technical challenges, and placed efforts in its role to support the industrial activities and energy supply infrastructure of Japan.

Energy infrastructure today, however, has reached a major inflection point. Deregulation on several fronts has overturned our traditional notions, and the evolution in information and communications is transforming our social fabric. Osaki Electric Group has consequently gripped the wave of globalization in its bid to ride out this period of change and to maximize enterprise value.

As the smart grid gains momentum, we shall fulfill the demand for real-time energy metering, and evince leadership as a dedicated manufacturer of measurement and control equipment that will support next-generation infrastructure. The Group eyes new market development through globalization of its supply organization, and intends to become a major global manufacturer in its domain. As the "Global Energy Solution Leader," everyone at Osaki Electric Group is committed to the creation of new value that can help achieve a world of plentiful comfort.

In closing, we extend our deepest gratitude to your steadfast patronage and ask for your continued support in our many endeavors ahead.

A handwritten signature in black ink, appearing to read 'M. Watanabe'.

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

A handwritten signature in black ink, appearing to read 'Y. Watanabe'.

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

Management Policy

1. Basic Corporate Policy

The Osaki Electric Group has set forth its corporate policy statement as follows: “We will contribute to society principally in the energy solutions domain by continually bringing forth newly created value and actively challenging ourselves to harness new technologies.” The company is aiming to become a company trusted by society while devising to maximize enterprise value.

The Measurement and Control Equipment Business is contributing to energy-saving deployments and global-warming abatement through the development of smart meters, as well as a broad portfolio of equipment and systems for efficient usage of energy. These products address the customer service enhancements and the rationalization measures of electric power companies categorically described as the smart grid, and support automated meter-reading systems, complex electricity tariff menus, load balancing that includes peak usage shifting, and effective adoption of renewable energy.

With an aim to become a leading company in the mounting apparatus industry, the FPD (Flat Panel Display) Assembly Equipment Business is eyeing continual, stable growth for FPD manufacture and mounting systems that have successfully propelled the business thus far as core products, and pro-active new business development in the sensor device market, as well as energy and lighting-related equipment markets that represent a promising growth area in which improved customer satisfaction is the aim.

2. Measurable Target for Management

The corporate group emphasizes management that pursues the efficiency of shareholder equity. We are placing efforts to attain an equity-to-net income ratio (ROE, return on equity) of 10% or higher as the measurable target for mid-term and long-term corporate management.

3. Mid-Term and Long-Term Corporate Strategies

The Mid-Term Corporate Operations Plan sets forth fundamental directions to enhance the enterprise value of the group through the following initiatives.

- (1) For smart meters now starting their full introduction into the market, aggressive allocation of resources will build a firm business foundation to face the anticipated explosion in demand and concomitant intensifying competition. Efforts to secure a staunch position as a top manufacturer in Japan are going hand in hand with the creation of comprehensive energy measurement and control systems that will also address global markets.
- (2) For the general commercial market, we offer services comprising energy consumption diagnostics and consulting for improved plant equipment operation, equipment updates, and energy procurement. Revenue growth is eyed through expanded energy-saving service offers, including BEMS (Building Energy Management System) for commercial complexes and smaller buildings, and HEMS (Home Energy Management System) for residential use.

- (3) The FPD Assembly Equipment Business intends to reinforce and expand core technologies concerning fine-pitch mounting and customized equipment developed through FPD assembly and IC card equipment experience. Mid- and long-term corporate strategy looks at development and expansion into new fields where these core technologies can be effectively deployed.

4. Fundamental Policy Regarding Distribution of Profits

Osaki Electric places the return of profit to shareholders as one of its core management policies. The company considers the continual distribution of a steady dividend to shareholders as the premise, with additional performance-based dividends as basic policy. Retained earnings are applied to R&D investments and capital expenditures towards the long-term increase of enterprise value, and will be leveraged effectively for future business efforts that improve performance.

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

For the operating year under report, the dividend of 15 yen per share (of which 6 yen is the interim dividend) reflects increased income from the sale of a subsidiary, and includes a special dividend of 3 yen to the ordinary dividend of 12 yen set forth in the initial operating plan.

Note: Dividends of surplus with record dates during the operating year of this report are as follows.

Date of Resolution	Total Dividend (Million Yen)	Dividend per Share (Yen)
Board of directors resolution of Oct. 31, 2014	214	6.00
Annual general shareholders meeting resolution of June 26, 2015	399	9.00

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Present status of Business

1. Business Performance

(1) Overview of Consolidated Fiscal year

The economy of Japan during the consolidated fiscal year under report experienced a continuing mild recovery through improved corporate profits and steady personal consumption. Although a downtrend in the economic climate outside Japan remains a concern as a risk factor, a recovering trend to the economic climate is expected to continue through underlying support from the effects of various policies.

Amidst the still-unresolved issue of nuclear power plant shutdowns burdening our main business customers who are the domestic electric power companies, the management environment of the Osaki Electric Group remains in a complicated state with respect to the Measurement and Control Equipment Business. Although the tough conditions remain unchanged, demand for smart meters, which represent a new trend, is starting to expand rapidly. Moreover, the market for electricity meters outside Japan is trending favorably. The FPD Assembly Equipment Business, however, finds principal clientele in the digital home electronics industry with excess facilities that have led to conditions of holding back on new capital expenditures.

Under the management environment described, the corporate group forged ahead to expand sales and make operations more efficient through sales promotion activities and cost-cutting activities in an all-out effort to improve performance results.

Successful international business operations and increased product sales to electric power companies in Japan for the Measurement and Control Equipment Business, and increased net sales of the FPD Assembly Equipment Business led consolidated net sales to an increase of 17.8% over the prior year to 77,366 million yen.

With respect to income, although selling, general, and administrative expenses increased, increased net sales to the electric power companies in Japan in the Measurement and Control Equipment Business and smaller loss margins in the FPD Assembly Equipment business led operating income to grow by 85.1% over the prior year to 3,270 million yen, while ordinary income grew by 88.1% to 3,584 million yen. Extraordinary income from the gain on sale of shares of a subsidiary led net income to grow by 251.6% over the prior year to 2,754 million yen.

(2) Business Segments

(A) Measurement and Control Equipment Business

This segment experienced net sales growth through increased smart meter sales to the electric power companies in Japan, and favorable sales trends for electricity meters in the Oceania Region, Europe, and Southeast Asia among international business operations. Consequent net sales rose 17.3% over the prior year to 75,132 million yen for operating income growth of 58.1% over the prior year to 3,326 million yen.

(B) FPD Assembly Equipment Business

This segment experienced a decline in net sales for energy- and lighting-related equipment and strong growth in net sales for sensor device- and high-functional device-related equipment. As a result, net sales rose by 46.7% from the prior year to 1,909 million yen. Operating losses decreased by 296 million yen over the prior year to 228 million yen.

(C) Real estate business

Net sales for this segment decreased by 2.6% over the prior year to 460 million yen, and operating income decreased by 7.0% to 168 million yen.

Segment net sales reflect internal inter-segment sales or transfers amounting to 137 million yen.

(3) Outlook for Ensuing Fiscal Year

The Measurement and Control Equipment Business sees the rollout plans of smart meters by electric power companies fully taking shape, and expects a heavy increase in demand. But calls for cost reduction from the electric power companies and competition among manufacturers are intensifying, and our immediate profitability remains difficult to foresee. Although energy-saving products continue to enjoy growth in demand, OUI (Osaki United International, Pte. Ltd.) driving the global business foresees a decrease in net sales from the sale of its switchgear business division, while research and development expenses investing for the future may squeeze profits.

Despite the tough environment, the Measurement and Control Equipment Business intends to further reinforce sales activities toward expansion of net sales, mainly from smart meters where growth in demand is expected. Initiatives include the introduction of new models and continued driving down of manufacture costs. Efforts will go toward overseas initiatives centered on OUI, and synergies will be pursued. Active order-taking activities will move ahead for existing clientele within and outside Japan for the FPD Assembly Equipment Business, as well as new customers.

The outlook for the full year ahead projects 72,000 million yen in net sales, 3,300 million yen in operating income, 3,600 million yen in ordinary income, and 1,500 million yen in profit attributable to owners of parent.

Consolidated Business Performance Outlook

Net sales	:	72,000 million yen (6.9% increase over prior year)
Operating income	:	3,300 million yen (0.9% increase over prior year)
Ordinary income	:	3,600 million yen (0.4% increase over prior year)
Profit attributable to owners of parent	:	1,500 million yen (45.5% increase over prior year)

Note: The performance outlook above is a future estimate based on calculations made from information obtained for the Osaki Electric Group as of this writing and includes elements of uncertainty. Actual performance results may vary from this outlook.

2. Analysis of Financial Condition

Total assets for the year ended increased over the prior year's end by 1,660 million yen to 89,579 million yen. The net increase resulted from decreases in notes and accounts receivable, trade of 1,113 million yen, plant, property and equipment of 3,062 million yen, and goodwill of 1,963 million yen offset by increases in cash and cash equivalents of 4,343 million yen, deposits of 996 million yen, inventories of 1,382 million yen, and in investments in securities of 713 million yen.

With respect to liabilities, notes and accounts payable, trade increased by 1,740 million yen, accrued income taxes by 656 million yen, and other current liabilities by 2,151 million yen, while long- and short-term debt decreased by 356 million yen and bonds by 10,315 million yen. Consequently, total liabilities for the year ended decreased by 6,116 million yen from the prior year's end to 39,041 million yen.

Though sustaining a decrease by 1,025 million yen in foreign currency translation adjustments, total equity benefited from increases in common stock of 1,936 million yen, capital surplus of 1,929 million yen, retained earnings by 2,194 million yen, reduced treasury stock of 1,483 million yen, and unrealized gains on securities by 677 million yen, and thus increased by 7,777 million yen over the prior year's end to 50,537 million yen.

The equity ratio rose 7.6 points over the prior year's end to 43.3 %.

	Total assets (million yen)	Total liabilities (million yen)	Total equity (million yen)	Equity ratio
Year ended March 2015	89,579	39,041	50,537	43.3%
Year ended March 2014	87,918	45,158	42,760	35.7%
Difference	1,660	(6,116)	7,777	7.6 points

3. Cash Flows

Balances of cash and cash equivalents for the consolidated fiscal year under report totaled 17,287 million yen with a increase of 5,411 million yen over the prior year's end.

	Year Ended March 2014 (million yen)	Year Ended March 2015 (million yen)	Difference (million yen)
Cash flows from operating activities	1,052	5,289	4,237
Cash flows from investing activities	(2,524)	5,250	7,774
Cash flows from financing activities	(185)	(6,231)	(6,045)
Cash and cash equivalents at end of year	11,876	17,287	5,411

(1) Cash flows from operating activities

On income before taxes and minority interests of 4,398 million yen, cash flows from operating activities experienced factors associated with the gain on sale of shares in an affiliate of 2,708 million yen, increase in notes and accounts payable of 2,461 million yen, depreciation and amortization of 2,456 million yen, and the increase in inventories of 1,999 million yen for net cash acquired of 5,289 million yen.

(2) Cash flows from investing activities

Cash flows from investing activities resulted in 5,250 million yen of cash acquired mainly through proceeds of 6,178 million yen for the sale of a subsidiary's shares with a change in consolidation range, payments of 1,990 million yen for acquisitions of property, plant and equipment, and receipts of 955 million yen for the sale of plant, property and equipment.

(3) Cash flows from financing activities

With respect to cash flows from financing activities, principal items for cash used included a disbursement of 5,065 million yen for bond redemptions, cash dividends paid of 580 million yen including minority shareholders, and a net reduction in long- and short-term debt of 525 million yen, for net cash used of 6,231 million yen.

4. Responses to Business Challenges

(A) Measurement and Control Equipment Business

The introduction of general competitive bidding by the electric power companies, our principal trade customers for the power company product portfolio has resulted in intensified competition among supplying manufacturers, while the significant decline in product selling prices has led to a continuing, tough business environment.

The electricity meter is a core product of our portfolio, and the full-fledged introduction of the smart meter, the next-generation electricity meter, is at the starting line. The demand for smart meters is forecast to increase. Amidst this backdrop, we are making an all-out effort to develop products that meet the needs of the power companies with high functionality, high quality and high reliability and that remain highly competitive. In an effort to acquire the largest market share of smart meters as achieved previously for conventional meters, we are building a production organization to meet increased demand and cutting costs to match selling prices. In our international business operations, we are readying our supply organization for the order from the U.K. for a smart meter communication hub, preparing our support of smart meters expected to increase in Europe in the near future, and enhancing our competitiveness to secure profitability.

(B) FPD Assembly Equipment Business

Our principal customer base belongs to the digital home electronics industry for this segment. The business environment is experiencing changes as structural changes in demand occur and manufacturing centers for the industry shift to outside Japan. We are thus being driven to promote order-taking activities based on enhanced competitiveness for our existing product line, to forge new business and issue new products, and to reinforce our production, distribution, and service organizations. Conditions have prompted us to improve added value in terms of product performance and functionality and to reinforce competitiveness through cost reductions. Pro-active business development will proceed in the growth category of energy- and lighting-related equipment and in new fields expected for future growth such as sensor device- and high-functional device-related equipment.

(C) Real estate business

Improved occupancy rates and cost reductions are planned for this segment to improve the rate of return on investment.

5. Risks in Business Operations

The risk factors that may impose an impact on the management results and financial condition of the Osaki Electric Group include the following.

(1) Fluctuation in Demand

The market for the products manufactured by the corporate group (measurement and control equipment market, FPD manufacture apparatus market) may experience unexpected fluctuations (performance trends of power companies constituting the customer base, intensified competition through changes in tendering format, or other) that will change the demand for our products. Changes in the political or economic climates of countries or regions where products are distributed by the corporate group may alter demand for our products. Decreasing sales from large fluctuations in product demand may impose an adverse effect on the business performance and financial condition of the corporate group.

(2) Price Appreciation, Sourcing Difficulty of Material and Parts

The corporate group purchases materials, parts, and contracted assemblies externally for the manufacture of its product line. We have no guarantee against global economic conditions, the environments in material producing countries, and fluctuations in foreign exchange rates that may lead to the appreciation of prices and sourcing difficulties. Price appreciation and sourcing difficulty for materials and parts may impose an adverse effect on the business performance and financial condition of the corporate group.

(3) Stock Price Fluctuation

The corporate group owns approximately 5.1 billion yen worth of investments in securities. We have no guarantee against any valuation loss of these investments in securities in the event of a large drop in stock prices. A large valuation loss of investments in securities may impose an adverse effect on the business performance and financial condition of the corporate group.

(4) Real Estate Price Fluctuation

The corporate group is engaged in the Measurement and Control Equipment Business, FPD Assembly Equipment Business, and Real Estate Business, and consequently owns real estate in the form of land and buildings. A drop in real estate prices may impose an adverse effect on the business performance and financial condition of the corporate group.

(5) Product Failure

Manufacturing in the corporate group is performed under high quality control standards. We have no guarantee into the future, however, of safeguards for all our products against the occurrence of any recalls with respect to product failures or servicing failures or decrease in sales volume driven by any decline in customer satisfaction. A large-scale recall or product failure resulting in cancelled deliveries may impose an adverse effect on the business performance and financial condition of the corporate group.

(6) Business Concentration on Select Customers

Among the customers of the corporate group, the Measurement and Control Equipment Business mainly delivers electricity meters as its core product line, current limiters, measuring instrument converters, monitor control apparatuses, and time switches to electric power companies within and outside Japan. The proportion of net sales to power companies and their affiliated companies account for a high share. The FPD Assembly Equipment Business also relies on select accounts for a high proportion of net sales. Thus, changes in business format of the customers or in the business relationship may impose an adverse effect on the business performance and financial condition of the corporate group.

(7) Corporate Acquisition

The corporate group may engage in corporate mergers and acquisitions and in business reorganizations for purposes of business expansion or reinforcing competitiveness. In this type of initiative, timely accomplishment of expected events, such as securing growth opportunities, improving financial condition, and integrating various systems may not be concluded (or achieved). Unforeseen problems may arise, where unplanned expenses and costs accrue. Any of these potential situations may impose an adverse effect on the business performance and financial condition of the corporate group.

(8) Foreign Exchange Fluctuation

The corporate group engages in its global business with Osaki United International, Pte. Ltd., in Singapore as the hub. Fluctuations in foreign exchange rates may cause net sales, prices of materials and parts, selling and administrative expenses, asset values of subsidiaries in foreign locations, and other factors to fluctuate. A sudden shift in exchange rates may impose an adverse effect on the business performance and financial condition of the corporate group.

(9) Other Risks

The production facilities of the corporate group are distributed geographically within and outside Japan. Nonetheless, any natural disaster like an earthquake may cause plant production capacity to drop and may impose an adverse effect on business operations of the corporate group. In addition, warfare, terrorism, change in government, and epidemics beyond the control of management, fluctuations in financial markets, and changes to supply organizations of purchase sources may impose an adverse effect on the business operations and performance of the corporate group.

6. Contracts Material to Operating Management

There are no particular matters to note.

7. Research and Development

The corporate group is maintaining a product development organization capable of immediate response to the needs of an era facing sudden changes, activating human resources in flexible fashion, and investing in research and development for purposes of new product development and product improvement.

Research and development (R&D) expenses spent by the corporate group for the consolidated fiscal year under report totaled 3,464 million yen.

R&D activities for each business segment are provided below.

(A) Measurement and Control Equipment Business

R&D associated with electricity meters has focused on smart meters, whose installations are expected to accelerate in response to changes in energy delivery, such as the liberalization of electric power. R&D for electricity meters is also advancing through alignment with group companies in response to needs, amidst smart meter rollouts fully taking shape for power companies in Japan. For the smart meter lineup, the main efforts comprise the development of a series to broaden the portfolio and further cost reduction toward enhanced competitiveness.

Globally, the electricity meter of choice is rapidly shifting to the smart meter. In response to this trend, the corporate group is aggressively pursuing development of technologies associated with smart meters.

Contributing to improved energy supply and demand, our systems equipment R&D supports the energy solutions business. Namely, BEMS and HEMS find roles in improving and deploying demand management services for community demand response or the like. We are also engaged in the development of demand control systems for general customers and Electricity Safety Associations nationwide, smart meter systems and in-home energy management units for condominiums that apply measurement technologies of smart meters and various communication technologies.

With respect to our meter-reading equipment and metering systems business, we are engaged in development of handheld terminals and printers featuring the world's top-class environment-resistant performance, and a metering system app for smartphones. The efforts of product and systems development reflect our response to customer needs.

The R&D expenses of this segment totaled 3,452 million yen.

(B) FPD Assembly Equipment Business

Development for this segment pertains to manufacturing equipment for mounting FPD modules around core technologies of bonding and mounting, and electronic-device assembly equipment.

In the fields of mounting and assembly to which these products belong, compact, high-integration of goods demands higher definition and precision in bonding and mounting than before. Measurement and control technologies are becoming more and more important in improving product value and product quality. During the consolidated fiscal year under report, we made further improvements to our core technologies of high-definition bonding and mounting, and placed efforts in technology development for measuring and control that are considered core technologies in the growth areas associated with sensor devices.

Component technology development common to various apparatuses is the main vehicle. The general administrative expenses thus entered for the consolidated fiscal year under report totaled 12 million yen. Customized development expenses accruing to individual orders were mainly treated as manufacture costs for the respective orders. R&D expenses are not classed, however, since the portions specific to R&D within manufacture costs are difficult to allocate.

(C) Real estate business

Research and development are not conducted for this segment.

8. Plant and Facilities

Overview of Capital Expenditures

The corporate group continually programs capital expenditures for purposes of maintaining and increasing production capacity, and fulfilling and reinforcing R&D functions. Capital expenditures totaled 3,061 million yen for the consolidated fiscal year under report.

The Measurement and Control Equipment Business invested 3,048 million yen mainly in facilities associated with electricity meters, and the Real Estate Business invested 12 million yen.

There were no disposals or sales of material facilities.

9. Corporate Governance

(1) Fundamental Approach to Corporate Governance

Osaki Electric views the interests of stakeholders including shareholders with serious emphasis. We recognize comprehensive corporate governance as a very important management issue in a mission to maximize lasting enterprise value. The corporate group will improve management efficiency and transparency further, and aim for fair management practices. We will also make efforts in pro-active, prompt information disclosures, and enhance disclosures such as corporate details through the Internet.

(2) Overview of Corporate Governance Organization

① Corporate Governance Organization

Osaki Electric adopts a statutory auditor system. The Company has established the board of auditors that includes outside auditors, provides an auditing function by statutory auditors, and thus serves as a management oversight function. The auditors consist of four members, of which two are outside auditors and independent officers who maintain objectivity and neutrality of management oversight functions by providing an external checking function. Moreover, one statutory auditor has accounting experience in serving as the director of accounting for the Company with considerable knowledge of finance and financial accounting.

Next, the board of directors consists of fifteen members. One of these members is an independent outside director newly elected in June 2014 at the annual shareholders meeting. Since the outside director participates in management as a member of the board of directors, appropriate advice concerning overall management of the Company can be solicited, and the decision-making and oversight functions of the board of directors can be reinforced. These benefits are considered to be an asset in improving the enterprise value of the Company.

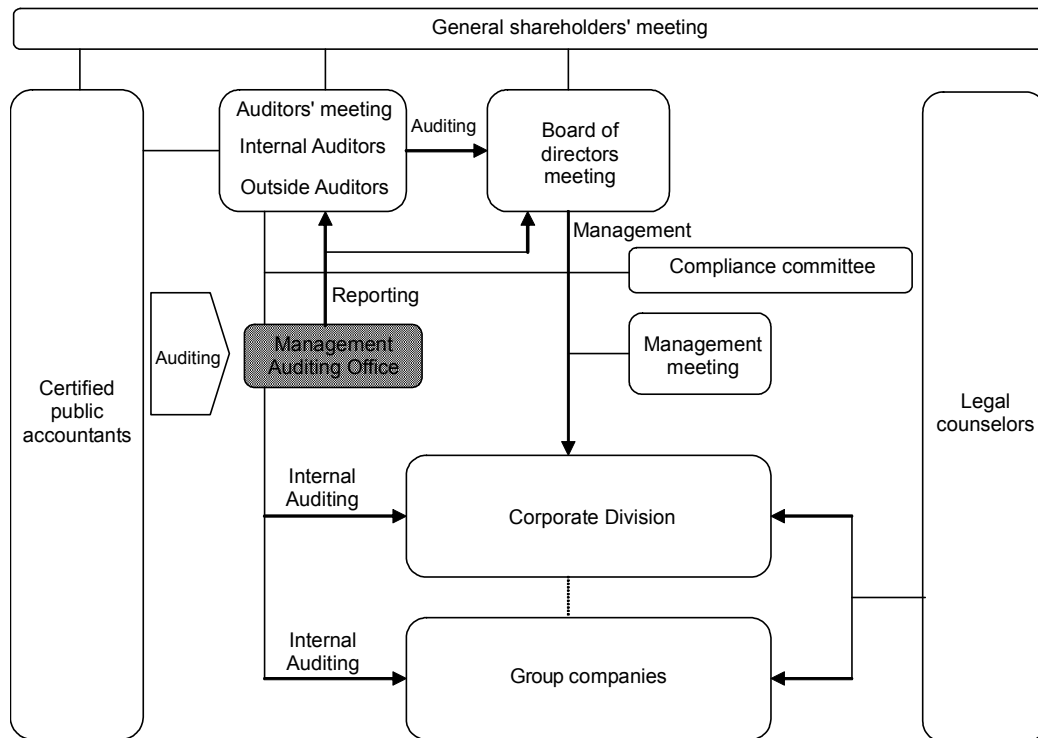
Based on Article 427, Section 1 of the Companies Law, the Company has executed agreements in June 2014 with the outside director and with the outside auditors that limit liability for compensation of damages provided in Article 423, Section 1 of the Companies Law. The amount of limited liability for compensation of damages based on the agreements is set at the statutory figure. Authorization of such limited liability is restricted to good intentions and no serious negligence in the execution of duties that caused the liability imposed on the subject outside director or outside auditor.

In addition to the auditor policy that includes independent outside auditors, the Company considers the board of directors function that includes an independent outside director to be the optimum corporate governance organization for the Company.

The board of directors is positioned as an organization that not only decides important matters established by law and basic management policy, but also oversees the execution of business activities. In principle, the board of directors holds monthly meetings and convenes further if necessary. This practice allows the board to respond dynamically to management environment changes and service efficient operations. As the assisting function of the board meeting, management meetings attended by senior directors are held weekly in principle, in order to conduct decision-making for daily business execution and to discuss management issues.

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

The following is a diagram of the corporate governance system



[Respective Divisions]

② Organization of Internal Controls System

Based on the Companies Law and its enactment rules, we have established fundamental policy for structuring the internal controls system, and maintain the system accordingly to secure proper operational duties as follows:

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

- * The Company establishes the compliance committee, which sets forth the code of practice and compliance manual at Osaki Electric group companies and issues the Osaki Electric Group Compliance Handbook to promote thorough common knowledge and compliance so that officers and employees of the Company and its subsidiaries observe the law, the articles of incorporation, internal company rules, and social norms.
- * Based on management rules of the Osaki Electric Group, the Company shall plan and implement various measures to enhance effectiveness of the internal controls system at each subsidiary and provide guidance and support to the subsidiaries.
- * The Internal Auditing Office implements the internal audits of the Company and those subsidiaries with no internal audit department according to plan, audits the appropriateness and efficiency of duties, and makes efforts for reinforcement and improvement of the compliance organization.
- * Through appropriate operations of the helpline system, Osaki Electric Group shall devise early detection and correction to violations of the law and unlawful conduct by officers and employees, and thus apply efforts to reinforce the compliance organization.
- * Osaki Electric Group shall conduct operations based on the basic internal controls policy related to financial reporting, and secure the reliability of financial reporting required by the Financial Instruments and Exchange Law.

- * As a member of society, Osaki Electric Group, based on its code of practice, shall refrain from holding any relations with anti-social forces that threaten the order and safety of civic society, and shall respond to any eventuality with a resolute attitude.

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

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

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

- * At the Company, each department as well as each committee (Compliance, Quality Control, Environmental Conservation, Product Liability, Export Administration) of the Company shall identify, analyze, and assess risks according to the Risk Management Rules and the Basic Policy for Risk Management, and prepare a Risk Map. Any recognized risk shall have necessary countermeasures instituted to reduce such a risk. At any subsidiary, the Company shall instruct the arrangement of a comparable organization, and establish an organization that delivers the appropriate information to the Company in the event of any unforeseen developments.
- * The Internal Auditing Office audits the risk management status of the Company and those subsidiaries with no internal audit office through an internal audit. The office reports the results periodically at board meetings of the Company, where improvement measures will be deliberated and decided.

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

- * The Company establishes goals of the Company and entire Osaki Electric Group shared by directors at the beginning of each year, and prepares a specific annual operating plan to achieve the goals. Furthermore, achievement of the goals is reviewed monthly and quarterly. Feedback of the results to departments of the Company and subsidiaries secures effectiveness and efficiency of operations.
- * The Company convenes board of directors meetings monthly in principle, and otherwise as necessary to respond efficiently to dynamic changes in the management environment of Osaki Electric Group.
- * In principle, the Company convenes management meetings composed of senior directors weekly to conduct multi-faceted studies and discussions over management issues that affect the corporate Osaki Electric Group.
- * Execution of daily duties at the Company and subsidiaries shall be based in accordance with occupational duty authority rules and internal approval process rules.

e) Organization concerning reporting to the Company regarding matters associated with executing duties by board members of subsidiaries of the Company

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

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

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

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

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

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

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

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

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

Consolidated Financial Statements

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Consolidated Balance Sheets

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

March 31, 2014 and 2015

ASSETS	Millions of yen		Thousands of U.S.dollars
	2014	2015	2015
Current assets:			
Cash and cash equivalents (Note 3)	¥ 10,763	¥ 15,107	\$ 125,718
Deposits (Note 3)	1,920	2,916	24,268
Notes and accounts receivable, trade	19,013	17,900	148,959
Finished products	4,477	5,307	44,162
Work in process	2,785	2,077	17,289
Raw materials, purchased components and supplies	5,218	6,478	53,908
Deferred income taxes	717	774	6,444
Other current assets	1,929	2,125	17,684
Allowance for doubtful receivables	(206)	(165)	(1,374)
Total current assets	46,619	52,521	437,060
Fixed assets:			
Property, plant and equipment			
Buildings and structures	22,060	21,933	182,520
Less-accumulated depreciation	(13,018)	(13,497)	(112,320)
Total buildings and structures	9,042	8,435	70,199
Machinery and equipment	13,822	13,501	112,351
Less-accumulated depreciation	(10,658)	(10,363)	(86,240)
Total machinery and equipment	3,164	3,137	26,110
Land	12,173	12,231	101,788
Lease assets	4,640	2,072	17,246
Less-accumulated depreciation	(1,211)	(691)	(5,752)
Total lease assets	3,428	1,381	11,493
Construction in progress	382	89	745
Other fixed assets	7,503	7,528	62,644
Less-accumulated depreciation	(6,816)	(6,989)	(58,159)
Total other fixed assets	686	539	4,485
Net property, plant and equipment	28,877	25,815	214,823
Intangible assets			
Goodwill	3,541	1,578	13,132
Other intangible assets	844	708	5,896
Total intangible assets	4,386	2,286	19,028
Investments and other assets			
Investment securities (Note 4)	4,432	5,145	42,816
Net defined benefit asset	879	1,038	8,646
Deferred income taxes	802	930	7,740
Other assets	1,928	1,848	15,379
Allowance for doubtful receivables	(7)	(7)	(59)
Total investments and other assets	8,034	8,955	74,524
Total fixed assets	41,299	37,057	308,376
TOTAL	¥ 87,918	¥ 89,579	\$ 745,437

See notes to consolidated financial statements

Consolidated Balance Sheets

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

March 31, 2014 and 2015

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S.dollars
	2014	2015	2015
Current liabilities:			
Notes and accounts payable, trade	¥ 8,293	¥ 10,033	\$ 83,494
Short-term debt (Note 5)	5,232	7,330	61,003
Accrued income taxes	458	1,115	9,284
Accrued bonuses allowance	1,634	1,547	12,874
Accrued bonuses allowance for directors	129	101	842
Allowance for product warranties	15	28	238
Other current liabilities	4,057	6,208	51,665
Total current liabilities	19,821	26,365	219,403
Long-term liabilities:			
Bonds (Note 6)	13,000	2,685	22,343
Long-term debt (Note 5)	5,442	2,988	24,868
Lease obligation	866	726	6,043
Accrued retirement allowances for directors	213	223	1,857
Net defined benefit liability	1,507	1,781	14,821
Consolidation adjusting accounts	468	312	2,597
Deferred income taxes	2,931	3,078	25,616
Other long-term liabilities	907	881	7,335
Total long-term liabilities	25,337	12,676	105,484
Total liabilities	45,158	39,041	324,888
Contingent liabilities (Note 7)			
Equity:			
Shareholders' equity			
Common stock:			
Authorized – 100,000,000 shares			
Issued 2015 – 44,889,951 shares and			
Issued 2014 – 38,550,684 shares	4,686	6,623	55,115
Capital surplus	4,775	6,705	55,796
Retained earnings	18,985	21,180	176,255
Treasury stock, at cost:			
555,712 shares in 2015 and			
2,885,515 shares in 2014	(1,838)	(354)	(2,949)
Total shareholders' equity	26,609	34,154	284,218
Accumulated other comprehensive income			
Unrealized gains on securities	769	1,447	12,046
Foreign currency translation adjustments	3,918	2,892	24,073
Remeasurements of defined benefit plans	106	311	2,593
Total accumulated other comprehensive income	4,794	4,652	38,713
Stock acquisition rights (Note 8)	298	327	2,722
Minority interests	11,057	11,403	94,893
Total equity	42,760	50,537	420,548
TOTAL	¥ 87,918	¥ 89,579	\$ 745,437

See notes to consolidated financial statements

Consolidated Statements of IncomeOsaki Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2013, 2014 and 2015

	Millions of yen			Thousands of U.S.dollars
	2013	2014	2015	2015
Net sales	¥ 61,205	¥ 65,663	¥ 77,366	\$ 643,807
Cost of sales	44,817	48,660	56,198	467,657
Gross profit	16,387	17,003	21,167	176,150
Selling, general and administrative expenses (Note 9)	14,108	15,237	17,897	148,931
Operating income	2,278	1,766	3,270	27,218
Non-operating income:				
Interest income	30	37	47	397
Dividend income	500	220	119	997
Amortization of consolidation adjusting accounts	156	156	156	1,298
Others	276	238	360	2,997
	963	652	683	5,691
Non-operating expenses:				
Interest expenses	179	214	187	1,559
Loss on sales of property, plant and equipment	38	-	-	-
Foreign exchange loss	28	159	-	-
Loss on bond retirement	-	-	65	541
Commitment fee	9	9	40	334
Others	86	129	77	648
	342	513	370	3,083
Ordinary income	2,900	1,905	3,584	29,827
Extraordinary gains:				
Gain on sales of investment securities	-	131	-	-
Gain on sales of shares of subsidiaries	-	-	2,708	22,538
	-	131	2,708	22,538
Extraordinary losses:				
Impairment losses	-	236	1,258	10,475
Devaluation of investment securities	246	-	-	-
Loss on sales of shares of subsidiaries and associates	-	34	-	-
Loss on liquidation of subsidiaries and affiliates	-	277	-	-
Structure improvement expenses	106	78	385	3,205
Special retirement expenses	-	-	250	2,084
	352	626	1,894	15,765
Income before income taxes and minority interests	2,547	1,409	4,398	36,600
Income taxes				
Current	839	685	1,359	11,309
Deferred	179	21	(226)	(1,886)
	1,019	706	1,132	9,423
Income before minority interests	1,528	703	3,265	27,177
Minority interests in consolidated subsidiaries	56	(80)	511	4,256
Net income	¥ 1,472	¥ 783	¥ 2,754	\$ 22,920

See notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

Osaki Electric Co., Ltd. and Consolidated Subsidiaries
 Years ended March 31, 2013 2014 and 2015

	Millions of yen			Thousands of U.S.dollars
	2013	2014	2015	2015
Income before minority interests	¥ 1,528	¥ 703	¥ 3,265	\$ 27,177
Other comprehensive income				
Unrealized gains on securities	561	393	679	5,656
Foreign currency translation adjustments	2,165	2,267	(1,020)	(8,491)
Remeasurements of defined benefit plans	-	-	205	1,709
Share of other comprehensive income of entities accounted for using equity method	0	(0)	0	2
	<u>2,727</u>	<u>2,660</u>	<u>(134)</u>	<u>(1,123)</u>
Comprehensive income	¥ 4,255	¥ 3,363	¥ 3,130	\$ 26,054
Comprehensive income attributable to owners of the parent	4,194	3,417	2,612	21,736
Comprehensive income attributable to minority interests	61	(54)	518	4,318

Consolidated Statements of Changes in Equity

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2013, 2014 and 2015

	Millions of yen									
	Shareholders' equity									
	Common stock		Capital surplus		Retained earnings		Treasury stock, at cost		Total shareholders' equity	
Balance at March 31, 2012	¥	4,686	¥	4,775	¥	17,586	¥	(1,848)	¥	25,199
Cash dividends paid						(427)				(427)
Net income						1,472				1,472
Purchase of treasury stock								(0)		(0)
Disposal of treasury stock										
Net changes of items other than shareholders' equity										
Balance at March 31, 2013		4,686		4,775		18,630		(1,849)		26,243
Cash dividends paid						(427)				(427)
Net income						783				783
Purchase of treasury stock								(3)		(3)
Disposal of treasury stock				0				14		14
Net changes of items other than shareholders' equity										
Balance at March 31, 2014		4,686		4,775		18,985		(1,838)		26,609
Cumulative effects of changes in accounting policies						(120)				(120)
Restated balance at March 31, 2014		4,686		4,775		18,865		(1,838)		26,489
Issuance of new shares		1,936		1,936						3,873
Cash dividends paid						(428)				(428)
Net income						2,754				2,754
Purchase of treasury stock								(5)		(5)
Disposal of treasury stock				(7)		(10)		1,488		1,471
Net changes of items other than shareholders' equity										
Balance at March 31, 2015	¥	6,623	¥	6,705	¥	21,180	¥	(354)	¥	34,154

	Thousands of U.S. dollars									
	Shareholders' equity									
	Common stock		Capital surplus		Retained earnings		Treasury stock, at cost		Total shareholders' equity	
Balance at March 31, 2014	\$	39,000	\$	39,741	\$	157,991	\$	(15,297)	\$	221,435
Cumulative effects of changes in accounting policies						(1,004)				(1,004)
Restated balance at March 31, 2014		39,000		39,741		156,986		(15,297)		220,430
Issuance of new shares		16,115		16,115						32,230
Cash dividends paid						(3,563)				(3,563)
Net income						22,920				22,920
Purchase of treasury stock								(41)		(41)
Disposal of treasury stock				(59)		(87)		12,389		12,242
Net changes of items other than shareholders' equity										
Balance at March 31, 2015	\$	55,115	\$	55,796	\$	176,255	\$	(2,949)	\$	284,218

	Millions of yen						
	Accumulated other comprehensive income				Stock Acquisition rights	Minority interests	Total equity
	Unrealized gains on securities	Foreign Currency Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at March 31, 2012	¥ (161)	¥ (506)	¥ -	¥ (667)	¥ 191	¥ 11,481	¥ 36,204
Cash dividends paid							(427)
Net income							1,472
Purchase of treasury stock							(0)
Disposal of treasury stock							
Net changes of items other than shareholders' equity	559	2,162	-	2,721	57	(197)	2,582
Balance at March 31, 2013	398	1,656	-	2,054	249	11,283	39,830
Cash dividends paid							(427)
Net income							783
Purchase of treasury stock							(3)
Disposal of treasury stock							14
Net changes of items other than shareholders' equity	371	2,262	106	2,740	48	(225)	2,562
Balance at March 31, 2014	769	3,918	106	4,794	298	11,057	42,760
Cumulative effects of changes in accounting policies						(28)	(148)
Restated balance at March 31, 2014	769	3,918	106	4,794	298	11,029	42,611
Issuance of new shares							3,873
Cash dividends paid							(428)
Net income							2,754
Purchase of treasury stock							(5)
Disposal of treasury stock							1,471
Net changes of items other than shareholders' equity	677	(1,025)	205	(142)	29	373	260
Balance at March 31, 2015	¥ 1,447	¥ 2,892	¥ 311	¥ 4,652	¥ 327	¥ 11,403	¥ 50,537

	Thousands of U.S.dollars						
	Accumulated other comprehensive income				Stock Acquisition rights	Minority interests	Total equity
	Unrealized gains on securities	Foreign Currency Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at March 31, 2014	\$ 6,406	\$ 32,607	\$ 884	\$ 39,898	\$ 2,480	\$ 92,016	\$ 355,831
Cumulative effects of changes in accounting policies						(234)	(1,239)
Restated balance at March 31, 2014	6,406	32,607	884	39,898	2,480	91,782	354,592
Issuance of new shares							32,230
Cash dividends paid							(3,563)
Net income							22,920
Purchase of treasury stock							(41)
Disposal of treasury stock							12,242
Net changes of items other than shareholders' equity	5,639	(8,533)	1,709	(1,184)	241	3,111	2,168
Balance at March 31, 2015	\$ 12,046	\$ 24,073	\$ 2,593	\$ 38,713	\$ 2,722	\$ 94,893	\$ 420,548

See notes to consolidated financial statements

Consolidated Statements of Cash Flows

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2013, 2014 and 2015

	Millions of yen			Thousands of U.S.dollars
	2013	2014	2015	2015
Cash flows from operating activities :				
Income before income taxes and minority interests	¥ 2,547	¥ 1,409	¥ 4,398	\$ 36,600
Adjustments to reconcile net income to net cash provided by operating activities -				
Depreciation and amortization	2,282	2,378	2,456	20,441
Impairment losses	-	236	1,258	10,475
Amortization of consolidation adjusting accounts	(156)	(156)	(156)	(1,298)
Amortization of goodwill	376	415	445	3,704
Increase (decrease) in allowance for doubtful receivables	19	42	(14)	(119)
Increase (decrease) in accrued bonuses allowance	57	52	54	456
Increase (decrease) in accrued bonuses allowance for directors	(127)	(13)	10	83
Increase (decrease) in allowance for product warranties	(12)	(1)	13	108
Increase (decrease) in accrued retirement allowances for directors	(17)	25	9	82
Increase (decrease) in accrued retirement allowances	73	-	-	-
Increase (decrease) in net defined benefit liability	-	113	184	1,538
Decrease (increase) in net defined benefit asset	-	(132)	(5)	(48)
Interest and dividend income	(531)	(257)	(167)	(1,395)
Interest expenses	179	214	187	1,559
(Gain) loss on sales of investment securities	2	(131)	(55)	(462)
Devaluation of investment securities	246	-	-	-
Loss (gain) on sales of shares of subsidiaries and associates	-	34	(2,708)	(22,538)
Loss on redemption of bonds	-	-	65	541
Loss on liquidation of affiliates	-	277	-	-
Structure improvement expenses	106	78	385	3,205
(Increase) decrease in notes and accounts receivable	1,462	(2,155)	(1,033)	(8,602)
(Increase) decrease in inventories	469	(1,456)	(1,999)	(16,642)
Increase (decrease) in notes and accounts payable	33	592	2,461	20,483
Other, net	(302)	153	205	1,711
Interest and dividend received	532	258	167	1,395
Interest paid	(178)	(203)	(217)	(1,807)
Income taxes paid	(322)	(723)	(655)	(5,454)
Net cash provided by (used in) operating activities	6,741	1,052	5,289	44,017
Cash flows from investing activities :				
Payments for property, plant and equipment	(3,999)	(3,052)	(1,990)	(16,564)
Proceeds from sales of property, plant and equipment	57	571	955	7,947
Payments for intangible assets	(510)	(283)	(157)	(1,306)
Payments for investment securities	(164)	(221)	(1)	(12)
Proceeds from sales of investment securities	7	495	225	1,877
Purchase of stocks of subsidiaries and affiliates	(1,250)	(1)	-	-
Payments for acquisition of shares of subsidiaries	(21)	-	6,178	51,412
Other, net	54	(32)	40	334
Net cash provided by (used in) investing activities	(5,828)	(2,524)	5,250	43,688
Cash flows from financing activities :				
Increase (decrease) in short-term debt, net	(14,166)	(603)	802	6,680
Proceeds from long-term debt	7,166	1,400	945	7,867
Payments for long-term debt	(1,339)	(4,608)	(2,273)	(18,917)
Proceeds from issuance of bonds	8,000	5,000	-	-
Payments for redemption of bonds	-	-	(5,065)	(42,149)
Repayment of lease obligation	(108)	(71)	(55)	(465)
Cash dividends paid	(428)	(427)	(428)	(3,566)
Payments for dividends to minority shareholders	(224)	(172)	(151)	(1,260)
Payments for treasury stock	(0)	(3)	(5)	(41)
Decrease (increase) in collateral money payable for loan transactions	-	(700)	-	-
Other, net	-	0	0	0
Net cash provided by (used in) financing activities	(1,102)	(185)	(6,231)	(51,852)
Effect of exchange rate changes on cash and cash equivalents	592	487	935	7,783
Net increase (decrease) in cash and cash equivalents	402	(1,170)	5,243	43,636
Cash and cash equivalents at beginning of year (Note 3)	12,643	13,046	11,876	98,828
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	-	167	1,393
Cash and cash equivalents at end of year (Note 3)	¥ 13,046	¥ 11,876	¥ 17,287	\$ 143,858

See notes to consolidated financial statements

Notes to Consolidated Financial Statements

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

1. Summary of Main Accounting Policies

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

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

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

(2) Foreign Currency Conversion

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

(3) Cash and Cash Equivalents

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

(4) Marketable Securities

Marketable securities with fair market value are stated at fair market value, based on the quoted market price on the last day of the fiscal period (All valuation differences are directly charged or credited to shareholders’ equity and the costs of securities sold are computed by the moving average method). Securities without fair market value are stated at acquisition cost by being determined by the moving average method.

(5) Inventories

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

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

(6) Property, Plant and Equipment

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

(7) Intangible Assets

Intangible assets follow the straight-line method; however, for software used by the Company, the straight-line method based on the usable period (5 years) internally is applied.

(8) Leases

For financed lease transactions without ownership transfer, the accounting treatment refers to ordinary sale and purchase transactions. The depreciation method of lease assets related to financed lease transactions without ownership transfer adopts the straight-line method that sets the lease period as the service life and the residual value as zero.

(9) Allowance for Doubtful Receivables

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

(10) Accrued Bonuses Allowance

In order to prepare for payment of employee bonuses, an allowance is entered on the basis of expected disbursement amounts.

(11) Accrued Bonuses Allowance for Directors

In order to prepare for payment of director bonuses, an allowance is entered on the basis of expected disbursement amounts.

(12) Allowance for Product Warranties

In order to prepare for expenses disbursed in the after-market servicing of products, an allowance is entered on the basis of past disbursement experience.

(13) Accrued Retirement Allowances for Directors

In order to prepare for retirement benefits disbursed to directors, the year-end disbursement required is entered in accordance with internal rules.

(14) Accounting Treatment of Retirement Benefits

In calculating retirement benefit obligations, the method of attributing the projected amounts of retirement benefits up until the consolidated fiscal year ended under report mainly refers to the benefit formula based plan. For differences arising mathematically, proportionate amounts derived by the straight-line method for the number of years (10) within the average remaining employment period of employees at the time of accrual mainly for the respective consolidated fiscal year are expensed, beginning in the consolidated fiscal year following their accrual.

Some consolidated subsidiaries apply a simplified method to the calculation of liabilities associated with retirement benefits and the expenses of retirement benefits where the self-determined disbursement required at year's end for retirement benefits is established as the liability for retirement benefits.

2. U.S.Dollar Amounts

U.S.dollar amounts presented in the financial statements are included solely for the convenience of the reader. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S.dollars. As the amounts shown in U.S.dollars are for convenience only, the rate of ¥120.17 = U.S.\$1, the approximate current rate at March 31, 2015, has been used for the purpose of presentation of the U.S.dollar amounts in the accompanying consolidated financial statements.

3. Cash and Cash Equivalents

Cash and cash equivalents comprise the following:

As of March 31	Millions of yen		Thousands of
	2014	2015	U.S.dollars 2015
Cash and cash equivalents in the balance sheets	¥ 10,763	¥ 15,107	\$ 125,718
Deposits	1,920	2,916	24,268
Total	12,683	18,023	149,986
Time deposits	(107)	(36)	(302)
Collateral money payable for loan transactions	(700)	(700)	(5,825)
Cash and cash equivalents in the cash flow statements	11,876	17,287	143,858

4. Investment in Securities

Investment in securities comprise the following:

As of March 31	Millions of yen		Thousands of
	2014	2015	U.S.dollars 2015
Available-for-sale securities			
Acquisition cost	¥ 2,238	¥ 2,240	\$ 18,643
Fair value	3,320	4,228	35,190
Net unrealized gain	1,081	1,988	16,546

As of March 31	Millions of yen		Thousands of U.S.dollars
	2014	2015	2015
Investments in unconsolidated subsidiaries and affiliates	¥ 12	¥ 12	\$ 105
Investments in equity method affiliates	3	13	115
Investments in non-public companies and others	1,094	889	7,405

The Company devaluated investments in non-public companies by 2 million yen this consolidated fiscal year

5. Short-term Debt and Long-term Debt

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

As of March 31	Millions of yen		Thousands of U.S.dollars
	2014	2015	2015
Short-term debt:			
Unsecured	¥ 3,007	¥ 4,193	\$ 34,899
Secured	249	-	-
Current portion of long-term debt	1,976	3,136	26,104
Net short-term debt	5,232	7,330	61,003

As of March 31	Millions of yen		Thousands of U.S.dollars
	2014	2015	2015
Long-term debt:			
Unsecured	¥ 6,648	¥ 5,838	\$ 48,588
Secured	770	286	2,384
Less current portion	1,976	3,136	26,104
Net long-term debt	5,442	2,988	24,868

6. Bonds

Bonds comprise the following:

As of March 31	Millions of yen		Thousands of U.S.dollars
	2014	2015	2015
Unsecured zero coupon convertible bonds in yen, due July 2017	¥ 8,000	¥ 2,685	\$ 22,343
0.89% unsecured bonds in yen, due June 2016	5,000	-	-
Net bonds	13,000	2,685	22,343

7. Contingent Liabilities

Contingent liabilities comprise the following:

As of March 31	Millions of yen		Thousands of U.S.dollars
	2014	2015	2015
Debt assumption	¥ -	¥ 5,000	\$ 41,607

8. Stock Acquisition Rights

Stock acquisition rights comprise the following:

As of March 31	Millions of yen		Thousands of U.S.dollars
	2014	2015	2015
Stock acquisition rights as the stock options	¥ 298	¥ 327	\$ 2,722

9. Research and Development Expenses

Research and development expenses comprise the following:

As of March 31	Millions of yen			Thousands of U.S.dollars
	2013	2014	2015	2015
Selling, general and administrative expenses	¥ 2,252	¥ 2,480	¥ 3,464	\$ 28,831

10. Segment Information

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

Measurement and control equipments:

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

FPD assembly equipments:

Sensor related equipments, Energy related equipments, FPD related equipments.

Real estate: Estate for rent

Business segments –

Year ended March 31	Millions of yen					
	2014					
	Measurement and control equipments	FPD assembly equipments	Real estate	Total	Adjustment	Consolidated
Sales to customers	¥ 64,001	¥ 1,301	¥ 360	¥ 65,663	¥ -	¥ 65,663
Intersegment sales	25	-	113	138	(138)	-
Total sales	64,027	1,301	473	65,802	(138)	65,663
Operating income	2,103	(525)	181	1,760	6	1,766

The segment income is adjusted by fixed assets.

Year ended March 31	Millions of yen					
	2015					
	Measurement and control equipments	FPD assembly equipments	Real estate	Total	Adjustment	Consolidated
Sales to customers	¥ 75,107	¥ 1,909	¥ 348	¥ 77,366	¥ -	¥ 77,366
Intersegment sales	25	-	112	137	(137)	-
Total sales	75,132	1,909	460	77,503	(137)	77,366
Operating income	3,326	(228)	168	3,266	4	3,270

The segment income is adjusted by fixed assets.

For the Measurement and Control Equipment Business and the FPD Assembly Equipment Business, an impairment loss of fixed assets of 1,247 million yen and 11 million yen are respectively recognized and booked as an extraordinary loss.

Year ended March 31	Thousands of U.S.dollars					
	2015					
	Measurement and control equipments	FPD assembly equipments	Real estate	Total	Adjustment	Consolidated
Sales to customers	\$ 625,010	\$ 15,893	\$ 2,903	\$ 643,807	\$ -	\$ 643,807
Intersegment sales	210	-	932	1,142	(1,142)	-
Total sales	625,220	15,893	3,836	644,949	(1,142)	643,807
Operating income	27,677	(1,901)	1,403	27,179	38	27,218

Independent Auditor's Report

HARA AUDIT CORPORATION

264 New-Ohtemachi Bldg.
2-2-1, Ohtemachi, Chiyoda-ku
Tokyo 100-0004, JAPAN

To the Shareholders and Board of Directors of
Osaki Electric Company, Limited

We have audited the accompanying consolidated balance sheets of Osaki Electric Company, Limited (“the Company”) and its consolidated subsidiaries as of March 31, 2014 and 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years ended March 31, 2014 and 2015, and the related notes, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of March 31, 2014 and 2015, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Also, in our opinion, the translated amounts in the accompanying consolidated financial statements translated into U.S. dollars have been computed on the basis set forth in Note 2 to the consolidated financial statements.

Hara Audit Corporation

Tokyo Japan

June 26, 2015

Osaki Group Companies

COUNTRY	COMPANY	SEGMENT
JAPAN	OSAKI ELECTRIC CO., LTD.	● ●
	ENEGATE CO., LTD.	●
	OSAKI ELECTRIC SYSTEMS CO., LTD.	●
	IWATE OSAKI ELECTRIC CO., LTD.	●
	OSAKI DATATECH CO., LTD.	●
	OSAKI ENGINEERING CO., LTD.	●
	OSAKI ESTATE CO., LTD.	●
SINGAPORE	OSAKI UNITED INTERNATIONAL PTE.LTD.	●
	EDMI LIMITED	●

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

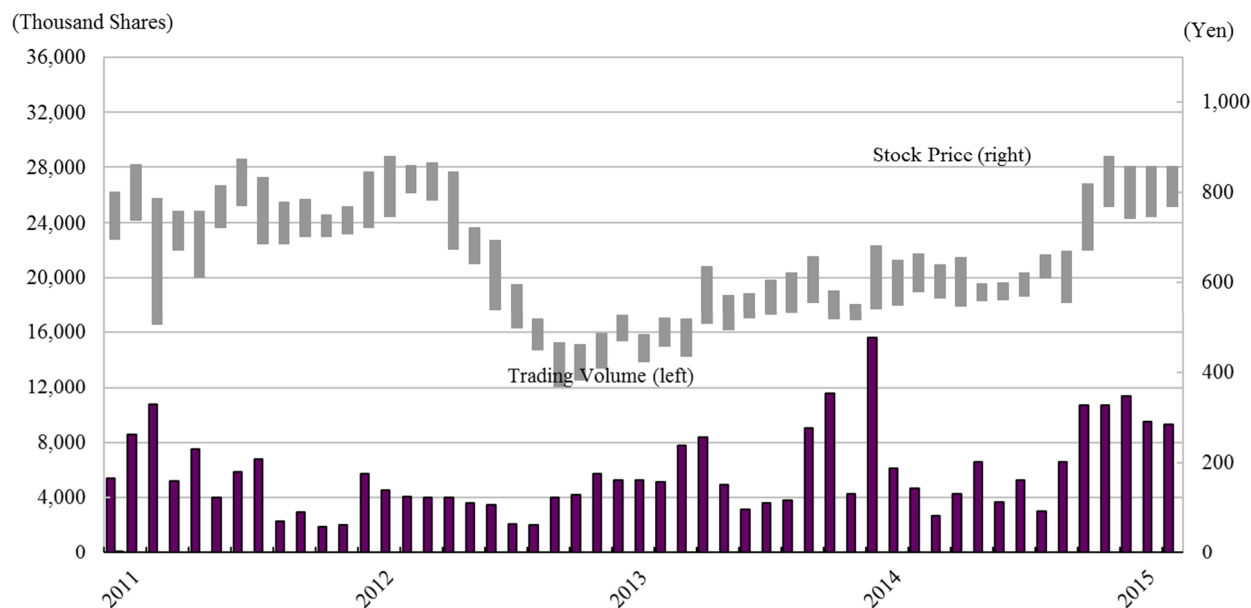
Stock Information

(As of March 31, 2015)

Common Stock

Authorized	:	100,000,000
Issued	:	44,889,951
Number of Shareholders	:	4,660

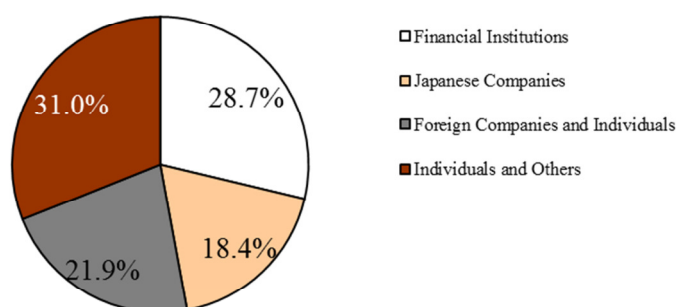
Stock Price Range and Trading Volume (Tokyo Stock Exchange)



Major Shareholders

	Number of shares	
	(Thousand shares)	(%)
Japan Trustee Services Bank, Ltd. (Trust Account)	3,508	7.9
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,704	3.8
Osaki Electric cooperation company share holding commission	1,557	3.5
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,552	3.5
Credit Suisse Securities (Europe) Limited. PB Omnibus Client Account	1,551	3.4

Breakdown of Shareholders



Investor Information

(As of March 31, 2015)

Management

REPRESENTATIVE DIRECTORS

Chairman and CEO

Yoshihide Watanabe

President and COO

Mitsuyasu Watanabe

Executive Vice President

Haruyuki Kawabata

DIRECTORS

Senior Managing Director

Sumio Takano

Managing Directors

Kazuo Nemoto

Ryuichi Ueno

Director and Senior Advisor

Yoshio Matsui

Directors

Kuniaki Numazaki

Satoshi Komazawa

Choichiro Hori

Hiroyuki Yokoi

Kuniyuki Hoshino

Atsumi Hatakeyama

Takehiko Ota

Seiji Takashima

CORPORATE AUDITORS

Standing Auditor

Nobu Yoshino

Auditors

Toshio Yamanaka

Tatsuo Abiru

Shigehiko Yamamoto

Notes:

Mr. Seiji Takashima is outside Director.

Mr. Tatsuo Abiru and Mr. Shigehiko Yamamoto are outside Corporate Auditors.

Corporate Data

Osaki Electric Co., Ltd.

Head Office

10-2, Higashi-Gotanda 2-chome

Shinagawa-ku Tokyo 141-8646

JAPAN

Phone : 81-3-3443-7171

Date of Founding

January 26th, 1937

Paid-in Capital

¥ 6,623 million (US\$ 55 million)

Stock Exchange Listings

Tokyo Stock Exchange

Independent Public Accountants

Hara Audit Corporation

Tokyo, JAPAN

Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation

Transfer Agency Department

10-11, Higashi-Suna 7-chome

Koto-ku, Tokyo 137-8081

JAPAN

Phone : 81-3-5683-5111

For further information, please contact:

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