



ANNUAL REPORT
2013

OSAKI ELECTRIC CO.,LTD.

Financial Highlights

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

Years ended March 31

	Millions of yen					Thousands of U.S.dollars
	2009	2010	2011	2012	2013	2013
For the year:						
Net sales	¥ 50,315	¥ 46,774	¥ 45,975	¥ 47,362	¥ 61,205	\$ 650,774
Operating income	4,670	3,011	3,825	3,329	2,278	24,231
Net income	947	1,101	1,020	1,339	1,472	15,653
At year-end:						
Total assets	61,887	61,665	63,051	79,352	82,656	878,857
Total equity	37,795	38,578	39,301	36,204	39,830	423,508
Number of employees	1,841	1,817	1,821	3,369	3,504	
Per share of common stock:						
	Yen					U.S.dollars
Net income	¥ 25.28	¥ 29.40	¥ 27.26	¥ 36.95	¥ 41.30	\$ 0.43
Cash dividends	15.00	12.00	12.00	12.00	12.00	0.12
Equity	633.87	656.33	668.97	688.13	793.80	8.44

Notes : U.S.dollar amounts have been translated from yen, for convenience only, at the rate of ¥94.05=U.S.\$1
the approximate Tokyo foreign exchange market rate as of March 31, 2013.

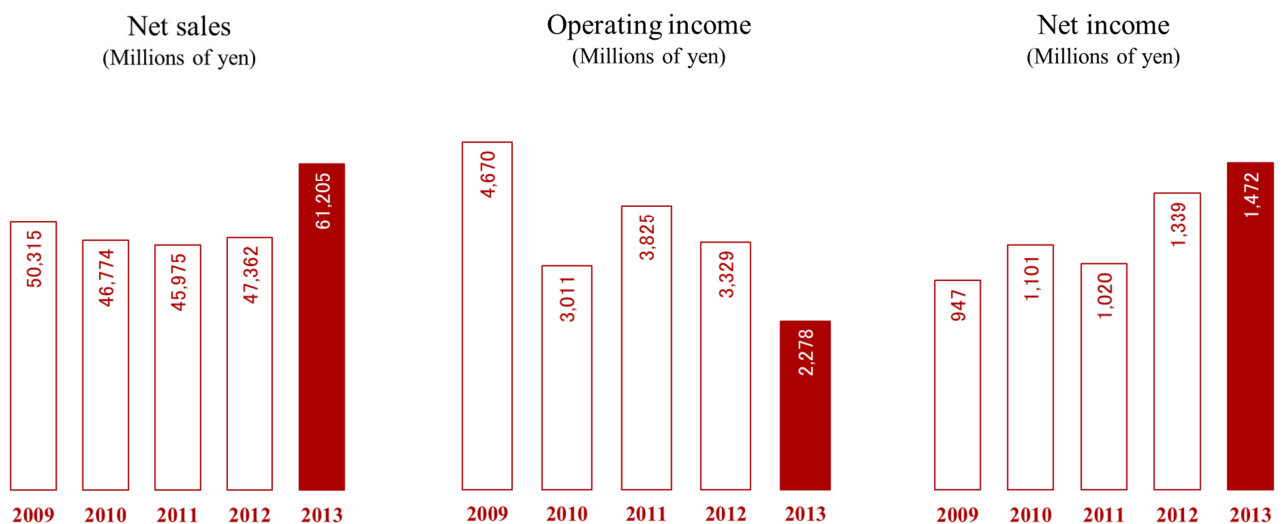
Business segments -**Measurement and control equipments:**

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

FPD Assembling equipments:

LCD assembling equipment, PDP assembling equipment, RFID related assembling equipment (IC card and IC tag), Semi-conductor assembling equipment.

Real estate: Estate for rent.



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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

Osaki Electric Group has been making efforts for the efficient use of electric power by providing technologies, systems, and products for measurement, control and communication. Our philosophy is to utilize limited resources to create a comfortable environment for social living. Our close partnership with electric power companies has enabled us to contribute to the Japanese electric power industries and more specifically the construction of most reliable and accurate distribution systems.

Our society is constantly undergoing changes. Deregulation is promoted in various fields and new technologies are being released while in the field of communication we are experiencing revolutionary advancements. In order to cope with such changes, we will continue to reform and strengthen our business structure and maximize shareholder's value. In addition to our regular product groups, we are also placing emphasis on the development of the optical communication business and the in-line production system of the flat-panel displays. In the electronics industry, we hope to establish technologies that would give another breakthrough in the industry. Technological innovation holds unlimited possibilities. To enjoy a comfortable society, Osaki Electric Group will continue to strive forth to the goal with our spirit and creativity.

We sincerely appreciate and request your continued patronage.

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

Y. Matsui
President and COO
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 high-performance electronic electricity meters (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.

The FPD (Flat Panel Display) Assembly Equipment Business is eyeing active developments for the FPD manufacture and mounting systems domain for LCDs and for new business to improve customer satisfaction in the semiconductor-related manufacture equipment market through fine-pitched mounting that presents a promising growth area.

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) The electronic electricity meter is migrating from a conventional metering instrument to the next-generation smart meter. 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.
Active development and sales of new value-added products will also be pursued for optical equipment beyond the existing customer base and portfolio in an effort to unearth new customers.

- (3) The FPD Assembly Equipment Business anticipates sustained growth, as a consequence of increased demand in digital home electronics devices like smartphones and other handheld multi-function terminals. Semiconductor-related manufacture equipment remains a strategic product area being nurtured currently, with efforts to reinforce competitiveness by driving technology development ahead and further denying closure of competitive gaps.

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 of this report, the dividend based on the above policy is set at 12 yen (of which 6 yen is the interim dividend).

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, 2012	213	6.00
Annual general shareholders meeting resolution of June 27, 2013	213	6.00

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 recovering activity within the grim conditions continuing as a consequence of the worldwide economic slowdown. While an improvement in business climate is expected with the birth of a new government, the issue of nuclear power plant shutdowns and a poor international business climate remain risk factors that leave the economic outlook uncertain.

Amidst this issue of nuclear power plant shutdowns burdening our main business customers who are the electric power companies, the management environment of the Osaki Electric Group remains in a chaotic state with respect to the Measurement and Control Equipment Business. As the power companies strongly advance cost cutting, competition among suppliers is heating up and tough conditions continue. The FPD Assembly Equipment Business finds principal clientele in the digital home electronics industry partially easing on the squeeze on capital expenditures, but overall the industry continues to hold back on investment.

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.

Consolidated net sales increased by 29.2% to 61,205 million yen. Although net sales recorded by the FPD Assembly Equipment Business declined, the Measurement and Control Equipment Business gained from SMB United Limited (now renamed Osaki United International Pte. Ltd. or "OUI"), which was made a subsidiary in the previous fiscal year, and its subsidiaries, as the income consolidation of these businesses was added to the results.

Operating income, however, declined by 31.6% to 2,278 million yen. Principal reasons lie in the large income drop of the FPD Assembly Equipment Business, and lower selling prices for products destined to domestic power companies in the Measurement and Control Equipment Business. Ordinary income declined by 9.8% from the prior year to 2,900 million yen despite an increase in dividend income and acquisition expenses of the prior year no longer accruing. The impact of booking impairment losses to facilities in the prior year as an extraordinary loss contributed to net income growth of 9.9% over the prior year to 1,472 million yen.

(2) Business Segments

(A) Measurement and Control Equipment Business

This segment experienced a tough business environment, although net sales increased with the consolidation of OUI. The fall in sales prices for products destined to domestic electric power companies and a decline in demand were principal causes for the drop in income. Net sales for the segment rose by 35.3% over the prior year to 59,486 million yen, but operating income declined by 15.6% to 2,618 million yen.

(B) FPD Assembly Equipment Business

This segment sustained the impact of suppressed capital expenditures among its customer base, and net

sales declined heavily by 50.5% to 1,525 million yen. Decrease in net sales and detrimental cost ratios drove operating income down by 567 million yen from the prior year and resulted in an operating loss of 482 million yen.

(C) Real estate business

Net sales for this segment increased by 4.1% over the prior year to 463 million yen, and operating income increased by 18.5% to 166 million yen.

Segment net sales reflect internal inter-segment sales or transfers amounting to 270 million yen.

(3) Outlook for Ensuing Fiscal Year

The Measurement and Control Equipment Business sees the rollout plans of smart meters starting to take shape, but actions taken by the electric power companies remain unclear to some extent. The nuclear power disaster has affected the power companies, who are demanding price reductions for supplied products. Although energy-saving products should retain demand, the intensifying competition among suppliers through the introduction of general competitive bidding is one element contributing to a continuing, unpredictable operating environment. Business performance at OUI on the global front is growing, and OUI's contribution to group performance appears likely to rise.

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 68,000 million yen in net sales, 2,500 million yen in operating income, 2,700 million yen in ordinary income, and 1,700 million yen in net income.

Expected results for next consolidated fiscal year

Net sales	:	68,000 million yen (11.1% increase from previous consolidated fiscal year)
Operating income	:	2,500 million yen (9.7% decrease from previous consolidated fiscal year)
Ordinary income	:	2,700 million yen (6.9% decrease from previous consolidated fiscal year)
Net income	:	1,700 million yen (15.5% increase from previous consolidated fiscal 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 3,303 million yen to 82,656 million yen. The net increase resulted from a decreases in notes and accounts receivable, trade by 562 million yen and in deferred income taxes (current) by 237 million yen, offset by increases in cash and cash equivalents by 487 million yen, in inventories by 293 million yen, in property, plant and equipment by 2,528 million yen, in intangible assets by 478 million yen, and in investments in securities by 555 million yen.

With respect to liabilities, notes and accounts payable, trade increased by 422 million yen and bonds by 8,000 million yen; however, long- and short-term debt decreased by 7,835 million yen and other current liabilities by 593 million yen. Consequently, total liabilities for the year ended decreased by 322 million yen from the prior year's end to 42,825 million yen.

Total equity benefited from increases in retained earnings by 1,044 million yen, in unrealized gains on securities by 559 million yen, and in foreign currency translation adjustments by 2,162 million yen, and thus increased by 3,625 million yen over the prior year's end to 39,830 million yen.

The equity ratio rose 3.3 points over the prior year's end to 34.2 %...

	Total assets (million yen)	Total liabilities (million yen)	Total equity (million yen)	Equity ratio
Year ended March 2013	82,656	42,825	39,830	34.2%
Year ended March 2012	79,352	43,147	36,204	30.9%
Difference	3,303	(332)	3,625	3.3 points

3. Cash Flows

Balances of cash and cash equivalents for the consolidated fiscal year under report totaled 13,046 million yen with an increase of 402 million yen over the prior year's end.

	Year Ended March 2012 (million yen)	Year Ended March 2013 (million yen)	Difference (million yen)
Cash flows from operating activities	2,834	6,741	3,906
Cash flows from investing activities	(10,340)	(5,828)	4,512
Cash flows from financing activities	6,909	(1,102)	(8,011)
Cash and cash equivalents at end of year	12,643	13,046	402

(1) Cash flows from operating activities

Cash flows from operating activities experienced the following positive factors for an increase in cash by 6,741 million yen: 2,547 million yen from income before income taxes and minority interests, 2,282 million yen from depreciation and amortization, 1,462 million yen from a decrease in notes and accounts receivable, and 469 million yen from a decrease in inventories.

(2) Cash flows from investing activities

Cash flows from investing activities resulted in 5,828 million yen of cash used mainly through payments of 3,999 million yen for acquisitions of property, plant and equipment and of 1,250 million yen for acquisition of affiliated company stock.

(3) Cash flows from financing activities

With respect to cash flows from financing activities, principal items for cash used included a net reduction in long- and short-term debt of 8,339 million yen and cash dividends paid of 653 million yen including minority shareholders, offset by proceeds of 8,000 million yen from the issuance of bonds, for net cash used of 1,102 million yen.

4. Responses to Business Challenges

(A) Measurement and control equipments business

Worsening business performance of the electric power companies, our principal trade customers for the power company product portfolio, and the introduction of general competitive bidding have resulted in intensified competition among supplying manufacturers, while the decline in product selling prices and low level of housing starts affected by the economic slowdown have 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 about to launch. The smart meter transition is expected to ramp up, and a period of full penetration is foreseen within the next few years. 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. We are also building comprehensive energy metering and administrative systems for global markets.

(B) FPD assembling equipments business

Our principal customer base belongs to the digital home electronics industry for this segment. As manufacturing centers for the industry shift to China and Asian countries, the business environment experiences changes. 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. Advancement of fine-pitch mounting technology will drive active efforts for specialized devices with high added value like MEMS (micro electromechanical systems), lithium ion batteries, and organic EL lighting in new fields where growth is expected.

(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 4 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 the 10 electric power companies in Japan. The proportion of net sales to the 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. Recently, the stock of OUI, a Singapore corporation, was acquired, and consolidated as a subsidiary. 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 OUI 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

Business Alliance Agreements

Company within corporate group	Contract Party	Country	Contract Details	Date of contract	Contract term
Osaki Electric Co., Ltd. (Parent)	Nitto Kogyo Corporation	Japan	<ol style="list-style-type: none"> 1. Securing competitive advantages for custom-ordered panels, electronic device products, and communication device products with respect to quality, costs and delivery 2. Joint-development of new products 3. Mutual exchange of professional engineers 	September 22 nd , 2009	September 22, 2009 until September 21, 2014
Osaki Electric Systems Co., Ltd. (Consolidated subsidiary)					

7. Research and Development

Responding promptly to the needs in this period of significant changes to the business environment, Osaki Electric is streamlining the product development organization for all group companies, including consolidated subsidiaries, 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 2,252 million yen.

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

(A) Measurement and control equipments business

R&D associated with electricity meters has focused on smart meters, which are expected to receive extensive promotion in installation, in response to worldwide changes in energy delivery. R&D for electricity meters is also advancing in response to needs related to specific smart meter rollouts shaping up for the power companies in Japan. For the smart meter lineup, the development of a series to broaden the portfolio and further cost reduction are main efforts.

Globally, the electricity meter is transforming from an isolated instrument to part of a solution as a smart meter. In response to this trend, the corporate group is aggressively pursuing development of component technologies associated with smart meters.

As smart meter solutions pervade for electricity metering, R&D has proceeded on various telecommunication technologies contemplated for adoption: optical communications, power line communications, wireless communications, etc. Consequently, systems and product development that exploits these technologies are also underway. Automated meter-reading terminals that apply optical and IP-related technologies for large customers are in the process of delivery to power companies. Further development for products that leverage these technologies continues presently.

Contributing to improved energy supply and demand, our general commercial equipment supports the energy solutions business. Namely, BEMS, HEMS, and demand control apparatuses find roles in improving and driving demand management services, while demand control apparatuses for general customers and Electricity Safety Associations nationwide, smart meter systems development for condominiums, and network and serial linking of in-home energy display units are ramping up.

We are engaged in new product development for the handheld terminal business. Features being pursued are a high level of impact resistance and environmental durability. Efforts also include a comprehensive meter-reading system development that adapts to various communication methods, so that an optimum system can offer wireless meter reading to match the plant environment of customers and automated meter reading across multiple media.

The R&D expenses of this segment totaled 2,220 million yen.

(B) FPD assembling equipments business

Principal products for this segment are manufacturing equipment for mounting FPD modules and fine semiconductors and also constitute the target of development.

Product quality improvement that addresses high definition is critical for FPD module mounting processes. The need for improved inspection technology is paramount, as well as mounting technologies for fine, thin parts as a consequence of compactness and thinness being pursued for products. R&D activities consequently mainly focused on independently achieving the needs for performance improvement and deploying the developed component technologies into our own products.

Component technology development common across apparatuses was the main focus. The general administrative expenses thus entered for the consolidated fiscal year under report totaled 32 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 5,090 million yen for the consolidated fiscal year under report...

The Measurement and Control Equipment Business invested 4,998 million yen mainly in facilities associated with electricity meters, the FPD Assembly Equipment Business invested 9 million yen, and the Real Estate Business invested 82 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

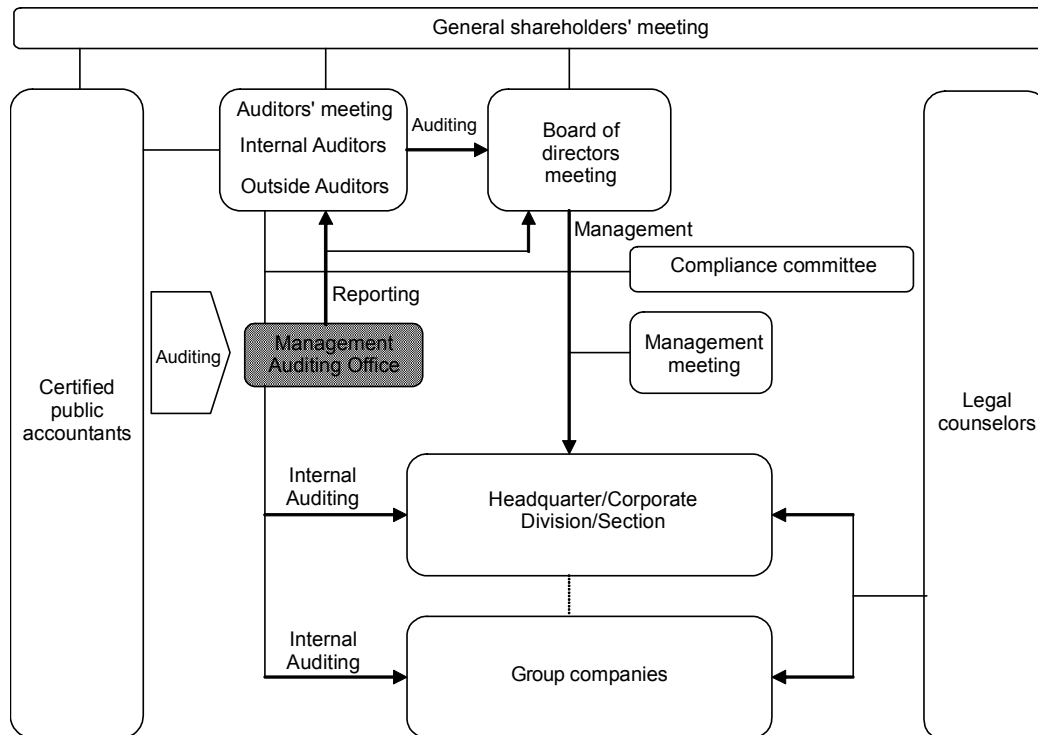
① Corporate Governance Organization

Osaki Electric adopts a statutory auditor system. Although the company does not appoint outside directors, the audit organization constituted by statutory auditors including outside auditors is considered appropriate as a management oversight function. The auditors consist of four members, of which two are outside auditors who maintain objectivity and neutrality of management oversight functions by providing an external checking function. The board of directors consists of fifteen members. Four of these members have employment experience from external companies, and participate in management with their objective outlook.

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 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



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

- * The company establishes the compliance committee, which sets forth the code of practice and compliance manual at Osaki Electric group companies and issues the compliance handbook to promote thorough common knowledge and compliance so that officers and employees observe the law, the articles of incorporation, internal company rules, and social norms.
- * The head of the helpline system (President and COO) and persons in charge, through appropriate operations, shall institute early detection and correction to violations of the law and unlawful conduct by officers and employees, and make efforts to strengthen the compliance organization.

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

- * Information and documents related to the execution of duties by directors should be recorded 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 are entitled to have access to these documents during business hours.

c) Rules and other organizations related to managing risk of loss

- * Each department as well as each committee (Compliance, Quality Control, Environmental Conservation, Product Liability, Export Administration) 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.
- * Headed by the President and COO, the Internal Auditing Office is installed to conduct internal audits.
- * The Internal Auditing Office audits the risk management status for each department through an internal audit. The office reports the results periodically at board meetings, where improvement measures will be deliberated and decided.

d) Organization to secure efficient execution of duties by directors

- * Companywide goals shared by officers and employees are established at the beginning of each year, and each department prepares a specific annual operating plan to achieve the goals. Furthermore, achievement of the goals is reviewed monthly and quarterly. Feedback of the results secures effectiveness and efficiency of operations.
- * The board of directors meetings is held monthly in principle, and may convene as necessary to respond efficiently to dynamic changes in the management environment.
- * In principle, management meetings composed of senior directors are held weekly to conduct multi-faceted studies and discussions over management issues that affect the corporate group. Matters for resolution at a board meeting are tabled for discussion and deliberation at that venue.
- * Execution of daily duties shall be based in accordance with occupational duty authority rules and internal approval process rules.

e) Organization to secure appropriateness of duties for the corporate group composed of the parent company and its subsidiaries

- * Based on management rules of the Osaki Electric Group, the Strategic Management Division in conjunction with related departments 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 in consultation with each of the subsidiaries according to plan, audits the appropriateness and efficiency of duties, and makes efforts for reinforcement and improvement of the compliance organization.
- * With the group helpline system, detecting and correcting violations of the law and unlawful conduct by officers and employees of the corporate group can be instituted and thus be applied to efforts to reinforce the compliance organization.
- * Operations should be based on basic internal controls policy related to financial reporting, and reliability of financial reporting required by the Financial Instruments and Exchange Law should be secured.
- * In addition to establishing a manual for handling anti-social forces, the company shall introduce a clause calling for the exclusion of organized crime to basic contract documents. As a member of society, the company 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.

f) Items regarding employee status and employee independence from directors whenever the board of auditors requests duties from any employee for assistance.

- * Employees in such positions shall be dedicated to assisting the duties of the auditor.
- * Such employees shall not hold any co-duties in a post to execute duties 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, other reporting organization to statutory auditors

- * Directors and employees, when they learn 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, shall report such matters to the board of auditors without delay.
- * In addition to items prescribed by law, directors and employees 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 board of auditors without delay.

h) Other organizations to secure effective auditing by statutory auditors

- * The board of directors shall secure the attendance of statutory auditors to board meetings, management meetings, and other important meetings in order to secure appropriateness of duties.
- * The representative director 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, 2012 and 2013

ASSETS	Millions of yen		Thousands of U.S.dollars
	2012	2013	2013
Current assets:			
Cash and cash equivalents (Note 3)	¥ 10,645	¥11,133	\$118,376
Deposits (Note 3)	2,062	1,979	21,046
Notes and accounts receivable, trade	16,259	15,697	166,906
Finished products	3,512	3,611	38,401
Work in process	2,214	2,555	27,174
Raw materials, purchased components and supplies	4,349	4,202	44,682
Deferred income taxes	1,015	777	8,268
Other current assets	2,047	2,080	22,120
Allowance for doubtful receivables	(107)	(139)	(1,487)
Total current assets	41,999	41,898	445,488
Fixed assets:			
Property, plant and equipment			
Buildings and structures	19,593	22,390	238,071
Less-accumulated depreciation	(12,366)	(12,830)	(136,425)
Total buildings and structures	7,227	9,559	101,646
Machinery and equipment	12,814	14,143	150,387
Less-accumulated depreciation	(10,560)	(11,272)	(119,853)
Total machinery and equipment	2,253	2,871	30,534
Land	12,375	12,552	133,470
Lease assets	3,587	3,928	41,775
Less-accumulated depreciation	(752)	(975)	(10,372)
Total lease assets	2,835	2,953	31,402
Construction in progress	1,173	369	3,929
Other fixed assets	7,088	7,446	79,180
Less-accumulated depreciation	(6,443)	(6,713)	(71,386)
Total other fixed assets	645	733	7,794
Net property, plant and equipment	26,511	29,040	308,776
Intangible assets			
Goodwill	3,185	3,395	36,103
Other intangible assets	566	834	8,877
Total intangible assets	3,751	4,230	44,980
Investments and other assets			
Investment securities (Note 4)	3,527	4,083	43,415
Deferred income taxes	696	788	8,384
Prepaid pension cost	439	581	6,184
Other assets	2,436	2,043	21,728
Allowance for doubtful receivables	(9)	(9)	(100)
Total investments and other assets	7,090	7,487	79,611
Total fixed assets	37,353	40,758	433,368
TOTAL	¥ 79,352	¥82,656	\$ 878,857

See notes to consolidated financial statements

Consolidated Balance Sheets

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

March 31, 2012 and 2013

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S.dollars
	2012	2013	2013
Current liabilities:			
Notes and accounts payable, trade	¥ 6,823	¥ 7,246	\$ 77,044
Short-term debt (Note 5)	18,481	5,923	62,984
Accrued income taxes	509	502	5,344
Accrued bonuses allowance	1,419	1,519	16,155
Accrued bonuses allowance for directors	226	123	1,317
Allowance for product warranties	29	16	178
Other current liabilities	5,393	4,800	51,039
Total current liabilities	32,884	20,132	214,063
Long-term liabilities:			
Bonds	-	8,000	85,061
Long-term debt (Note 5)	3,246	7,968	84,730
Lease obligation	1,365	1,010	10,747
Accrued retirement allowances	1,318	1,392	14,803
Accrued retirement allowances for directors	205	187	1,995
Consolidation adjusting accounts	780	624	6,638
Deferred income taxes	2,521	2,682	28,521
Other long-term liabilities	824	826	8,788
Total long-term liabilities	10,262	22,692	241,285
Total liabilities	43,147	42,825	455,349
Contingent liabilities (Note 7)			
Equity:			
Shareholders' equity			
Common stock:			
Authorized – 100,000,000 shares			
Issued 2013 – 38,550,684 shares and			
Issued 2012 – 38,550,684 shares	4,686	4,686	49,832
Capital surplus	4,775	4,775	50,775
Retained earnings	17,586	18,630	198,090
Treasury stock, at cost:			
2,902,195 shares in 2013 and			
2,900,482 shares in 2012	(1,848)	(1,849)	(19,663)
Total shareholders' equity	25,199	26,243	279,034
Accumulated other comprehensive income			
Unrealized gains on securities	(161)	398	4,234
Foreign currency translation adjustments	(506)	1,656	17,609
Total accumulated other comprehensive income	(667)	2,054	21,843
Stock acquisition rights (Note 8)	191	249	2,656
Minority interests	11,481	11,283	119,973
Total equity	36,204	39,830	423,508
TOTAL	¥ 79,352	¥ 82,656	\$ 878,857

See notes to consolidated financial statements

Consolidated Statements of Income

Osaki Electric Co., Ltd. and Consolidated Subsidiaries
 Years ended March 31, 2011, 2012 and 2013

	Millions of yen			Thousands of U.S.dollars
	2011	2012	2013	2013
Net sales	¥ 45,975	¥ 47,362	¥ 61,205	\$ 650,774
Cost of sales	33,049	34,449	44,817	476,532
Gross profit	12,925	12,912	16,387	174,241
Selling, general and administrative expenses (Note 9)	9,100	9,583	14,108	150,010
Operating income	3,825	3,329	2,278	24,231
Non-operating income:				
Interest income	31	22	30	325
Dividend income	99	125	500	5,320
Amortization of consolidation adjusting accounts	156	156	156	1,659
Subsidy income	23	-	-	-
Others	119	91	276	2,943
	430	395	963	10,249
Non-operating expenses:				
Interest expenses	51	56	179	1,908
Loss on sales of property, plant and equipment	-	-	38	411
Foreign exchange loss	11	107	28	299
Commitment fee	18	309	9	103
Others	20	35	86	917
	101	509	342	3,641
Ordinary income	4,154	3,215	2,900	30,839
Extraordinary gains:				
Gain on sales of property, plant and equipment	3	7	-	-
Gain on sales of memberships	0	38	-	-
Reversal of doubtful accounts provision	2	-	-	-
	6	46	-	-
Extraordinary losses:				
Loss on sales of property, plant and equipment	-	25	-	-
Impairment losses	-	417	-	-
Loss on disposal of property, plant and equipment	47	101	-	-
Devaluation of investment securities	944	235	246	2,616
Loss on liquidation of subsidiaries and affiliates	-	45	-	-
Structure improvement expenses	142	-	106	1,132
Devaluation of memberships	6	5	-	-
Extraordinary retirement benefit	26	-	-	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	154	-	-	-
	1,322	829	352	3,749
Income before income taxes and minority interests	2,838	2,431	2,547	27,089
Income taxes				
Current	1,265	693	839	8,928
Deferred	(65)	(197)	179	1,911
	1,199	496	1,019	10,840
Income before minority interests	1,639	1,934	1,528	16,249
Minority interests in consolidated subsidiaries	619	595	56	595
Net income	¥ 1,020	¥ 1,339	¥ 1,472	\$ 15,653

See notes to consolidated financial statements

Consolidated Statements of Comprehensive Income

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2011, 2012 and 2013

	Millions of yen			Thousands of U.S.dollars
	2011	2012	2013	2013
Income before minority interests	¥ 1,639	¥ 1,934	¥ 1,528	\$ 16,249
Other comprehensive income				
Unrealized gains on securities	(75)	(43)	561	5,974
Foreign currency translation adjustments	(29)	(22)	2,165	23,022
	(104)	(65)	2,727	28,996
Comprehensive income	¥ 1,534	¥ 1,869	¥ 4,255	\$ 45,245
Comprehensive income attributable to owners of the parent	922	1,277	4,194	44,594
Comprehensive income attributable to minority interests	612	592	61	651

Consolidated Statements of Changes in Equity

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2011, 2012 and 2013

	Millions of yen									
	Shareholders' equity									
	Common stock		Capital surplus		Retained earnings		Treasury stock, at cost		Total shareholders' equity	
Balance at March 31, 2010	¥	4,686	¥	4,768	¥	16,114	¥	(499)	¥	25,070
Cash dividends paid						(449)				(449)
Net income						1,020				1,020
Purchase of treasury stock								(7)		(7)
Disposal of treasury stock				1				1		3
Net changes of items other than shareholders' equity										
Balance at March 31, 2011		4,686		4,770		16,685		(505)		25,637
Cash dividends paid						(438)				(438)
Net income						1,339				1,339
Purchase of treasury stock								(1,350)		(1,350)
Disposal of treasury stock				5				7		12
Net changes of items other than 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

	Thousands of U.S. dollars									
	Shareholders' equity									
	Common stock		Capital surplus		Retained earnings		Treasury stock, at cost		Total shareholders' equity	
Balance at March 31, 2012	\$	49,832	\$	50,775	\$	186,985	\$	(19,654)	\$	267,938
Cash dividends paid						(4,548)				(4,548)
Net income						15,653				15,653
Purchase of treasury stock								(8)		(8)
Disposal of treasury stock										
Net changes of items other than shareholders' equity										
Balance at March 31, 2013	\$	49,832	\$	50,775	\$	198,090	\$	(19,663)	\$	279,034

	Millions of yen					
	Accumulated other comprehensive income			Stock Acquisition rights	Minority interests	Total equity
	Unrealized gains on securities	Foreign Currency Translation adjustments	Total accumulated other comprehensive income			
Balance at March 31, 2010	¥ (45)	¥ (462)	¥ (507)	¥ 74	¥ 13,941	¥ 38,578
Cash dividends paid						(449)
Net income						1,020
Purchase of treasury stock						(7)
Disposal of treasury stock						3
Net changes of items other than shareholders' equity	(72)	(25)	(98)	64	189	155
Balance at March 31, 2011	(117)	(487)	(605)	138	14,131	39,301
Cash dividends paid						(438)
Net income						1,339
Purchase of treasury stock						(1,350)
Disposal of treasury stock						12
Net changes of items other than shareholders' equity	(43)	(18)	(62)	53	(2,650)	(2,658)
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

	Thousands of U.S.dollars					
	Accumulated other comprehensive income			Stock Acquisition rights	Minority interests	Total equity
	Unrealized gains on securities	Foreign Currency Translation adjustments	Total accumulated other comprehensive income			
Balance at March 31, 2012	\$ (1,715)	\$ (5,382)	\$ (7,097)	\$ 2,040	\$ 122,073	\$ 384,954
Cash dividends paid						(4,548)
Net income						15,653
Purchase of treasury stock						(8)
Disposal of treasury stock						
Net changes of items other than shareholders' equity	5,950	22,991	28,941	616	(2,099)	27,457
Balance at March 31, 2013	\$ 4,234	\$ 17,609	\$ 21,843	\$ 2,656	\$ 119,973	\$ 423,508

See notes to consolidated financial statements

Consolidated Statements of Cash Flows

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2011, 2012 and 2013

	Millions of yen			Thousands of U.S.dollars
	2011	2012	2013	2013
Cash flows from operating activities :				
Income before income taxes and minority interests	¥ 2,838	¥ 2,431	¥ 2,547	\$ 27,089
Adjustments to reconcile net income to net cash provided by operating activities -				
Depreciation and amortization	1,993	2,021	2,282	24,268
Impairment losses	-	417	-	-
Amortization of consolidation adjusting accounts	(156)	(156)	(156)	(1,659)
Amortization of goodwill	-	-	376	4,004
Increase (decrease) in allowance for doubtful receivables	(22)	43	19	210
Increase (decrease) in accrued bonuses allowance	56	(5)	57	606
Increase (decrease) in accrued bonuses allowance for directors	(2)	-	(127)	(1,357)
Increase (decrease) in allowance for product warranties	0	1	(12)	(136)
Increase (decrease) in provision for loss of subsidiaries and affiliates	(100)	-	-	-
Increase (decrease) in accrued retirement allowances	284	130	73	779
Increase (decrease) in accrued retirement allowances for directors	28	(21)	(17)	(190)
Increase (decrease) in long-term accounts payable-other	(23)	-	-	-
Interest and dividend income	(131)	(147)	(531)	(5,646)
Interest expenses	51	56	179	1,908
(Gain) loss on sales of property, plant and equipment	(3)	17	38	411
Loss on disposal of property, plant and equipment	47	101	33	353
Devaluation of investment securities	944	235	246	2,616
(Gain) loss on sales of memberships	(0)	(38)	(5)	(60)
Devaluation of memberships	6	5	4	47
Loss on liquidation of affiliates	-	45	-	-
Structure improvement expenses	142	-	106	1,132
Loss on adjustment for changes of accounting standard for asset retirement obligations	154	-	-	-
(Increase) decrease in notes and accounts receivable	(992)	(592)	1,462	15,554
(Increase) decrease in inventories	(461)	426	469	4,988
Increase (decrease) in notes and accounts payable	604	(452)	33	359
Increase (decrease) in advances received	0	-	-	-
Other, net	7	177	(370)	(3,942)
Interest and dividend received	132	147	532	5,657
Interest paid	(51)	(57)	(178)	(1,895)
Income taxes paid	(1,390)	(1,953)	(322)	(3,425)
Net cash provided by (used in) operating activities	3,959	2,834	6,741	71,677
Cash flows from investing activities :				
Payments for property, plant and equipment	(1,728)	(2,214)	(3,999)	(42,523)
Proceeds from sales of property, plant and equipment	63	153	57	608
Payments for intangible assets	(110)	(256)	(510)	(5,432)
Payments for investment securities	(167)	(426)	(164)	(1,750)
Proceeds from sales of investment securities	6	-	7	75
Payment for memberships	(28)	(34)	(19)	(210)
Proceeds from sales of membership	-	91	35	377
Payments for long-term deposits	(1,000)	-	-	-
Proceeds from refund of long-term deposits	1,000	1,000	-	-
Decrease (increase) in time deposits	2,000	-	-	-
Purchase of stocks of subsidiaries and affiliates	-	-	(1,250)	(13,296)
Payments for acquisition of shares of subsidiaries	-	(8,625)	(21)	(227)
Other, net	(30)	(29)	38	408
Net cash provided by (used in) investing activities	5	(10,340)	(5,828)	(61,970)
Cash flows from financing activities :				
Increase (decrease) in short-term debt, net	9	17,332	(14,166)	(150,626)
Proceeds from long-term debt	200	1,000	7,166	76,195
Payments for long-term debt	(767)	(1,775)	(1,339)	(14,240)
Proceeds from issuance of bonds	-	-	8,000	85,061
Payments for redemption of bonds	-	(4,500)	-	-
Repayment of lease obligation	(56)	(71)	(108)	(1,154)
Cash dividends paid	(449)	(440)	(428)	(4,555)
Payments for dividends to minority shareholders	(424)	(434)	(224)	(2,392)
Payments for treasury stock	(7)	(1,350)	(0)	(8)
Purchase of treasury stock of subsidiaries in consolidation	-	(2,850)	-	-
Other, net	-	0	-	-
Net cash provided by (used in) financing activities	(1,495)	6,909	(1,102)	(11,720)
Effect of exchange rate changes on cash and cash equivalents	(9)	42	592	6,298
Net increase (decrease) in cash and cash equivalents	2,459	(553)	402	4,284
Cash and cash equivalents at beginning of year (Note 4)	10,738	13,197	12,643	134,435
Cash and cash equivalents at end of year (Note 4)	¥ 13,197	¥ 12,643	¥ 13,046	\$ 138,720

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.

For financed lease transactions without ownership transfer whose start dates are before the start of application of these accounting principles, accounting treatment according to the method related to ordinary lease transactions is applied.

(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

In order to prepare for retirement benefit disbursements to employees, the projected retirement benefit liability and pension assets at the end of the consolidated fiscal year are entered.

In addition, since the accrued retirement allowance of the company had a debit balance at the end of the consolidated fiscal year as a result of calculations, the amount for the company is entered as prepaid pension cost under other fixed assets. Differences over actuarial valuation are treated as pro rata amounts by the straight-line method for a certain number of years (mainly 10 years) within an employee's average remaining years of service at the time of occurrence for each consolidated fiscal year as expense treated from the consolidated fiscal year following each occurrence.

(14) 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.

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 ¥94.05 = U.S.\$1, the approximate current rate at March 31, 2013, 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 U.S.dollars
	2012	2013	2013
Cash and cash equivalents in the balance sheets	¥ 10,645	¥ 11,133	\$ 118,376
Deposits	2,062	1,979	21,046
Total	12,707	13,112	139,422
Time deposits	(64)	(66)	(702)
Cash and cash equivalents in the cash flow statements	12,643	13,046	138,720

4. Investment in Securities

Investment in securities comprise the following:

As of March 31	Millions of yen		Thousands of U.S.dollars
	2012	2013	2013
Available-for-sale securities			
Acquisition cost	¥ 2,578	¥ 2,325	\$ 24,722
Fair value	2,448	2,886	30,687
Net unrealized gain	(130)	561	5,965

The Company devaluated available-for-sale securities by 235 million yen previous consolidated fiscal year, and by 246 million yen this consolidated fiscal year.

As of March 31	Millions of yen		Thousands of U.S.dollars
	2012	2013	2013
Investments in unconsolidated subsidiaries and affiliates	¥ 69	¥ 69	\$ 734
Investments in equity method affiliates	59	23	249
Investments in non-public companies and others	950	1,104	11,743

5. Short-term Debt and Long-term Debt

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

	Millions of yen			Thousands of U.S.dollars		
	2012		2013	2013		
As of March 31						
Short-term debt:						
Unsecured	¥	17,414	¥	3,294	\$	35,025
Secured		320		365		3,886
Current portion of long-term debt		747		2,264		24,072
Net short-term debt		18,481		5,923		62,984

	Millions of yen			Thousands of U.S.dollars		
	2012		2013	2013		
As of March 31						
Long-term debt:						
Unsecured	¥	1,809	¥	8,180	\$	86,982
Secured		2,184		2,052		21,820
Less current portion		747		2,264		24,072
Net long-term debt		3,246		7,968		84,730

6. Bonds

Bonds comprise the following:

	Millions of yen			Thousands of U.S.dollars		
	2012		2013	2013		
As of March 31						
Unsecured zero coupon convertible bonds in yen, due July 2017	¥	-	¥	8,000	\$	85,061

7. Contingent Liabilities

Contingent liabilities comprise the following:

	Millions of yen			Thousands of U.S.dollars		
	2012		2013	2013		
As of March 31						
Guarantee amounts	¥	74	¥	60	\$	643

8. Stock Acquisition Rights

Stock acquisition rights comprise the following:

	Millions of yen			Thousands of U.S.dollars		
	2012		2013	2013		
As of March 31						
Stock acquisition rights as the stock options	¥	191	¥	249	\$	2,656

9. Research and Development Expenses

Research and development expenses comprise the following:

	Millions of yen			Thousands of U.S.dollars				
	2011	2012	2013	2013				
As of March 31								
Selling, general and administrative expenses	¥	1,659	¥	1,816	¥	2,252	\$	23,948

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 assembling equipments:

LCD assembling equipment, PDP assembling equipment, RFID related assembling equipment (IC card and IC tag), Semi-conductor assembling equipment.

Real estate: Estate for rent

Business segments –

	Millions of yen					
	2012					
Year ended March 31	Measurement and control equipments	FPD assembling equipments	Real estate	Total	Elimination	Consolidated
Sales to customers	¥ 43,946	¥ 3,074	¥ 340	¥ 47,362	-	¥ 47,362
Intersegment sales	27	7	104	139	(139)	-
Total sales	43,974	3,081	445	47,502	(139)	47,362
Operating income	3,104	84	140	3,329	-	3,329

The segment income is adjusted by provision of allowance for doubtful accounts.

	Millions of yen					
	2013					
Year ended March 31	Measurement and control equipments	FPD assembling equipments	Real estate	Total	Adjustment	Consolidated
Sales to customers	¥ 59,455	¥ 1,399	¥ 349	¥ 61,205	-	¥ 61,205
Intersegment sales	30	125	114	270	(270)	-
Total sales	59,486	1,525	463	61,476	(270)	61,205
Operating income	2,618	(482)	166	2,301	(22)	2,278

	Thousands of U.S.dollars					
	2013					
Year ended March 31	Measurement and control equipments	FPD assembling equipments	Real estate	Total	Adjustment	Consolidated
Sales to customers	\$ 632,173	\$ 14,885	\$ 3,714	\$ 650,774	-	\$ 650,774
Intersegment sales	325	1,338	1,217	2,881	(2,881)	-
Total sales	632,498	16,224	4,932	653,655	(2,881)	650,774
Operating income	27,840	(5,134)	1,769	24,474	(243)	24,231

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, 2012 and 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years ended March 31, 2012 and 2013, 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, 2012 and 2013, 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 27, 2013

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	SMB UNITED LIMITED	●
	EDMI LIMITED	●
MALAYSIA	SMB UNITED INDUSTRIES SDN BHD	●
INDONESIA	PT. METBELOSA	●

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

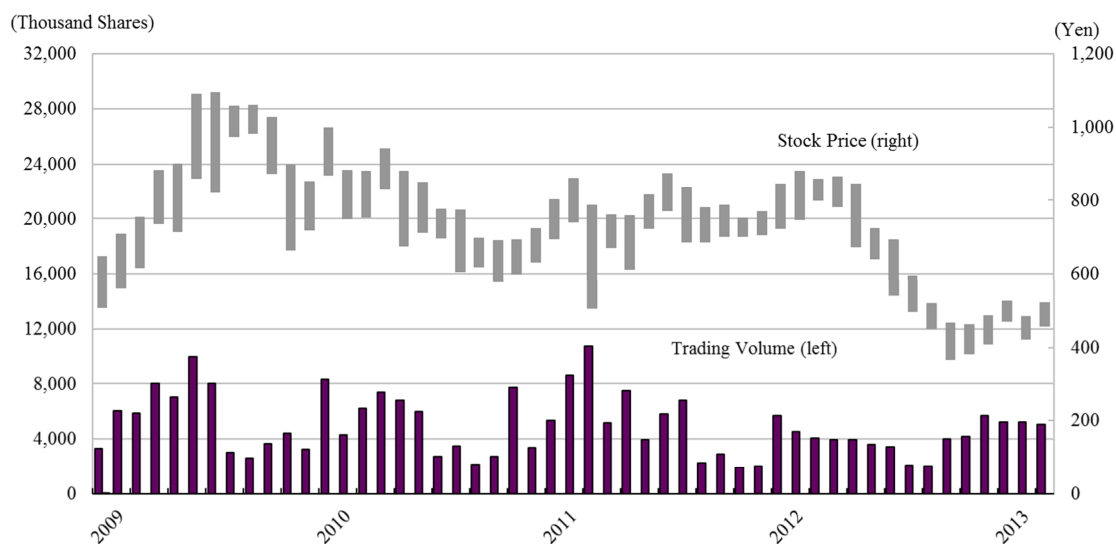
Stock Information

(As of March 31, 2013)

Common Stock

Authorized	:	100,000,000
Issued	:	35,648,489
Number of Shareholders	:	4,566

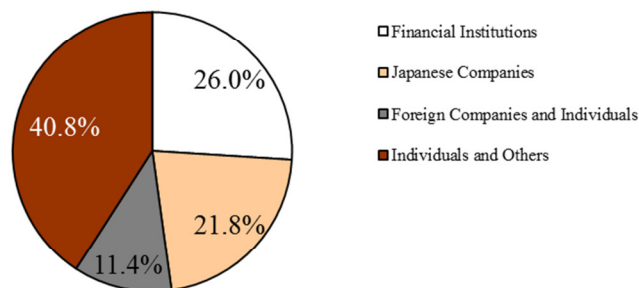
Stock Price Range and Trading Volume (Tokyo Stock Exchange)



Major Shareholders

	Number of shares (Thousand shares)	(%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,552	4.3
Osaki Electric cooperation company shareholding commission	1,400	3.9
Yoshihide Watanabe	1,151	3.2
Kyushu Electric Power Co., Inc.	1,109	3.1
Fukoku Mutual Life Insurance Company	1,104	3.0

Breakdown of Shareholders



Investor Information

(As of March 31, 2013)

Management

REPRESENTATIVE DIRECTORS

Chairman and CEO

Yoshihide Watanabe

President and COO

Yoshio Matsui

Executive Vice President

Mitsuyasu Watanabe

DIRECTORS

Senior Managing Director

Haruyuki Kawabata

Managing Directors

Yukio Kimura

Sumio Takano

Kazuo Nemoto

Directors

Kuniaki Numazaki

Toshio Yamanaka

Satoshi Komazawa

Choichiro Hori

Shigeru Mizuta

Hiroyuki Yokoi

Masakazu Ohata

Hisao Tobusawa

CORPORATE AUDITORS

Standing Auditor

Nobu Yoshino

Auditors

Kenichiro Takahashi

Tatsuo Abiru

Shigehiko Yamamoto

Notes:

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

¥ 4,686 million (US\$ 49 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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