



ANNUAL REPORT
2010

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
	2006	2007	2008	2009	2010	2010
For the year:						
Net sales	¥ 32,180	¥ 36,282	¥ 49,988	¥ 50,315	¥ 46,774	\$ 502,739
Operating income	3,950	3,758	3,885	4,670	3,011	32,367
Net income	2,066	2,982	1,570	947	1,101	11,835
At year-end:						
Total assets	41,236	67,262	65,342	61,887	61,665	662,781
Total equity	23,200	38,121	37,641	37,795	38,578	414,646
Number of employees	1,191	1,901	1,897	1,841	1,817	
Per share of common stock:						
Net income	¥ 53.05	¥ 78.87	¥ 41.60	¥ 25.28	¥ 29.40	\$ 0.32
Cash dividends	13.00	16.00	15.00	15.00	12.00	0.13
Equity	611.77	672.90	642.37	633.87	656.33	7.05

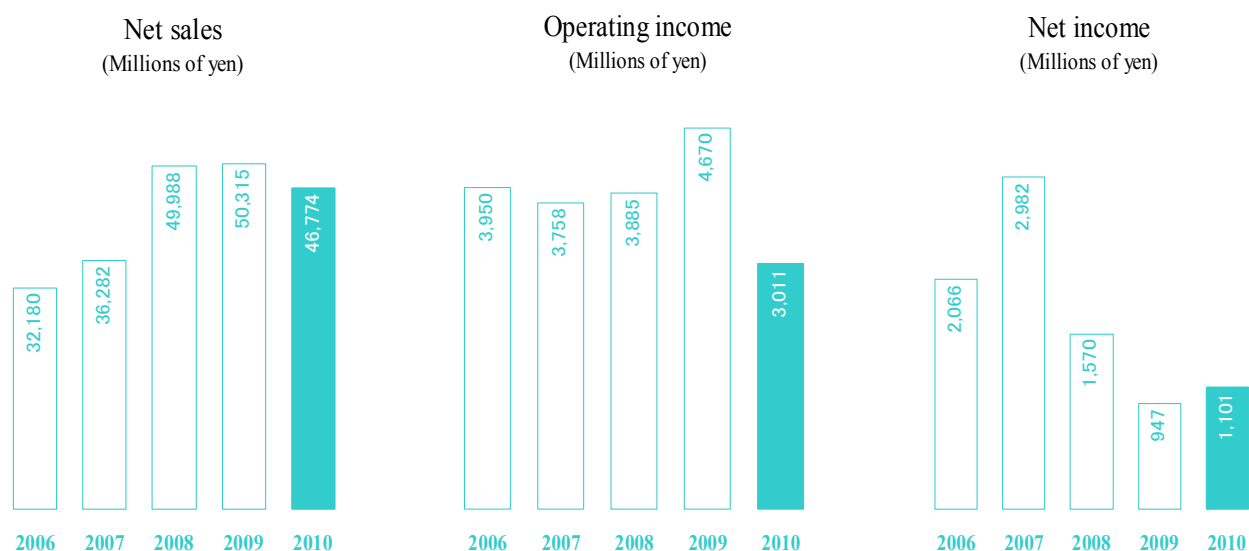
Notes : U.S.dollar amounts have been translated from yen, for convenience only, at the rate of ¥93.04=U.S.\$1
the approximate Tokyo foreign exchange market rate as of March 31, 2010.

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. 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 policy of management

Our company's corporate philosophy is "to handle energy measurement and control equipments as a starting point, and to create new value by making positive challenges to new area of technologies as a next step and thus to make contribution to society as a customer-oriented company", and we have been trying hard to maximize our corporate value to become a trustworthy company in our society.

Measurement and control equipments businesses, developing new products, we will try to cope with enhancement of customer service by electric power companies and we will actively contribute to global energy saving battles against global warming. For enhancement of Customer Service, automated meter reading system, multiple electricity tariff menu, load averaging scheme including peak-shift system, effective use of renewable energy. For actively contribute to global energy saving battles against global warming, we will develop high-performance electronic watt-hour meters (Smart meters) and various new devices and systems, it contributes to the cost reduction to electric power companies.

FPD (Flat Panel Display) assembling equipments business, we will also concentrate our efforts in the area of full-size manufacturing system for flat panel displays, including LCD (Liquid Crystal Display) and PDP (Plasma Display Panel). This is developed and a new business of which it aims the customer satisfaction improvement in the market where the growth in the future such as IC cards and IC tags can be expected of foundation is developed positively.

2. Targeted management index

We regard that an effective utilization of shareholders' equity is very important and we will endeavor to accomplish Return on Equity (ROE) ratio more than 10% as our medium and long-range goal.

3. Corporate medium and long range managerial strategy

In our "Medium-range plan", we will take following measures as our basic policy in order to maximize the value of OSAKI and its group companies.

(1) We will make business basis on positive resource is emphatically distributed to cope with keen competition in the area of electronic watt-hour meters, where it is changing from old type meters into new generation type meters (Smart meter). We aim at the leading company therefore we will try to complete total energy measurement and management system.

(2) We have development our business called "Demand management service" to general market, through which we provide our customers with services such as reviewing customer's energy consumption pattern, proposing improvement plan for effective utilization of machines and equipments and energy procurement. We will continue to promote its sales to high voltage electricity users, such as home centers, and supermarket as energy saving measures.

Furthermore, as to optical equipments, we will not remain old customers and old products but will make positive effort to develop new customers and sales and development with higher added value products.

(3) As to FPD assembling equipments business, demand for digital home electronics our company's strong area of business, is expanding in line with spread of flat-type TV. Under these circumstances, we will try harder to strengthen our competitive ability by developing new technologies in the area of full-size manufacturing systems which can lead us above rivalry, together with development of semiconductor related assembling equipments, such as IC card and IC tag. We expect their markets will expand rapidly.

4. Basic policy regarding appropriation of profits

We regard returning profit to shareholders as one of our core basic management policies and we have basic policy to pay a steady base dividend and then, further endeavor to distribute our profit to shareholders depending upon company's profit performance. As for internal reserve, we will utilize it as a source of maximizing long-range corporate value and strengthening our competitive ability by investing in research and development and capital expenditure. By utilizing it for our company's future business activities, we will improve our profit performance.

As stipulated in our articles of incorporation, we are allowed to pay interim dividend and it is our basic policy that we will pay dividend from surplus fund two times a year, as interim and fiscal year end dividend.

Resolution of board of directors shall be required to pay interim dividend and resolution of general shareholders' meeting shall be required to pay fiscal year dividend.

In accordance with our basic policy as mentioned above, our dividend for this fiscal year will be 12.00 yen per share including 6.00 yen as interim cash dividend.

Date of resolution	Cash dividends paid (million yen)	Cash dividends per share (yen)
November 13th, 2009 Resolution of board of directors meeting	224	6.00
June 29th, 2010 Resolution of general shareholders' meeting	224	6.00

Present status of Business

1. Business Result

1) Business result for this consolidated fiscal year

During this consolidated fiscal year, although Japanese economy has been under the influence of world-wide recession, we have seen some signs of recovery in certain sectors supported by various economic stimulus measures and by the increase of export, and the corporate capital expenditures seemed to hit the bottom. However, the prospect of economy has continued to remain opaque due to appreciation of yen and progress of deflationary pressure and Japanese economy has not shown full-scale recovery trend.

As to the business environments of our group companies, in the area of measurement and control equipments business, the demand for our products from our main customers, electric power companies, has been gradually showing recovery trend. However, there still exist big regional gaps of demand, and negative factors such as the continued decline of number of housing starts have not yet been wiped out. Furthermore, severe business environment surrounding us has been continuing as the competition among manufacturers was still keen and the drop in the sales price of our products was continuing. In the area of FPD (Flat Panel Display) assembling equipments business, the digital consumer electronic product market, to which our main customers belong, has been strongly influenced by the reluctant attitude of manufacturers to make capital investment in the areas of Flat Panel TV and semi-conductor-related products.

Under these circumstances, Osaki group companies has been making serious effort as one unit to expand sales and to enhance managerial efficiency by promoting sales activities and reducing product costs in order to improve our profit performance. Amount of consolidated net sales is 46,774 million yen, which is 7.0% decrease from previous consolidated fiscal year due to decline of sales in FPD assembling equipments business.

As for our profit, our operating income for this previous fiscal year decreased by 35.5% to 3,011 million yen and our ordinary income decreased by 35.3% to 3,301 million yen. This is due to sharp decline of operating income in the area of FPD assembling equipments business although that of measurements and control equipments business exceeded the level of previous consolidated fiscal year. Our net income for this fiscal year increased by 16.2 % to 1,101 million yen due to decrease of extraordinary losses, income taxes and minority interests in consolidated subsidiaries, etc.

2) Segment information is as follows:

(A) Measurement and control equipments business

Net sales increased by 7.0% from previous consolidated fiscal year to 43,160 million yen and operating income increased by 38.5% from previous consolidated fiscal year to 3,341 million yen. This is due to increase of shipment volume of new-type electronic meters, continuous favorable sales trend of demand management services as energy saving measures, sales increase of monitoring and controlling systems for consumers' market accompanied by the expansion of display panel for photovoltaic power generation and others.

(B) FPD assembling equipments business

FPD assembling equipments business has been strongly influenced by the restrictive attitude towards capital investment by our client companies, although we made strong business efforts to get bigger purchase orders from our customers, including development of new customers. Under these circumstances, those efforts have not brought about fruitful results, and net sales decreased by 65.9% from previous consolidated fiscal year to 3,264 million yen. Profit was strongly influenced by the decline of net sales, and operating income decreased by 2,523 million yen to operating loss of 514 million yen.

(C) Real estate business

Net sales in real estate business decreased from previous consolidated fiscal year by 8.6% to 467 million yen. Operating income decreased from previous year by 26.2% to 184 million yen.

3) Prospect for next consolidated fiscal year

In measurement and control equipments business, our business environment will continue to be very vulnerable. This is due to the fact that full-scale expansion of new-type electronic watt-hour meters will not be realized in immediate future although its demand has been steadily increasing, and that the number of housing starts has continued to show unfavorable trend as a result of decelerated economy and that competition among manufacturers are becoming increasingly keen.

In FPD assembling equipments business, we do not expect full-scale recovery of its demand, although panel manufacturers will gradually take more positive attitude toward capital investment.

Although our business environment is expected to be very severe in measurement and control equipments business, we will further try to concentrate our efforts to expand our sales of electronic watt-hour meters for home use (Next-generation watt-hour meters which have been introduced by some of the electric power companies) for which we can expect rapid growth of demand in our measurement and control equipments business. We will also try our best to introduce new types of equipments into the market, while promoting reduction of manufacturing cost. We will also try to strengthen our managerial capability and to enhance our earning ability.

As to FPD assembling equipments business, we will try to expand our sales to our domestic as well as overseas customers, and will positively try to develop new type of products and to obtain new clients by utilizing our basic technology.

According to our prospect for next consolidated fiscal year, amount of net sales will be 47,000 million yen, operating income will be 2,200 million yen, ordinary income will be 2,400 million yen and net income will be 1,200 million yen.

Expected results for next consolidated fiscal year

Net sales:	47,000 million yen (0.5% increase from previous consolidated fiscal year)
Operating income:	2,200 million yen (26.9% decrease from previous consolidated fiscal year)
Ordinary income:	2,400 million yen (27.3% decrease from previous consolidated fiscal year)
Net income:	1,200 million yen (0.9% increase from previous consolidated fiscal year)

Note: Please note that above-mentioned next prospects are based on our assumptions obtained by us at this time of the moment, and actual results may differ from such results.

2. Analyzing Financial Situations of the Company

Total assets to 61,665 million yen this consolidated fiscal year (222 million yen decreased from the end of previous consolidated fiscal year). This is due to increased notes and accounts receivable, trade for 489 million yen, increased property, plant and equipment for 882 million yen, increased deposits 1,275 million yen, etc. And due to decreased cash and cash equivalents for 571 million yen, decreased inventories for 1,421 million yen, decreased long-term deposits (total investments and other assets "other assets") for 1,000 million yen, etc.

Total liabilities to 23,086 million yen this consolidated fiscal year (1,006 million yen decreased from the end of previous consolidated fiscal year). This is due to not only increased accrued income taxes for 529 million yen, but decreased notes and accounts payable, trade for 1,132 million yen, decreased short-term debt and long-term bank loans for 430 million yen, etc.

Total equity to 38,578 million yen this consolidated fiscal year (783 million yen increased from the end of previous consolidated fiscal year). This is due to increased retained earnings for 595 million yen, unrealized gains on securities for 203 million yen, etc.

Equity ratio went up by 1.4 point to 39.8 %.

	Total assets (million yen)	Total liabilities (million yen)	Total equity (million yen)	Equity ratio
At year-end of 2010	61,665	23,086	38,578	39.8%
At year-end of 2009	61,887	24,092	37,795	38.4%
Increase or Decrease	△ 222	△ 1,006	783	1.4 point

3. Cash Flows

Cash and cash equivalents at the end of consolidated fiscal year amounted to 10,738 million yen, which was decreased to 1,295 million yen from the end of previous consolidated fiscal year.

	2009 (million yen)	2010 (million yen)	Increase or Decrease (million yen)
Cash flows from operating activities	9,344	4,533	△4,810
Cash flows from investing activities	△3,427	△4,370	△943
Cash flows from financing activities	△3,819	△1,462	2,357
Cash and cash equivalents at end of year	12,034	10,738	△1,296

(A) Cash flows from operating activities

Cash flows from operating activities amounted to 4,533 million yen. This is due to increased facts, income before income taxes and minority interests to 2,794 million yen, depreciation and amortization for 2,069 million yen, decreased in inventories for 1,453 million yen, decreased in notes and accounts payable for 923 million yen, income taxes paid for 615 million yen, etc.

(B) Cash flows from investing activities

Cash flows from investing activities amounted to 4,370 million yen. This is due to decreased facts, payments for property, plant and equipment for 3,165 million yen, increase in time deposits for 2,000 million yen, proceeds from refund of long-term deposits for 1,000 million yen, etc.

(C) Cash flows from financing activities

Cash flows from financing activities amounted to 1,462 million yen. This is due to decreased facts, decreased in long-term bank loans and short-term debt, net for total 436 million yen, cash dividends paid included payments for dividends to minority shareholders for total 941 million yen, etc.

4. Challenge and Solutions We Should Search for

(A) Measurement and control equipments business

As to this area of business, we have been surrounded by very severe business environments, since sales price of our products that are sold to electric utilities companies, our main customers, will continue to decline as a result of severe competition among manufacturers and unfavorable trend of number of housing starts due to economic slowdown.

In the area of our main product of electronic watt-hour meters, the trial introduction or examination/experimental use of smart meter (which is regarded as next generation devices) have been made by some of electric power companies. It is expected that this trend will become more and more prevalent among our client companies, and within few years, the product will enter into full-scale expansion stage. Under these circumstances, we will try our best to develop high-functional, high-quality, reliable and competitive products that will satisfy the needs of electric power companies. As in the case of smart meter, we will try to build up manufacturing system to cope with its expected expansion of demand so that we would be able to maintain No.1 share as we have been doing in traditional electronic meters. As our medium-term challenge, we will try to develop highly-systemized products that not only serve just as single watt-hour meters but as general measurement and control system of energy with its additional value-added services, including automated meter reading.

Furthermore, as to electronic watt-hour meters, we will jointly make efforts with ENEGATE Co., Ltd. to promote further business tie-up and enhance synergy effect in the area of research and development by shortening product development period and by reducing development cost through mutually providing technology. In the area of production, we will build up manufacturing system for various products including unit-type meters by mutually providing manufacturing technology and know-how in order to attain rationalization in the procurement of materials and equipments.

(B) FPD assembling equipments business

As to FPD assembling equipments business, our business environment has been changing gradually, as our main customers in digital consumer electronics product market have been shifting their manufacturing sites to China and Asian regions. In order to cope with the situation, we need to strengthen competitive ability for our current products, to develop new business area and new product type, and to promote marketing activities for obtaining new purchase orders by improving manufacturing system and distribution/service system. Under these circumstances, we will try to enhance added value of our product in its efficiency and function and try to reduce production cost and to strengthen our competitive ability. We will also concentrate our efforts on developing and marketing various products for which we expect increased use, such as IC card, IC tag, and image sensor module (CMOS/CCD) used in digital camera, LED light module, manufacturing facilities for high-definition multiple assembling products which are the combination of electronic parts and micro device.

(C) Real estate business

We will try to improve investment yields by improving operation ratio of existing rental business items, and reducing operation costs. We will also try to decrease outstanding amount of the debt loan.

5. Risks Affecting Our Business

Followings are risks, which will affect business performance and financial situation of the company and our group companies.

(1) Risk of fluctuation of demand environment

There is possibility that the demand for our products, such as measurement and control equipments and FPD assembling equipments may fluctuate as a result of unexpected market change. There may be also possibility that such demand for our products may fluctuate as a result of economic conditions in the countries where our products are sold. Our company's profit performance or financial situation may be adversely affected by the decline of sales due to change of such demand for our products.

(2) Risks of sudden rise of materials and parts prices and difficulties of their procurement

Our company purchases materials, parts, and assembled components from vendors. However, this situation may be deteriorated due to high cost or difficulties in obtaining those items, depending upon world economic conditions and business environment of the countries where such materials are produced. Our company's profit performance or financial situation may be deteriorated by price increase of materials and parts, and difficulties in obtaining those items.

(3) Risk of stock price fluctuation

We have investments in securities for 4,208 million yen including investments in unconsolidated subsidiaries and affiliates, there is no guarantee that we would not suffer devaluation losses from investment securities if stock prices may go down. Large amount of devaluation losses from investment securities may adversely affect on profit performance and financial situation of the company.

(4) Risk of fluctuation of real estate prices

We have real estates properties such as land and buildings for our business of manufacturing electric appliances and for real estate businesses. Fluctuation of land price may adversely affect our company's profit performance and financial situation.

(5) Risks of product defect

Our products are manufactured under high level of quality control systems. However, we may run into trouble in future arising out of our products and services, such as products defects, recalls due to unsatisfactory services, thus reducing demand for our products and sales quantity. If we run into troubles such as large product recall or suspension of delivery due to product defects, the profit performance and financial situation of the company may be adversely affected.

(6) Risk of concentration on specific customers

In our measurement and control equipments business area, amount of the sales to 10 electric power companies accounts for around 50% of total sales. In addition, in the FPD assembling equipments business, sales considerably concentrates on specific customers. Profit performance and financial situation of the company may be adversely affected if our relation with them is deteriorated.

6. Managerial Contracts with Material Importance

Business tie-up contracts

Company name	Partner company's name	Country	Contracts item	Date of contract	Contract period
Osaki Electric Co., Ltd. (Our company)	Nitto Kogyo Corporation	Japan	1. Competitive business advantage for custom-ordered panel, electronic device products and information and communication device products, in their quality, costs and delivery time 2. Joint-development of new products 3. Mutual exchange of professional engineers	September 22 nd , 2009	From September 22 nd , 2009 to September 21 st , 2014
Osaki Electric Systems Co., Ltd. (Consolidated subsidiary)					

7. Research and Development Activities

Our company and consolidated subsidiaries as a group have been trying to establish effective research and development system to cope with needs of rapidly changing environments. The flexible management of human resources and investment into research and development has created new products and new businesses.

Followings are the details of research and development activities per each business segment.

(A) Measurement and control equipments business

As to research and development in the field of electric watt-hour meters, we have been focusing mainly on electricity-related business area and development of new electronic watt-hour meters that can cope with deregulation of electric power industry. We regard this equipment as information terminal and set focus on implementing highly-integrated and multi-functional products, and develop electronic watt-hour meters for industrial or home use, which are suitable for various tariff menus provided by electric power companies. As our present issue, we will concentrate our efforts in developing cost-down type of products that has reliability, high function and good quality and are cheap in price to meet with the needs of our customers. Concerning new unit-type watt-hour meters, which we have started delivering to our customers in the previous year, we are planning to develop them as a product series. We have been actively promoting development of technology elements, such as development of LSI, which will play a core role in strengthening our technological ability. As general global trend in future, we observe that electronic watt-hour meters would not be introduced as independent items but as equipment compatible with AMR/AMM*¹ system. In order to cope with this situation, we are now positively promoting joint-study program with electric power companies by establishing a project team. Furthermore, we have started developing our AMR/AMM compatible equipment in order to sell them to electric power companies in Europe.

As for information and communication areas, we have been making efforts to develop various communication-related technologies, such as optical communication, automated electric distribution and wireless communication in order to cope with expansion of broadband communication system. Furthermore, we are undertaking applied study and product development by utilizing these technologies. We are now delivering to our customers of electric power company automated meter reading terminals designed for customers with large electricity consumption demand, by utilizing optical and wireless technologies and by applying IP related technology. We are now trying to develop devices with higher level function in the system.

As for the general market products, we are now doing energy solution business to meet with need of energy saving era, by utilizing our demand control equipment as our core product and providing our services called "Demand management service" based on IP technology.

As for handy terminal meter reading business, we are now developing mobile thermal printer in aiming at differentiation with other companies and are trying to strengthen our position as its specialized manufacturer. In addition to present electric watt-hour meters, we have been undertaking research and development program of wireless responding equipment which enable us to read data more easily even if it is installed in a dangerous place. We will try to expand our business not only in the area of electric power business but also in gas and water businesses.

* 1 AMR : Automated Meter Reading

AMM : Automated Meter Management

(B) FPD assembling equipments business

As to this area of business, we are mainly developing manufacturing equipments that are used in the assembling process of FPD module and micro semi-conductor as our main product.

In the FPD module assembling process, enhancement of product quality to cope with high definition trend is important, and in this connection, improvement of inspection technology is required. Furthermore improvement of assembling technology for micro thin device is also required, as semi-conductors to be assembled are becoming smaller and thinner to cope with downsizing of products in its dimension and thickness. Under these situations, the purpose of our research and development activities is mainly to develop new technologies by our own effort to satisfy need for such efficiency improvement and apply those developed technology elements on our own products.

These development activities mean the developments of technology element that are common to various types of equipments and these costs are posted as administrative expenses and its amount is 71 million yen in this consolidated fiscal year. Expenses relating to custom development to cope with each individual order are mainly posted as costs of product for individual order. However, such research and development expenses are not added up separately, as it is virtually impossible to pick the amount of research and development portion out from such manufacturing costs.

(C) Real estate business

We have no activities in its research and development.

8. Capital Expenditure Highlight

Our group companies have been making capital investment mainly for the purpose of maintaining, expanding manufacturing capacity and strengthening research and development functions. Capital expenditures for this consolidated fiscal year were 2,746 million yen.

In measurement and control equipments area, we invested 2,694 million yen mainly in relation to electronic watt-hour meters area.

In FPD assembling equipments business, we invested 6 million yen.

In real estate business, we invested 45 million yen.

9. Corporate Governance Situation

(1) Our basic concept on corporate governance

We recognize that strengthening of our corporate governance is one of the most important managerial issues in order to attain appropriate maximization of corporate value for the sake of our shareholders' interests as well as interested parties'. We will make efforts to realize fair management through higher managerial efficiency and transparency. We will also try our best to make active and prompt disclosure of corporate information in order to enhance managerial transparency, and will pay more attention to disclose corporate information through various means such as internet, etc.

(2) Implementation of corporate governance policy and its current situation

① Corporate governance system

Our company has a statutory auditor system. We believe that monitoring of managerial activities could be handled properly by auditors' meeting that consists of internal auditors and outside auditors. Currently there are four auditors and out of which two are outside auditors. There are fifteen directors in total and there is no outside director. However, six out of fifteen directors have had experience in working for outside companies. Each director is participating in the execution of company's management from subjective viewpoint.

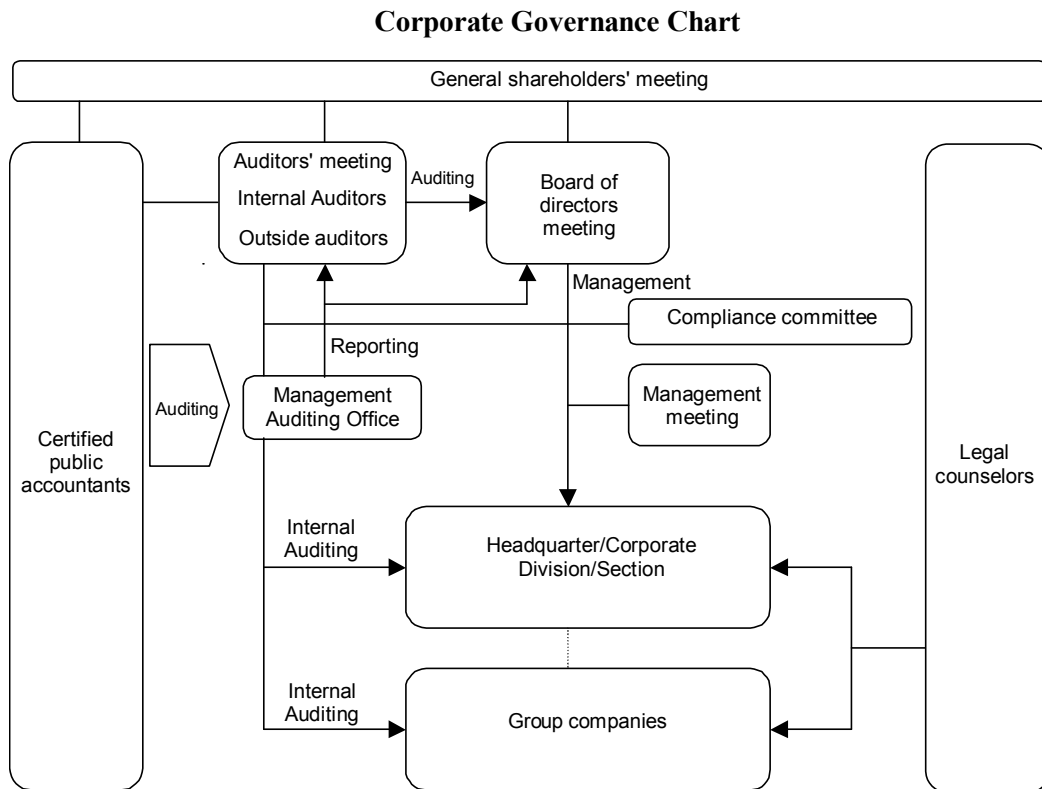
Board of directors of the company is regarded as an organ to decide basic managerial policy, statutory matters and important managerial matters of the company and to monitor execution of business activities.

In principle, board of directors meeting is held once in every month and ad hoc meeting is held if necessary, thus making company's management more prompt and efficient in order to cope with rapidly changing business environment. As an auxiliary organ for board of directors meeting, management meeting is held, in principle, once every week, members of which consist of managing directors or directors with higher title and the meeting is to make decisions on daily business operations and to make discussion on important managerial issues.

With regard to compliance, we have set up a compliance committee to comply with all laws, regulations and social criteria and we have also established a charter for corporate behavior of Osaki Electric Co., Ltd and its group companies and compliance manual, in order to enhance compliance consciousness of employees and improve compliance system.

As for legal and accounting issues, we make efforts to comply with laws and regulations by asking for timely advice from professionals such as legal counselors and certified public accountants of the company.

Our corporate governance system is shown in the following chart.



② Building of internal control system

Our company has enacted "Basic policy for establishing internal control policy" in accordance with Companies Law and its related ordinance and we have established following systems in order to secure proper execution of business.

a) Internal system to secure that member of board of directors and corporate officers should execute their duty in accordance with laws and ordinances and articles of incorporation of the company

* Compliance committee was established and the charter of actions was enacted in order that corporate officers and employees should comply with laws and ordinances, articles of incorporations of the company and social norm. Various steps were taken to make charter known to all people concerned and enhance compliance consciousness.

* Head of helpline system (President and COO) and officer in charge are responsible, through appropriate administration of the system, for quickly detecting and correcting violations of laws and ordinances and unlawful acts and for strengthening compliance system of the company.

b) System for storing and administration of information as to execution of duty by member of board of directors

* Information and documents relating to execution of duty by directors should be handled in accordance with rules of board of directors meeting as well as internal corporate regulations and information relating to execution of their duty should be recorded in papers or in electro-magnetic form and should be adequately stored and administered.

* Directors and auditors are always entitled to make access to these papers and documents.

c) Rules and other system for administrating risk of loss

- * Risks concerning compliance, quality, environment, product liability and administration of export are managed in trans-sectional way and committees for each risk are set up in order to cope with risk appropriately on timely basis.
- * Management auditing office was established and carried out internal auditing headed by President and COO.
- * Management auditing office is responsible for auditing risk management situation of each section through internal auditing. Result of such auditing should be reported regularly to board of directors meeting. Improvement measures are discussed and decided in the meeting.

d) Systems to secure effective execution of duty by director

- * At the beginning of each fiscal year, corporate target is decided so that all of corporate officers and employees' shares common goal and each section shall be responsible to set up annual action plan in concrete form. The plan is to be reviewed monthly and quarterly and the result is sent back for feedback purpose in order to secure validity and effectiveness of business.
- * Board of directors meeting will be held once in every month and ad hoc meeting is held if necessary in order to flexibly cope with rapidly changing managerial environment.
- * Management meeting is held, in principle, once every week, members of which consist of managing directors or directors with higher title and the meeting is to make multi-dimensional review and discussion on important issues influencing the company and group companies. If resolution in the board of directors meeting is necessary, the issue should be presented and reviewed in the meeting later.
- * Execution of daily business shall be handled in accordance with rules of official authority and internal decision-making process of the company.

e) Systems to secure appropriateness of business activities of corporate group consisting of our company and subsidiaries

- * Strategic management office controls and administers our subsidiaries, and is responsible for planning and executing, in cooperation with related sections of the company, various measures in order to enhance effectiveness of internal control system for each subsidiary and carry out guidance and support to them.
- * Management auditing office is responsible for administering internal auditing with systematic way in cooperation from each subsidiary and should carry out audit as to appropriateness and effectiveness of its business activities and strengthen and improve the compliance system.
- * Group helpline system should help detecting and correcting violations of laws and ordinances and illegal acts by officers and employees of group companies and should strengthen compliance system.
- * Execution of business should be handled in accordance with basic internal control policy concerning financial reports and reliability of financial report required under Financial Instruments and Exchange Act should be secured.
- * As a member of our society, we shall forever abolish participation in any type of anti-social power or organization that may endanger social order and safety of civil life and shall maintain a resolute attitude towards them.

f) Employee's status and independence from directors if auditors' meeting decides to appoint supporting employee in executing their duty

- * Employee who is engaged exclusively in supporting auditors' duty will be appointed.
- * Such employee is not allowed to hold another post of the company and should execute his duty under auditor's authority and transfer of the employee should not be made without approval of auditor.

g) Reporting system to auditor by director and employee, and other reporting system to auditor

- * Directors and the employee should report to auditors' meeting immediately, if they become to know, in the execution of its duty, material violation of laws and ordinances and articles of incorporation of the company or illegal act, or fact which may cause serious damage on group companies.
- * Director and employee should immediately report to auditors' meeting, the fact that may cause serious effect on group companies, situation as to administration of internal auditing and information obtained from helpline system in addition to the facts prescribed in the laws.

h) Other systems to secure effective execution of auditing by auditor

- * In order to secure appropriate execution of business activities, Board of directors meeting should be held with presence of auditors and other important meetings such as management meeting should also be held with presence of auditors.
- * Representative director (Chairman and CEO, President and COO & Executive Vice President) should hold regular meeting with auditor.

Consolidated Financial Statements

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Consolidated Balance Sheets

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

March 31, 2009 and 2010

ASSETS	Millions of yen		Thousands of U.S.dollars
	2009	2010	2010
Current assets:			
Cash and cash equivalents (Note 3)	¥ 7,056	¥ 6,484	\$ 69,698
Deposits (Note 3)	4,977	6,253	67,211
Notes and accounts receivable, trade	10,027	10,517	113,040
Finished products	1,649	2,008	21,582
Work in process	3,659	1,730	18,603
Raw materials, purchased components and supplies	1,879	2,027	21,795
Deferred income taxes	1,233	959	10,317
Other current assets	787	1,079	11,602
Allowance for doubtful receivables	(70)	(79)	(856)
Total current assets	31,201	30,981	332,994
Fixed assets:			
Property, plant and equipment			
Buildings and structures	17,762	19,093	205,216
Less-accumulated depreciation	(11,623)	(11,901)	(127,923)
Total buildings and structures	6,138	7,191	77,292
Machinery and equipment	9,841	10,605	113,987
Less-accumulated depreciation	(8,351)	(8,754)	(94,092)
Total machinery and equipment	1,490	1,850	19,894
Land	11,996	12,279	131,977
Construction in progress	1,209	206	2,217
Other fixed assets	6,728	7,050	75,781
Less-accumulated depreciation	(5,940)	(6,073)	(65,282)
Total other fixed assets	788	976	10,499
Net property, plant and equipment	21,622	22,504	241,881
Intangible assets	779	657	7,070
Investments and other assets			
Investment securities (Note 4)	3,992	4,208	45,232
Deferred income taxes	649	547	5,884
Prepaid pension cost	137	141	1,519
Other assets	3,516	2,629	28,258
Allowance for doubtful receivables	(10)	(5)	(58)
Total investments and other assets	8,284	7,520	80,835
Total fixed assets	30,686	30,683	329,786
TOTAL	¥ 61,887	¥ 61,665	\$ 662,781

See notes to consolidated financial statements

Consolidated Balance Sheets

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

March 31, 2009 and 2010

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S.dollars
	2009	2010	2010
Current liabilities:			
Notes and accounts payable, trade	¥ 4,282	¥ 3,149	\$ 33,853
Short-term debt (Note 5)	1,060	650	6,990
Accrued income taxes	436	966	10,383
Accrued bonuses allowance	1,226	1,211	13,020
Accrued bonuses allowance for directors	37	17	185
Allowance for product warranties	114	26	280
Allowance for loss of subsidiaries and affiliates	-	100	1,074
Other current liabilities	4,069	4,013	43,134
Total current liabilities	11,228	10,134	108,924
Long-term liabilities:			
Bonds (Note 6)	4,500	4,500	48,366
Long-term bank loans (Note 5)	2,217	2,196	23,610
Lease obligation	672	850	9,140
Long-term accounts payable-other	-	692	7,437
Accrued retirement allowances	858	912	9,803
Accrued retirement allowances for directors	915	198	2,130
Consolidation adjusting accounts	1,248	1,092	11,743
Deferred income taxes	2,409	2,415	25,960
Other long-term liabilities	41	94	1,016
Total long-term liabilities	12,864	12,952	139,210
Total liabilities	24,092	23,086	248,134
Contingent liabilities (Note 7)			
Equity:			
Shareholders' equity			
Common stock:			
Authorized – 100,000,000 shares			
Issued 2010 – 38,550,684 shares and			
Issued 2009 – 38,550,684 shares	4,686	4,686	50,372
Capital surplus	4,768	4,768	51,252
Retained earnings	15,518	16,114	173,195
Treasury stock, at cost:			
1,125,886 shares in 2010 and			
1,074,840 shares in 2009	(452)	(499)	(5,364)
Total shareholders' equity	24,521	25,070	269,455
Valuation and translation adjustments			
Unrealized gains on securities	(248)	(45)	(485)
Foreign currency translation adjustments	(518)	(462)	(4,965)
Total valuation and translation adjustments	(766)	(507)	(5,451)
Stock acquisition rights (Note 8)	-	74	795
Minority interests	14,040	13,941	149,846
Total equity	37,795	38,578	414,646
TOTAL	¥ 61,887	¥ 61,665	\$ 662,781

See notes to consolidated financial statements

Consolidated Statements of IncomeOsaki Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2008, 2009 and 2010

	Millions of yen			Thousands of U.S.dollars
	2008	2009	2010	2010
Net sales	¥ 49,988	¥ 50,315	¥ 46,774	\$ 502,739
Cost of sales	37,075	36,769	34,453	370,306
Gross profit	12,912	13,546	12,321	132,433
Selling, general and administrative expenses (Note 9)	9,027	8,875	9,310	100,065
Operating income	3,885	4,670	3,011	32,367
Non-operating income:				
Interest income	51	52	35	377
Dividend income	120	109	89	961
Amortization of consolidation adjusting accounts	156	156	156	1,677
Gain on redemption by purchase of bonds	-	145	-	-
Subsidy income	-	-	52	559
Others	148	139	90	976
	477	602	423	4,552
Non-operating expenses:				
Interest expenses	105	76	63	681
Foreign exchange loss	36	1	7	79
Commitment fee	16	48	24	262
Expense of term loan	1	-	-	-
Non-deducted withholding tax	25	-	-	-
Others	58	46	38	411
	243	172	133	1,434
Ordinary income	4,119	5,100	3,301	35,486
Extraordinary gains:				
Gain on sales of property, plant and equipment	-	4	3	34
Gain on sales of investment securities	859	30	-	-
Gain on sales of memberships	-	18	6	69
Reversal of doubtful accounts provision	-	62	-	-
Gain on change in retirement benefit plan	71	-	-	-
Gain on prior-period adjustment	32	-	-	-
	962	116	9	104
Extraordinary losses:				
Loss on sales of property, plant and equipment	1	-	-	-
Loss on disposal of property, plant and equipment	127	50	39	419
Devaluation of investment securities	1	542	-	-
Devaluation of memberships	2	30	6	68
Provision of prior year allowance for product warranties	121	-	-	-
Impairment losses	360	-	-	-
Loss on change in retirement benefit plan	-	-	41	445
Provision of reserve for directors' retirement benefits	-	645	-	-
Extraordinary retirement benefit	103	-	-	-
Loss on valuation of stocks of subsidiaries and affiliates	-	-	205	2,212
Provision for loss of subsidiaries and affiliates	-	-	100	1,074
Structure improvement expenses	-	-	124	1,337
Loss on business restructuring	219	-	-	-
	936	1,269	517	5,558
Income before income taxes and minority interests	4,145	3,947	2,794	30,033
Income taxes				
Current	1,354	1,003	1,130	12,149
Deferred	148	994	242	2,601
	1,502	1,997	1,372	14,751
Minority interests in consolidated subsidiaries	1,072	1,002	320	3,446
Net income	¥ 1,570	¥ 947	¥ 1,101	\$ 11,835

See notes to consolidated financial statements

Consolidated Statements of Changes in Equity

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2008, 2009 and 2010

	Millions of yen									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on securities	Foreign currency translation adjustments	Stock acquisition rights (Note 8)	Minority interests	Total equity	
Balance at March 31, 2007	¥ 4,686	¥ 4,768	¥ 14,387	¥ (301)	¥ 2,226	¥ (329)	-	¥ 12,683	¥ 38,121	
Cash dividends paid			(642)						(642)	
Net income			1,570						1,570	
Decrease due to newly consolidation			(173)						(173)	
Decrease due to exclusion from consolidation			(9)						(9)	
Changes in treasury stock, net				(137)					(137)	
Net changes of items other than shareholders' equity					(1,935)	(23)		870	(1,088)	
Balance at March 31, 2008	4,686	4,768	15,133	(439)	291	(352)	-	13,553	37,641	
Cash dividends paid			(562)						(562)	
Net income			947						947	
Changes in treasury stock, net				(13)					(13)	
Net changes of items other than shareholders' equity					(539)	(165)		486	(218)	
Balance at March 31, 2009	4,686	4,768	15,518	(452)	(248)	(518)	-	14,040	37,795	
Cash dividends paid			(505)						(505)	
Net income			1,101						1,101	
Decrease due to exclusion from consolidation			(0)						(0)	
Changes in treasury stock, net				(46)					(46)	
Net changes of items other than shareholders' equity					203	56	74	(98)	235	
Balance at March 31, 2010	¥ 4,686	¥ 4,768	¥ 16,114	¥ (499)	¥ (45)	¥ (462)	¥ 74	¥ 13,941	¥ 38,578	

	Thousands of U.S.dollars									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on securities	Foreign currency translation adjustments	Stock acquisition rights (Note 8)	Minority interests	Total equity	
Balance at March 31, 2009	\$ 50,372	\$ 51,252	\$166,797	\$(4,862)	\$(2,671)	\$(5,571)	-	\$150,907	\$406,224	
Cash dividends paid			(5,437)						(5,437)	
Net income			11,835						11,835	
Decrease due to exclusion from consolidation			(0)						(0)	
Changes in treasury stock, net				(501)					(501)	
Net changes of items other than shareholders' equity					2,185	605	795	(1,060)	2,525	
Balance at March 31, 2010	\$ 50,372	\$ 51,252	\$173,195	\$(5,364)	\$(485)	\$(4,965)	\$ 795	\$149,846	\$414,646	

See notes to consolidated financial statements

Consolidated Statements of Cash Flows

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2008, 2009 and 2010

	Millions of yen			Thousands of U.S.dollars
	2008	2009	2010	2010
Cash flows from operating activities :				
Income before income taxes and minority interests	¥ 4,145	¥ 3,947	¥ 2,794	\$ 30,033
Adjustments to reconcile net income to net cash provided by operating activities -				
Depreciation and amortization	1,657	1,646	2,069	22,240
Impairment losses	360	-	-	-
Amortization of consolidation adjusting accounts	(156)	(156)	(156)	(1,677)
Increase (decrease) in allowance for doubtful receivables	52	(66)	0	10
Increase (decrease) in accrued bonuses allowance	(34)	43	(15)	(166)
Increase (decrease) in accrued bonuses allowance for directors	(2)	1	(20)	(222)
Increase (decrease) in allowance for product warranties	128	(14)	(88)	(952)
Increase (decrease) in provision for loss of subsidiaries and affiliates	-	-	100	1,074
Increase (decrease) in accrued retirement allowances	136	149	47	506
Increase (decrease) in accrued retirement allowances for directors	-	678	(717)	(7,711)
Increase (decrease) in long-term accounts payable-other	-	-	692	7,437
Interest and dividend income	(172)	(161)	(124)	(1,339)
Interest expenses	105	76	63	681
(Gain) loss on sales of property, plant and equipment	1	(4)	(3)	(34)
Loss on disposal of property, plant and equipment	127	50	39	419
(Gain) loss on sales of investment securities	(859)	(30)	-	-
Devaluation of investment securities	-	542	-	-
(Gain) loss on sales of memberships	-	(18)	(6)	(69)
Devaluation of memberships	2	30	6	68
Gain on redemption by purchase of bonds	-	(145)	-	-
Loss on business restructuring	76	-	-	-
Structure improvement expenses	-	-	124	1,337
Loss on valuation of stocks of subsidiaries and affiliates	-	-	205	2,212
(Increase) decrease in notes and accounts receivable	(2,891)	3,724	(322)	(3,467)
(Increase) decrease in inventories	(871)	2,499	1,453	15,622
Increase (decrease) in notes and accounts payable	(876)	(2,006)	(923)	(9,924)
Increase (decrease) in advances received	17	(100)	4	49
Increase (decrease) in other current liabilities	(257)	(145)	-	-
Other, net	(289)	232	(132)	(1,425)
Interest and dividend received	172	161	123	1,326
Interest paid	(107)	(75)	(64)	(688)
Income taxes paid	(1,204)	(1,518)	(615)	(6,615)
Net cash provided by (used in) operating activities	(740)	9,344	4,533	48,725
Cash flows from investing activities :				
Payments for property, plant and equipment	(1,309)	(1,242)	(3,165)	(34,018)
Proceeds from sales of property, plant and equipment	30	79	27	293
Payments for intangible assets	(170)	(254)	(161)	(1,735)
Payments for investment securities	(1,378)	(98)	(87)	(935)
Proceeds from sales of investment securities	1,878	48	-	-
Payment for memberships	-	-	(68)	(730)
Payments for long-term deposits	-	(2,000)	-	-
Proceeds from refund of long-term deposits	800	-	1,000	10,748
Decrease (increase) in time deposits	-	-	(2,000)	(21,496)
Other, net	62	40	83	898
Net cash provided by (used in) investing activities	(86)	(3,427)	(4,370)	(46,975)
Cash flows from financing activities :				
Increase (decrease) in short-term debt, net	970	(889)	(39)	(420)
Proceeds from long-term bank loans	-	1,300	700	7,523
Payments for long-term bank loans	(325)	(1,822)	(1,097)	(11,799)
Payments for retirement by purchase of bonds	-	(1,354)	-	-
Repayment of lease obligation	-	(14)	(36)	(395)
Cash dividends paid	(641)	(561)	(506)	(5,438)
Payments for dividends to minority shareholders	(221)	(464)	(435)	(4,681)
Payments for treasury stock	(137)	(13)	(46)	(501)
Net cash provided by (used in) financing activities	(356)	(3,819)	(1,462)	(15,713)
Effect of exchange rate changes on cash and cash equivalents	(1)	(102)	2	30
Net increase (decrease) in cash and cash equivalents	(1,185)	1,994	(1,296)	(13,933)
Cash and cash equivalents at beginning of year (Note 3)	11,214	10,039	12,034	129,346
Increase (decrease) in cash and cash equivalents due to newly consolidation	17	-	-	-
Increase (decrease) in cash and cash equivalents due to exclusion from consolidation	(6)	-	-	-
Cash and cash equivalents at end of year (Note 3)	¥ 10,039	¥ 12,034	¥ 10,738	\$ 115,413

See notes to consolidated financial statements

Notes to Consolidated Financial Statements

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

1. Summary of significant accounting policies

Osaki Electric Co., Ltd. (the "Company") and its subsidiaries in Japan maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in Japan while its foreign subsidiaries maintain their records and prepare their financial statements in conformity with accounting principles generally accepted in the countries of their domiciles.

(a) Basis of consolidation and accounting for investments in affiliated companies

The consolidated financial statements include the accounts of the Company and those of its majority-owned subsidiary companies. All intercompany transactions and accounts are eliminated.

(b) Foreign currency translation

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of shareholders' equity, which are translated at their historical exchange rates. Also, income and expense accounts are translated into yen at the rates of exchange in effect at the balance sheet date. Foreign currency translation adjustments are presented as a component of shareholders' equity and minority interests in its consolidated financial statements.

(c) Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, that are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

(d) Marketable securities

Investments in securities with market quotations are stated at fair value, which represents the market prices at the balance sheet date. (Unrealized gain / loss are included as a separate component in shareholders' equity, net of tax, while cost is determined by the moving average method). Investments in securities without market quotations are stated at cost, which is determined by the moving average method.

(e) Inventories

Finished products and work in process are stated at cost, which is principally determined by the moving average method or the periodic average method (computed by lowering the value on the balance sheets from book value to account for any decline in earnings-generation capacity of such assets). Individual order products are stated at cost, which is determined by the identified cost method (computed by lowering the value on the balance sheets from book value to account for any decline in earnings-generation capacity of such assets). Raw materials, purchased components and supplies are stated at cost, which is principally determined by the moving average method (computed by lowering the value on the balance sheets from book value to account for any decline in earnings-generation capacity of such assets).

(f) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is principally computed on the declining-balance method for the Company and Japanese subsidiaries and on the straight-line method for foreign subsidiary companies at rates based on estimated useful lives of the assets as prescribed by Japanese tax law.

(g) Intangible assets

Intangible assets are amortized by the straight-line method. However, the software for internal use is amortized over an estimated useful life (5 years) by the straight-line method.

(h) Finance lease

The finance lease transactions without transferring the right of ownership processed under the accounting standards for general purchase and sale transactions. The Company adopted the straight-line method for the depreciation of lease assets under a finance lease transaction without transferring the right of ownership with the leasing period as a useful life and a residual value as zero.

(i) Allowance for doubtful receivables

Allowance for doubtful receivables is calculated based on the aggregate amount of estimated credit losses on doubtful receivables, plus an amount for receivables other than doubtful receivables calculated using historical write-off experience ratios from certain prior periods.

(j) Accrued bonuses allowance

To prepare for the payment of bonus to employees, an allowance is added up in consideration of the estimated amount of payment.

(k) Accrued bonuses allowance for directors

At two consolidated subsidiaries, to prepare for the payment of bonus to directors, an allowance is added up in consideration of the estimated amount of payment.

(l) Allowance for loss of subsidiaries and affiliates

The Company recorded the estimated amount of financial burden this consolidated fiscal year since the possibility to bear losses on the business of subsidiaries was increased.

(m) Accrued retirement allowances

To prepare for the payment of employee retirement allowance, the Company and its consolidated subsidiaries provide accrued retirement allowance based on projected benefits obligations and the fair value of pension assets at the end of this consolidated fiscal year. Additionally, the pension assets of the Company exceeded retirement allowance liabilities at the end of this consolidated fiscal year, and this excess amount is recorded as the prepaid pension cost in investments and other assets. Actuarial differences are charged to expenses from next consolidated fiscal year using a straight-line method based on determined years (principally 10 years) within the average remaining years of service of employees when incurred.

Beginning with this consolidated fiscal year, the Company has applied "Revisions of Certain of Accounting Standards for Severance Payment" (ASBJ Statement No. 19, issued July 31, 2008). There is no difference of projected benefits obligations by application of the accounting standard, and is no effect for operating income, ordinary income, and income before income taxes. In October 1st 2009, one consolidated subsidiary transferred a portion of its lump-sum severance payment plan to its defined contribution pension plan and applied "Accounting Standards for Transition among Severance Payment Plans" (ASBJ Guidance No.1). As a result of this transfer, 41 million yen was recorded as extraordinary losses.

(n) Accrued retirement allowances for directors

Three consolidated subsidiaries recorded an allowance for retirement benefits for directors equivalent to the amount payable at the end of the consolidated fiscal year under review, in accordance with the rules for retirement benefits for directors. At its Board of directors meeting on February 2009, the Company decided to abolish its directors' retirement benefit system, effective June 27, 2009. There were approved at a shareholders' meeting on June 26, 2009 to make one-time discontinuation payments for retirement benefits for directors and to make payment when the directors and the corporate auditors retire. As a result, the Company entirely reverse accrued retirement allowances for directors and 692 million yen was recorded as long-term accounts payable.

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 ¥93.04 = U.S.\$1, the approximate current rate at March 31, 2010, 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
	2009	2010	U.S.dollars
Cash and cash equivalents in the balance sheets	¥ 7,056	¥ 6,484	\$ 69,698
Deposits	4,977	6,253	67,211
Total	12,034	12,738	136,909
Time deposits	-	(2,000)	(21,496)
Cash and cash equivalents in the cash flow statements	12,034	10,738	115,413

4. Investments in securities

Investments in securities comprise the following:

As of March 31	Millions of yen		Thousands of U.S.dollars
	2009	2010	2010
Available-for-sale securities			
Acquisition cost	¥ 3,561	¥ 3,648	\$ 39,209
Fair value	3,192	3,624	38,960
Net unrealized gain	(368)	(23)	(248)

As of March 31	Millions of yen		Thousands of U.S.dollars
	2009	2010	2010
Investments in unconsolidated subsidiaries and affiliates	¥ 312	¥ 106	\$ 1,149
Investments in non-public companies and others	487	476	5,121

5. Short-term debt and Long-term bank loans

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

As of March 31	Millions of yen		Thousands of U.S.dollars
	2009	2010	2010
Short-term debt:			
Unsecured	¥ 32	¥ -	\$ -
Secured	-	-	-
Current portion of long-term bank loans	1,027	650	6,990
Net short-term debt	1,060	650	6,990

As of March 31	Millions of yen		Thousands of U.S.dollars
	2009	2010	2010
Long-term bank loans:			
Unsecured	¥ 2,200	¥ 2,530	\$ 27,192
Secured	1,045	317	3,408
Less current portion	1,027	650	6,990
Net long-term bank loans	2,217	2,196	23,610

6. Bonds

Bonds comprise the following:

As of March 31	Millions of yen		Thousands of U.S.dollars
	2009	2010	2010
Unsecured zero coupon convertible bonds in yen, due March 2012	¥ 4,500	¥ 4,500	\$ 48,366

7. Contingent liabilities

Contingent liabilities comprise the following:

As of March 31	Millions of yen		Thousands of U.S.dollars
	2009	2010	2010
Guarantee amounts	¥ 63	¥ 143	\$ 1,541

8 . Stock acquisition rights

Stock acquisition rights comprise the following:

As of March 31	Millions of yen		Thousands of U.S.dollars
	2009	2010	2010
Stock acquisition rights as the stock options	¥ -	¥ 74	\$ 795

9 . Research and development expenses

Research and development expenses comprise the following:

As of March 31	Millions of yen			Thousands of U.S.dollars
	2008	2009	2010	2010
Selling, general and administrative expenses	¥ 1,411	¥ 1,293	¥ 1,679	\$ 18,053

1 0 . 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 –

Year ended March 31	Millions of yen					
	2009					
	Measurement and control equipments	FPD assembling equipments	Real estate	Total	Elimination	Consolidated
Sales to customers	¥ 40,342	¥ 9,563	¥ 409	¥ 50,315	-	¥ 50,315
Intersegment sales	1	-	102	104	(104)	-
Total sales	40,344	9,563	511	50,419	(104)	50,315
Operating expenses	37,931	7,555	261	45,749	(104)	45,644
Operating income	2,412	2,008	249	4,670	-	4,670
Assets	46,088	10,137	5,711	61,937	(50)	61,887
Depreciation and amortization	1,436	97	113	1,646	-	1,646
Capital expenditures	2,235	77	2	2,316	-	2,316

Year ended March 31	Millions of yen					
	2010					
	Measurement and control equipments	FPD assembling equipments	Real estate	Total	Elimination	Consolidated
Sales to customers	¥ 43,144	¥ 3,264	¥ 365	¥ 46,774	-	¥ 46,774
Intersegment sales	15	-	102	117	(117)	-
Total sales	43,160	3,264	467	46,892	(117)	46,774
Operating expenses	39,818	3,779	283	43,881	(117)	43,763
Operating income	3,341	(514)	184	3,011	-	3,011
Assets	47,919	8,116	5,656	61,692	(27)	61,665
Depreciation and amortization	1,844	111	112	2,069	-	2,069
Capital expenditures	2,856	6	45	2,907	-	2,907

Year ended March 31	Thousands of U.S.dollars					
	2010					
	Measurement and control equipments	FPD assembling equipments	Real estate	Total	Elimination	Consolidated
Sales to customers	\$ 463,720	\$ 35,091	\$ 3,928	\$ 502,739	-	\$ 502,739
Intersegment sales	166	-	1,099	1,266	(1,266)	-
Total sales	463,887	35,091	5,027	504,006	(1,266)	502,739
Operating expenses	427,971	40,621	3,045	471,638	(1,266)	470,371
Operating income	35,915	(5,529)	1,982	32,367	-	32,367
Assets	515,040	87,235	60,800	663,076	(294)	662,781
Depreciation and amortization	19,825	1,203	1,210	22,240	-	22,240
Capital expenditures	30,697	70	486	31,254	-	31,254

Report of Independent Accountants

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 and consolidated subsidiaries as of March 31, 2009 and 2010, and the related consolidated statements of income, changes in equity and cash flows for each of the three years in the period ended March 31, 2010, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Osaki Electric Company, Limited and consolidated subsidiaries as of March 31, 2009 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, in conformity with accounting principles generally accepted in Japan which were applied on a consistent basis.

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 29, 2010

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 PLATECH CO., LTD.	●
	OSAKI DATATECH CO., LTD.	●
	OSAKI TECH-SERVICE CO., LTD.	●
	OSAKI ENGINEERING CO., LTD.	●
	OEC KANAZAWA CO., LTD.	●
	OSAKI ESTATE CO., LTD.	●
INDONESIA	PT. METBELOSA	●

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

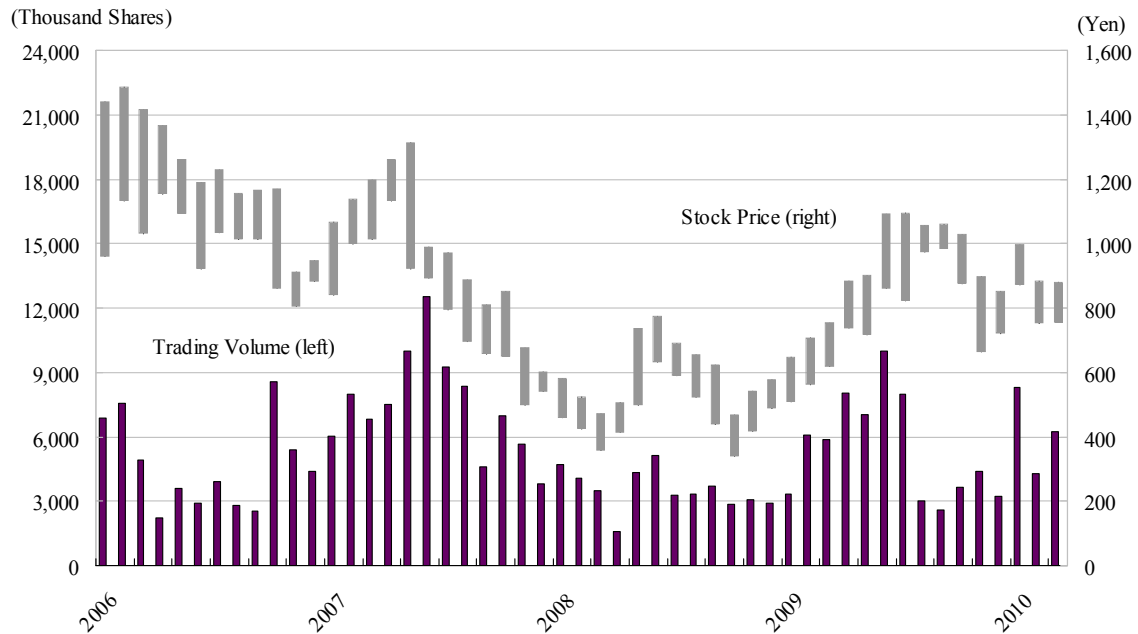
Stock Information

(As of March 31, 2010)

Common Stock

Authorized	: 100,000,000
Issued	: 38,550,684
Number of Shareholders	: 4,441

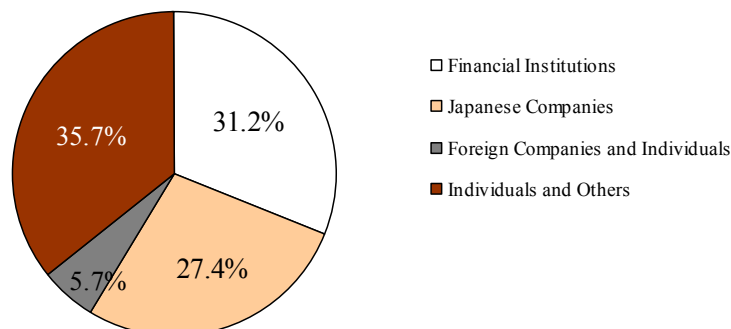
Stock Price Range and Trading Volume (Tokyo Stock Exchange)



Major Shareholders

	Number of shares	
	(Thousand shares)	(%)
Japan Trustee Services Bank, Ltd. (Trust Account)	2,056	5.4
The Tokyo Electric Power Company, Incorporated	1,779	4.7
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,552	4.1
Kazuko Watanabe	1,470	3.9
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,447	3.8

Breakdown of Shareholders



Investor Information

(As of March 31, 2010)

Management

REPRESENTATIVE DIRECTORS

Chairman and CEO

Yoshihide Watanabe

President and COO

Yoshio Matsui

Executive Vice President

Mitsuyasu Watanabe

DIRECTORS

Managing Directors

Yukio Kimura

Haruyuki Kawabata

Hisao Tobusawa

Sumio Takano

Directors

Giichi Ishida

Terufumi Hiroshima

Yoshio Hirano

Kazuo Nemoto

Toshio Yamanaka

Kuniaki Numazaki

Satoshi komazawa

Shigeru Mizuta

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 COMPANY, LIMITED

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\$ 50 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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Investor Relations Department

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