



ANNUAL REPORT
2009

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
	2005	2006	2007	2008	2009	2009
For the year:						
Net sales	¥ 30,640	¥ 32,180	¥ 36,282	¥ 49,988	¥ 50,315	\$ 512,221
Operating income	2,958	3,950	3,758	3,885	4,670	47,548
Net income	1,109	2,066	2,982	1,570	947	9,646
At year-end:						
Total assets	33,830	41,236	67,262	65,342	61,887	630,027
Total equity	20,290	23,200	38,121	37,641	37,795	384,761
Number of employees	1,191	1,191	1,901	1,897	1,841	
Per share of common stock:						
	Yen					U.S.dollars
Net income	¥ 27.77	¥ 53.05	¥ 78.87	¥ 41.60	¥ 25.28	\$ 0.26
Cash dividends	10.00	13.00	16.00	15.00	15.00	0.15
Equity	534.39	611.77	672.90	642.37	633.87	6.45

Notes : U.S.dollar amounts have been translated from yen, for convenience only, at the rate of ¥98.23=U.S.\$1
the approximate Tokyo foreign exchange market rate as of March 31, 2009.

Business segments —

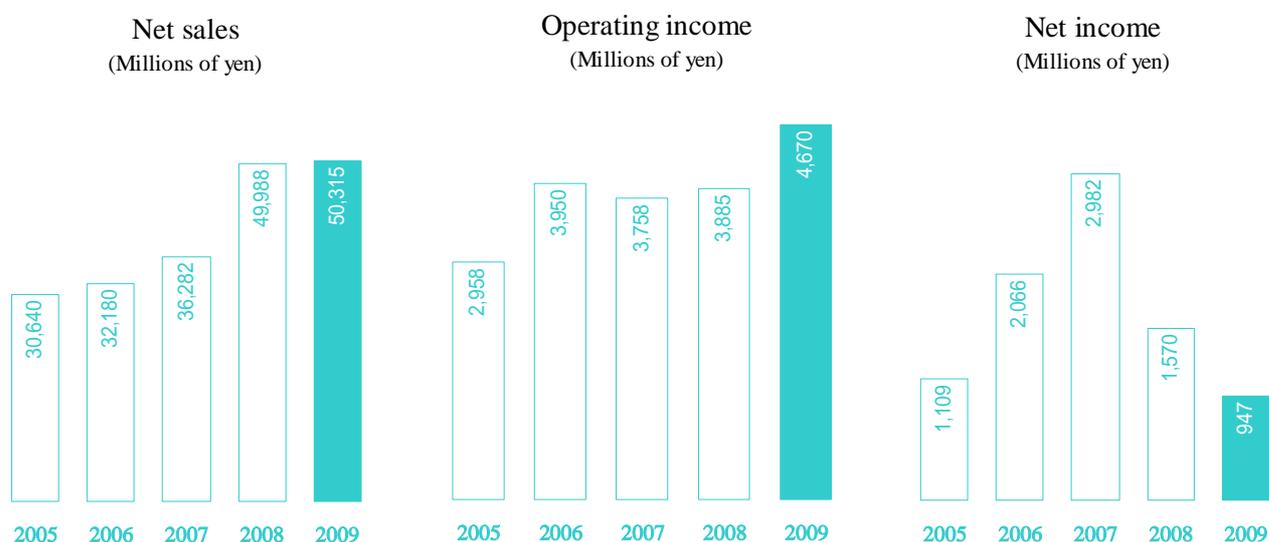
Measurement and control equipments:

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 differentiated needs of electric power companies who are trying hard to improve services to their customers by providing different types of services, automated meter reading system, such as a multiple electricity tariff menu, load averaging scheme including peak-shift system. Under these circumstances, we will develop various new devices and systems, such as high-performance electronic watt-hour meters to enhance cost reduction and effective utilization of energy. By developing these equipments, we will actively contribute to global energy saving battles against global warming.

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

As one of our medium and long-range managerial strategies in order to establish a solid corporate foundation, we will actively work on promoting business tie-ups with ENEGATE Co., Ltd. with which we had entered into capital tie-up, in order to survive severe competitions in the electric watt-hour meters manufacturing industry as the electronization trend has been continuing. We already enjoyed such business tie-up effect since we integrated manufacturing process of mechanical watt-hour meters in April 2008 and electronic watt-hour meters in April 2009. Furthermore we will try harder to pursuit synergy effects by mutually utilizing managerial resources on business will be used mutually in the future.

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 positive capital investment to cope with keen competition in the area of electronic watt-hour meters, where in which with the spread of fully-electrified houses, the demands have been steadily increasing, replacing mechanical meters due to users' choice of new electricity bill menus, and we will try hard to establish solid business bases by acquiring top market share as we had in production of mechanical watt-hour meters. We aim at the leading company, therefore we will try to make total energy measurement and management system, such a manufacturing next generation smart meters started in a certain electric power companies.

(2) We have started our new 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 in the traditional type of equipments but will make positive effort to develop new products with higher added value such as TODC (Tunable Optical Distribution Compensator).

(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 15.00 yen per share including 7.50 yen as interim cash dividend.

Date of resolution	Cash dividends paid (million yen)	Cash dividends per share (yen)
November 13th, 2008 Resolution of board of directors meeting	281	7.50
June 26th, 2009 Resolution of general shareholders' meeting	281	7.50

Present status of Business

1. Business Result

1) Business result for this consolidated fiscal year

During this consolidated fiscal year, Japanese economy has been in a serious state of recession. It was caused by the fact that financial crisis ignited by sub-prime loan problems in US had brought about significant effects on actual economy.

As to the business environment of our group companies, in the area of measurement and control equipments business, sluggish demand for our products from our main customers, electric power companies, has hit the bottom during the first quarter of the consolidated fiscal year and begun showing a sign of recovery. However, we have seen some emergence of negative factors of economy, such as another drop of number of housing starts due to decelerated economy and the state of economy was becoming increasingly opaque. Furthermore, the competition among manufacturers has been still very keen and the drop in the sales price of our products has been continuing.

In the area of FPD (Flat Panel Display) assembling equipments business, panel manufacturers have been quite reluctant to make capital investment in the additional production facilities due to deterioration of market conditions.

Under these circumstances, Osaki group companies has been making serious effort in 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 50,315 million yen (0.7% increase from previous consolidated fiscal year) for this consolidated fiscal year. This is mainly due to the fact that the demand for measurement and control equipment business was in the recovering trend compared with previous consolidated fiscal year, although amount of sales in FPD assembling equipments business decreased slightly.

As to our profit, our operating income increased to 4,670 million yen (20.2% increase from previous consolidated fiscal year) for this consolidated fiscal year, due to improvement of cost of sales ratio. Our ordinary income increased to 5,100 million yen (23.8% increase from previous consolidated fiscal year) for this consolidated fiscal year.

Our net income decreased to 947 million yen (39.7% decrease from previous consolidated fiscal year) for this consolidated fiscal year. Mainly due to provision of reserve for directors' retirement benefits for 645 million yen, and devaluation of investment securities for 542 million yen were both posted as extraordinary losses.

2) Segment information is as follows:

(A) Measurement and Control Equipments Business

Measurement and control equipments business, sales remained in the amount of 40,344 million yen (3.9 % increase from previous consolidated fiscal year). This is due to sluggish recovery of demand for our products designed for electric power companies and amount of sales by overseas subsidiaries was not satisfactory. Although the sales of such as distribution panels, the sales of "Demand management service" as means of energy saving, and sales of optical fiber equipments were high achievement.

As to the products for electric power companies, sales of household watt-hour meters and equipments relating to meter reading have declined again due to another plunge of number of housing starts affected by slowdown of economic activities.

Operating income increased to 2,412 million yen (63.9 % increase from previous consolidated fiscal year), mainly due to sales increase of panel products such as distribution panel and the change of product mix.

(B) FPD Assembling Equipments Business

FPD assembling equipments business, maintaining steady progress as our products in our order book were delivered on schedule up to the third quarter of this consolidated fiscal year. However, because of deterioration of market conditions, eagerness to make capital investment into additional production capacity for flat-type TV and cellular phone has shrunk suddenly, our orders received from our clients went down in the fourth quarter, and some of our clients requested postponement of delivery time. As a result of these situations, amount of net sales decreased to 9,563 million yen (11.0 % decrease from previous consolidated fiscal year) and operating income decreased to 2,008 million yen (7.7 % decrease from previous consolidated fiscal year).

(C) Real Estate Business

Net sales in real estate business remained almost unchanged to 511 million yen (0.7 % increase from previous consolidated fiscal year) and operating income amounted to 249 million yen (5.0 % increase from previous consolidated fiscal year).

3) Prospect for next consolidated fiscal year

Measurement and control equipments business, profit performance of our main customers, electric power companies, has been showing recovery trend. However, our business environment will continue to be very vulnerable. This is due to the fact that the number of housing starts has been showing unfavorable trend as a result of decelerated economy and competitions among manufacturers are becoming increasingly keen. FPD assembling equipments business, it is feared that the inactive attitude by our customers toward capital investment in the production facilities by our clients will continue.

Although our business environment is expected to be very severe, as to measurement and control equipments business, we will further try to concentrate our efforts to expand sales of household electronic watt-hour meters (especially that of next-generation watt-hour meters to be widely introduced by some of the electric power companies) for which we can expect rapid growth of this segment. We will also try our best to introduce new types of equipments into the market, try to promote reduction of manufacturing cost, and we will try to build up a strong managerial capability and improve our earning ability. As to FPD assembling equipments business, we will positively try to develop new kind of products and to obtain new customers by utilizing our technology that cultivates it.

According to our prospect for next consolidated fiscal year, amount of net sales will be 47,000 million yen, operating income will be 2,300 million yen, ordinary income will be 2,500 million yen and net income will be 1,200 million yen.

Net sales:	47,000 million yen (6.6% decrease from previous consolidated fiscal year)
Operating income:	2,300 million yen (50.8% decrease from previous consolidated fiscal year)
Ordinary income:	2,500 million yen (51.0% decrease from previous consolidated fiscal year)
Net income:	1,200 million yen (26.6% 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 decreased to 3,454 million yen compared with the end of previous consolidated fiscal year. This is due to increased in cash and cash equivalents for 5,369 million yen, decreased in notes and accounts receivable, trade for 3,774 million yen, decreased in deposits for 3,375 million yen, decreased in inventories for 2,614 million yen, increased in long-term deposits for 2,000 million yen, etc.

Total liabilities decreased to 3,608 million yen compared with the end of previous consolidated fiscal year. This is due to decreased in notes and accounts payable, trade for 2,210 million yen, decreased in long-term and short-term debt, net for 1,513 million yen, gain on redemption by purchase of bonds for 1,500 million yen, increased to accrued expense for 1,087 million yen to capital investment, etc.

Equity ratio went up by 1.5 point to 38.4 %.

	Total assets (million yen)	Total equity (million yen)	Equity ratio
At year-end of 2009	61,887	37,795	38.4 %
At year-end of 2008	65,342	37,641	36.9 %
Increase or decrease	3,454	153	1.5 point

3. Cash Flows

Cash and cash equivalents at the end of consolidated fiscal year amounted to 12,034 million yen which was an increased to 1,994 million yen from the end of previous consolidated fiscal year.

	2008 (million yen)	2009 (million yen)	Increase or Decrease (million yen)
Cash flows from operating activities	740	9,344	10,084
Cash flows from investing activities	86	3,427	3,340
Cash flows from financing activities	356	3,819	3,463
Cash and cash equivalents at end of year	10,039	12,034	1,994

(A) Cash Flows from Operating Activities

Cash flows from operating activities increased to 9,344 million yen. This is due to the fact that 3,947 million yen was recorded as income before income taxes and minority interests, decreased in notes and accounts receivable for 3,724 million yen, decreased in inventories for 2,499 million yen, decreased in notes and accounts payable for 2,006 million yen, depreciation and amortization for 1,646 million yen, income taxes paid for 1,518 million yen, etc.

(B) Cash Flows from Investing Activities

Cash flows from investing activities decreased to 3,427 million yen. This is due to payments for property, plant and equipment for 1,242 million yen, payments for long-term deposits for 2,000 million yen, etc.

(C) Cash Flows from Financing Activities

Cash flows from financing activities decreased to 3,819 million yen. This is due to decreased in long-term and short-term debt, net for 1,412 million yen, payments for retirement by purchase of bonds for 1,354 million yen, cash dividends paid for 561 million yen, etc.

4. Challenge and Solutions We Should Search for

(A) Measurement and Control Equipments Business

As to measurement and control equipments business, we have been facing very severe managerial issues in the area of products that were sold to electric power companies, our main customers. This is partly because we foresee the decline of sales price as a result of severe competition among manufacturers and partly because number of housing starts has been showing a sluggish trend due to slowdown of economic activities.

As our main products of electronic watt-hour meters, the demand has been expanding by expansion of fully-electrified houses. Shift from household watt-hour mechanical to electronic meters has been expanding steadily, reaching at about 6% of total number of electric light users. We expect that expanding use of smart meters by some of electric power companies may also help support wide-spread use of it, and we will have significant increase of demand for it.

Our immediate task, we will also make utmost efforts to develop new products that have multi function, quality and reliability in addition to higher competitiveness in order to satisfy customers' need.

Meanwhile our medium-term task, we will try to develop highly-systemized products which serve not only 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, in order to shorten development period, and reduction of development costs by mutually providing. And in the area of production, build up production of new electronic watt-hour meters for modular type, mutually providing manufacturing technology and know-how in order to attain effective procurement of materials and equipment.

(B) FPD Assembling Equipments Business

As to FPD assembling equipments business, our business environment has been becoming more and more difficult. In order to cope with this situation, we need to strengthen competitive ability of our current products, to develop new business area and new product type, to promote marketing activities for obtaining new purchase orders by improving manufacturing system and supply chain service. Under these circumstances, we will try to enhance added value of our product in its efficiency and function and try to reduce production cost. We will also concentrate our efforts on various products for which we expect increased use, such as IC card, IC tag, and image sensor module (CMOS/CCD) used in digital camera, high-definition multiple assembling equipments that 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 3,992 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

Partner company name	Country	Contracts item	Contracts day	Contracts period
Nitto Kogyo Corporation	Japan	Competitive advantage of custom order panel business, quality, cost, and delivery Development of new product, switch gear and distribution panel professional engineer send for each other company	September 22th, 1999	Start September 22th, 1999 End September 21th, 2009

7. Research and Development Activities

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

(A) Measurement and Control Equipments Business

As to research and development in the field of electric watt-hour meters, we have been focusing on electric power industry and development of new electronic watt-hour meters that can cope with deregulation of electric power industry. We regard the 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 the various tariff menus provided by the electric power companies.

Our immediate tasks, we have been trying very hard to develop reliable high-function cost-down type of products which satisfy customers' need and have competitiveness in selling price to cope with its declining trend of sales. New electric watt-hour meters for modular type the development of the series product is being advanced it that began delivering in the previous consolidated fiscal year now. We have been actively promoting development of technology elements, such as development of LSI, which will play core role in strengthening our technological ability.

As to the new type measurement unit, introduction of which is under consideration by some of electric power companies, we are scheduled to deliver the pilot-version and will develop series of such products in future.

As general global trend in future, we observe that electronic watt-hour meters were not 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 will try hard to sell our AMR/AMM compatible equipments to electric power company in Europe cooperation with overseas manufacturers.

As for information and communication technologies, we have been making efforts to develop various communication-related technologies, such as optical communication, automated electric distribution and wireless communication area in order to cope with expansion of broadband communication systems. Furthermore, we are undertaking applied study by utilizing these technologies and trying to develop new products. We are delivering of automated meter reading terminals for customers with large consumption demand by utilizing optical and wireless technologies and by applying IP related technology. Now, we making use of these technologies, and developing high-grade automated meter reading system.

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

As for handy terminal meter reading business, it aims at the differentiation with the other companies for developing mobile thermal printer. And we established the position specializing 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 difficult place. We will also try to expand our business not only in electric power companies but also in gas and water businesses.

* 1 AMR : Automated Meter Reading

AMM : Automated Meter Management

(B) FPD Assembling Equipments Business

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

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. Improvement of assembling technology for micro thin device is also required. And 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 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. The development of this applied technology is our main targeted area of research and development.

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. 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 cost.

(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 2,058 million yen.

In measurement and control equipments area, we invested 1,982 million yen mainly in relation to electronic watt-hour meters area.

In FPD assembling equipments business, we invested 73 million yen.

In real estate business, we invested 2 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

Corporate governance system

Our company has a statutory auditor system. 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. Currently there are fifteen directors and four corporate auditors. Two out of four auditors are outside auditors. 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. Each auditor will attend important meetings such as board of directors meeting etc. And also performs daily auditing activity, and making visit to various departments, sections, factories, corporate divisions, and group companies to perform auditing in order to fulfill its auditing target. Our company more cooperation with independent auditor, Hara audit corporation and management auditing office, and consult they on the matter at any time.

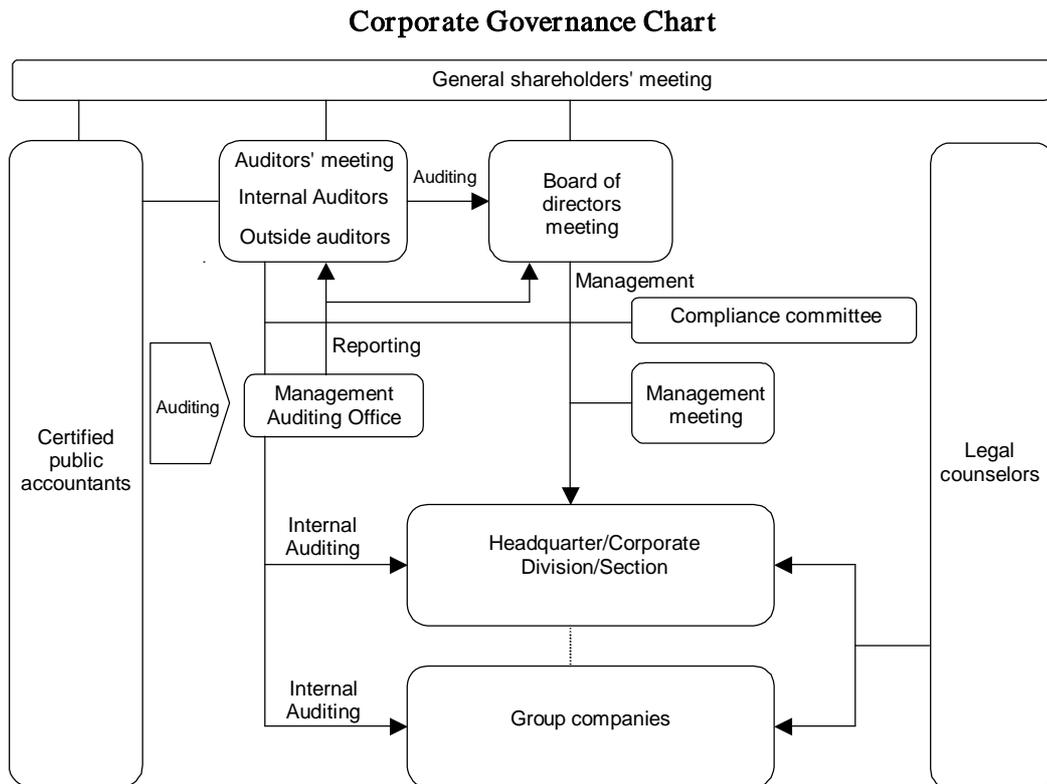
With regard to compliance, we have set up a compliance committee to comply with all laws, regulations and social criteria and we have also established a charter for corporate behavior of Osaki Electric Co., Ltd and its group companies, in order to enhance compliance consciousness of employees and improve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

With regard to internal auditing, we have established independent organ management auditing office and appointed two qualified auditors.

This organ's responsibility is to plan and perform internal auditing of the company and other group companies regarding appropriateness and efficiency of business administration and accordingly to improve and strengthen compliance of the company. In order to further strengthen our compliance function, we have established internal report system "OSAKI group Helpline", headed by President and COO and desk to management audit office. Management audit office informed of the matter for board of directors meeting, execute internal auditing, and report to state of helpline 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.



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.

Implementation of measures for exclusion of anti-social power

a) Our basic idea towards exclusion of anti-social power

In the "Charter of Corporate Actions for Osaki Electric Co., Ltd group companies", it is clearly stipulated as its basic policy that Osaki group shall forever abolish participation in any anti-social power or organization which may endanger social order or safety.

b) Current situation concerning implementation of measures for exclusion of anti-social power

General Affairs Department of the company shall be responsible for controlling and dealing with this anti-social power and organization and General Manager of General Affairs Department is designated as responsible person to cope with those unfair demands.

Our company established "Corresponding manual for exclusion of anti-social power" even during ordinary times, we are to maintain regular contact and exchange information with outside specialized institutions, such as police stations and attorneys at law. In case of emergency, such as outbreak of unjust demands, the company will cope with the situation in cooperation with those outside specialized institutions in systematic way.

In the "Basic policy regarding establishment of internal control system", an article for shut-out of anti-social power was added. We will try to strengthen our effort to improve company's internal system as well as all members of group companies' in order to exclude anti-social power.

Consolidated Financial Statements

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Consolidated Balance Sheets

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

March 31, 2008 and 2009

ASSETS	Millions of yen		Thousands of U.S.dollars
	2008	2009	2009
Current assets:			
Cash and cash equivalents (Note 3)	¥ 1,686	¥ 7,056	\$ 71,836
Deposits (Note 3)	8,352	4,977	50,675
Notes and accounts receivable, trade	13,802	10,027	102,083
Inventories (Note 1.q)	9,802	-	-
Finished products (Note 1.q)	-	1,649	16,789
Work in process (Note 1.q)	-	3,659	37,250
Raw materials, purchased components and supplies (Note 1.q)	-	1,879	19,136
Deferred income taxes	1,505	1,233	12,561
Other current assets	772	787	8,015
Allowance for doubtful receivables	(145)	(70)	(717)
Total current assets	35,776	31,201	317,632
Fixed assets:			
Property, plant and equipment			
Buildings and structures	17,896	17,762	180,822
Less-accumulated depreciation	(11,364)	(11,623)	(118,331)
Total buildings and structures	6,532	6,138	62,491
Machinery and equipment	10,008	9,841	100,185
Less-accumulated depreciation	(8,381)	(8,351)	(85,016)
Total machinery and equipment	1,627	1,490	15,168
Land	12,015	11,996	122,123
Construction in progress	135	1,209	12,310
Other fixed assets	6,737	6,728	68,497
Less-accumulated depreciation	(5,882)	(5,940)	(60,470)
Total other fixed assets	854	788	8,026
Net property, plant and equipment	21,165	21,622	220,120
Intangible assets	791	779	7,940
Investments and other assets			
Investments in securities (Note 4)	5,388	3,992	40,644
Deferred income taxes	1,223	649	6,609
Prepaid pension cost	73	137	1,395
Other assets	933	3,516	35,793
Allowance for doubtful receivables	(11)	(10)	(108)
Total investments and other assets	7,608	8,284	84,333
Total fixed assets	29,565	30,686	312,394
TOTAL	¥ 65,342	¥ 61,887	\$ 630,027

See notes to consolidated financial statements

Consolidated Balance Sheets

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

March 31, 2008 and 2009

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S.dollars
	2008	2009	2009
Current liabilities:			
Notes and accounts payable, trade	¥ 6,492	¥ 4,282	\$ 43,592
Short-term debt (Note 5)	2,846	1,060	10,797
Accrued income taxes	971	436	4,444
Accrued bonuses allowance	1,183	1,226	12,490
Accrued bonuses allowance for directors	36	37	386
Allowance for product warranties	128	114	1,168
Other current liabilities	3,060	4,069	41,427
Total current liabilities	14,719	11,228	114,306
Long-term liabilities:			
Bonds (Note 6)	6,000	4,500	45,810
Long-term bank loans (Note 5)	1,945	2,217	22,571
Lease obligation	-	672	6,850
Accrued retirement allowances	720	858	8,740
Accrued retirement allowances for directors	236	915	9,321
Consolidation adjusting accounts	1,404	1,248	12,712
Deferred income taxes	2,628	2,409	24,532
Other long-term liabilities	45	41	419
Total long-term liabilities	12,981	12,864	130,959
Total liabilities	27,700	24,092	245,266
Contingent liabilities (Note 7)			
Equity:			
Shareholders' equity			
Common stock:			
Authorized – 100,000,000 shares			
Issued 2009 – 38,550,684 shares and			
Issued 2008 – 38,550,684 shares	4,686	4,686	47,711
Capital surplus	4,768	4,768	48,544
Retained earnings	15,133	15,518	157,984
Treasury stock, at cost:			
1,074,840 shares in 2009 and			
1,052,472 shares in 2008	(439)	(452)	(4,605)
Total shareholders' equity	24,149	24,521	249,634
Valuation and translation adjustments			
Unrealized gains on securities	291	(248)	(2,530)
Foreign currency translation adjustments	(352)	(518)	(5,276)
Total valuation and translation adjustments	(61)	(766)	(7,807)
Minority interests	13,553	14,040	142,934
Total equity	37,641	37,795	384,761
TOTAL	¥ 65,342	¥ 61,887	\$ 630,027

See notes to consolidated financial statements

Consolidated Statements of IncomeOsaki Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2007, 2008 and 2009

	Millions of yen			Thousands of U.S.dollars
	2007	2008	2009	2009
Net sales	¥ 36,282	¥ 49,988	¥ 50,315	\$ 512,221
Cost of sales	25,340	37,075	36,769	374,319
Gross profit	10,942	12,912	13,546	137,902
Selling, general and administrative expenses (Note 8)	7,184	9,027	8,875	90,353
Operating income	3,758	3,885	4,670	47,548
Non-operating income:				
Interest income	2	51	52	535
Dividend income	99	120	109	1,109
Amortization of consolidation adjusting accounts	89	156	156	1,589
Compensation for transfer of property, plant and equipment	39	-	-	-
Gain on redemption by purchase of bonds	-	-	145	1,481
Others	70	148	139	1,420
	301	477	602	6,136
Non-operating expenses:				
Interest expenses	92	105	76	780
Foreign exchange loss	3	36	1	14
Commitment fee	32	16	48	491
Expense of term loan	1	1	-	-
Non-deducted withholding tax	-	25	-	-
Others	119	58	46	472
	248	243	172	1,758
Ordinary income	3,811	4,119	5,100	51,926
Extraordinary gains:				
Reversal of doubtful accounts provision	-	-	62	635
Gain on sales of property, plant and equipment	-	-	4	45
Gain on sales of marketable or investment securities	32	859	30	309
Gain on sales of golf club membership	-	-	18	193
Gain on change in equity of consolidated subsidiary	1,007	-	-	-
Gain on change in retirement benefit plan	-	71	-	-
Gain on prior-period adjustment	-	32	-	-
	1,039	962	116	1,183
Extraordinary losses:				
Loss on sales of property, plant and equipment	4	1	-	-
Loss on disposal of property, plant and equipment	22	127	50	515
Devaluation of marketable or investment securities	-	1	542	5,519
Devaluation of golf club membership	15	2	30	314
Provision of reserve for directors' retirement benefits	-	-	645	6,574
Impairment losses	-	360	-	-
Provision of prior year allowance for product warranties	-	121	-	-
Loss on business restructuring	-	219	-	-
Extraordinary retirement benefit	-	103	-	-
	42	936	1,269	12,923
Income before income taxes and minority interests	4,809	4,145	3,947	40,186
Income taxes				
Current	1,258	1,354	1,003	10,211
Deferred	199	148	994	10,121
	1,457	1,502	1,997	20,332
Minority interests in consolidated subsidiaries	369	1,072	1,002	10,207
Net income	¥ 2,982	¥ 1,570	¥ 947	\$ 9,646

See notes to consolidated financial statements

Consolidated Statements of Changes in Equity

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2007, 2008 and 2009

	Millions of yen							
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on securities	Foreign currency translation adjustments	Minority interests	Total equity
Balance at March 31, 2006	¥ 4,686	¥ 4,768	¥ 12,012	¥ (277)	¥ 2,374	¥ (364)	-	¥ 23,200
Reclassified balance as of March 31, 2006 (Note 1.n)							882	882
Cash dividends paid			(548)					(548)
Bonuses to directors and statutory auditors			(59)					(59)
Net income			2,982					2,982
Changes in treasury stock, net				(24)				(24)
Net changes in the year					(147)	34	11,800	11,688
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 in the year					(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 in the year					(539)	(165)	486	(218)
Balance at March 31, 2009	¥ 4,686	¥ 4,768	¥ 15,518	¥ (452)	¥ (248)	¥ (518)	¥ 14,040	¥ 37,795

	Thousands of U.S.dollars							
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on securities	Foreign currency translation adjustments	Minority interests	Total equity
Balance at March 31, 2008	\$ 47,711	\$ 48,544	\$ 154,063	\$ (4,473)	\$ 2,965	\$ (3,591)	\$ 137,981	\$ 383,200
Cash dividends paid			(5,725)					(5,725)
Net income			9,646					9,646
Changes in treasury stock, net				(132)				(132)
Net changes in the year					(5,495)	(1,684)	4,952	(2,228)
Balance at March 31, 2009	\$ 47,711	\$ 48,544	\$ 157,984	\$ (4,605)	\$ (2,530)	\$ (5,276)	\$ 142,934	\$ 384,761

See notes to consolidated financial statements

Consolidated Statements of Cash Flows

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2007, 2008 and 2009

	Millions of yen			Thousands of U.S.dollars
	2007	2008	2009	2009
Cash flows from operating activities :				
Income before income taxes and minority interests	¥ 4,809	¥ 4,145	¥ 3,947	\$ 40,186
Adjustments to reconcile net income to net cash provided by operating activities -				
Depreciation and amortization	846	1,657	1,646	16,766
Impairment losses	-	360	-	-
Amortization of consolidation adjusting accounts	-	(156)	(156)	(1,589)
Increase (decrease) in allowance for doubtful receivables	21	52	(66)	(674)
Increase (decrease) in accrued bonuses allowance	13	(34)	43	447
Increase (decrease) in accrued bonuses allowance for directors	26	(2)	1	17
Increase (decrease) in allowance for product warranties	-	128	(14)	(144)
Increase (decrease) in accrued retirement allowances	(297)	136	149	1,525
Increase (decrease) in accrued retirement allowances for directors	-	-	678	6,911
Interest and dividend income	(101)	(172)	(161)	(1,645)
Interest expenses	92	105	76	780
(Gain) loss on sales of property, plant and equipment	4	1	(4)	(45)
Loss on disposal of property, plant and equipment	22	127	50	515
(Gain) loss on sales of marketable or investment securities	(32)	(859)	(30)	(309)
Devaluation of marketable or investment securities	-	-	542	5,519
(Gain) loss on sales of golf club membership	-	-	(18)	(193)
Devaluation of golf club membership	15	2	30	314
Gain on redemption by purchase of bonds	-	-	(145)	(1,481)
(Gain) loss on change in equity of consolidated subsidiary	(1,007)	-	-	-
Loss on business restructuring	-	76	-	-
(Increase) decrease in notes and accounts receivable	(1,584)	(2,891)	3,724	37,920
(Increase) decrease in inventories	662	(871)	2,499	25,447
Increase (decrease) in notes and accounts payable	1,251	(876)	(2,006)	(20,425)
Increase (decrease) in advances received	(1,353)	17	(100)	(1,022)
Increase (decrease) in other current liabilities	-	(257)	(145)	(1,483)
Other, net	163	(289)	232	2,370
Interest and dividend received	101	172	161	1,645
Interest paid	(89)	(107)	(75)	(768)
Income taxes paid	(1,754)	(1,204)	(1,518)	(15,459)
Net cash provided by (used in) operating activities	1,810	(740)	9,344	95,125
Cash flows from investing activities :				
Payments for property, plant and equipment	(729)	(1,309)	(1,242)	(12,650)
Proceeds from sales of property, plant and equipment	39	30	79	809
Payments for intangible asset	(21)	(170)	(254)	(2,590)
Payments for investment securities	(638)	(1,378)	(98)	(999)
Proceeds from sales of investment securities	74	1,878	48	490
Payments for long-term deposits	-	-	(2,000)	(20,360)
Proceeds from refund of long-term deposits	-	800	-	-
Payments for acquisition of shares of subsidiaries	(2,156)	-	-	-
Other, net	(103)	62	40	410
Net cash provided by (used in) investing activities	(3,535)	(86)	(3,427)	(34,890)
Cash flows from financing activities :				
Increase (decrease) in short-term debt, net	(391)	970	(889)	(9,052)
Proceeds from long-term bank loans	1,500	-	1,300	13,234
Payments for long-term bank loans	(886)	(325)	(1,822)	(18,557)
Payments for retirement by purchase of bonds	-	-	(1,354)	(13,789)
Proceeds from issuance of bonds	6,000	-	-	-
Repayment of lease obligation	-	-	(14)	(147)
Cash dividends paid	(548)	(641)	(561)	(5,717)
Proceeds from minority shareholders' payments	2,735	-	-	-
Payments for dividends to minority shareholders	-	(221)	(464)	(4,726)
Payments for treasury stock	(24)	(137)	(13)	(132)
Other, net	(20)	-	-	-
Net cash provided by (used in) financing activities	8,364	(356)	(3,819)	(38,888)
Effect of exchange rate changes on cash and cash equivalents	5	(1)	(102)	(1,038)
Net increase (decrease) in cash and cash equivalents	6,645	(1,185)	1,994	20,307
Cash and cash equivalents at beginning of year (Note 3)	4,569	11,214	10,039	102,205
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)	¥ 11,214	¥ 10,039	¥ 12,034	\$ 122,512

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) 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 ten years) within the average remaining years of service of employees when incurred.

(m) Accrued retirement allowances for directors

The Company and 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 10, 2009, the Company decided to abolish its directors' retirement benefit system, effective June 27, 2009. For those still serving as of June 26, 2009, the Company has decided to provide retirement benefits for their duties up to the year under review, and thus set aside a reserve of the amount to the end of this consolidated fiscal year for this purpose. In addition, one consolidated subsidiary carried out similar processing in this consolidated fiscal year.

As a result, the amount for this consolidated fiscal year amounted to 80 million yen and was recorded as selling, general and administrative expenses and the amount of 645 million yen accrued for the period until the previous consolidated fiscal year was recorded as extraordinary losses. This treatment caused the decrease by 80 million yen of operating income and ordinary income and 726 million yen of income before income taxes and minority interests.

(n) Presentation of equity

On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items, which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for the consolidated fiscal years ending on or after May 1, 2006.

(o) Application of accounting standard for measurement of inventories

From this consolidated fiscal year, the Company is applying the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9). The evaluation standard has changed to a cost accounting method (book price devaluation based on decreases in profitability).

(p) Application of accounting standards to leasing transactions

The Company applied the accounting standards that were similar to those for lease transactions to the finance lease transactions without transferring the right of ownership. However, in the consolidated fiscal year that starts on and after April 1, 2008, it is allowed to apply "Accounting Standards for Lease Transactions" (ASBJ Statement No. 13), and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16). Accordingly, it decided to apply these accounting standards from this consolidated fiscal year and the finance lease transactions without transferring the right of ownership was processed under the accounting standards for general purchase and sale transactions. It 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.

For finance lease transactions without transferring the right of ownership of which starting date of lease transaction is before the start of application of the accounting standards, the Company continues applying the accounting standards for general lease transaction as before.

(q) Presentation of current assets

Following the application of the Cabinet Office Ordinance Revising Items such as Category and Regulations related to Terms, Form, and Method for Creating Documents such as Financial Statements (Cabinet Office Ordinance No. 50 released August 7, 2008), "finished products", "work in process", and "raw materials, purchased components and supplies", which had been included in "inventories" through the previous consolidated fiscal year, are listed separately beginning with the consolidated fiscal year under review. For the previous consolidated fiscal year "finished products", "work in process", and "raw materials, purchased components and supplies" included in "inventories" were 1,919 million yen, 6,260 million yen, and the 1,621 million yen, respectively.

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 $\text{¥}98.23 = \text{U.S.}\1 , the approximate current rate at March 31, 2009, 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:

	Millions of yen		Thousands of U.S.dollars
	2008	2009	2009
As of March 31			
Cash and cash equivalents in the balance sheets	¥ 1,686	¥ 7,056	\$ 71,836
Deposits	8,352	4,977	50,675
Cash and cash equivalents in the cash flow statements	10,039	12,034	122,512

4. Investments in securities

Investments in securities comprise the following:

	Millions of yen		Thousands of U.S.dollars
	2008	2009	2009
As of March 31			
Available-for-sale securities			
Acquisition cost	¥ 4,083	¥ 3,561	\$ 36,251
Fair value	4,637	3,192	32,502
Net unrealized gain	554	(368)	(3,749)

	Millions of yen		Thousands of U.S.dollars
	2008	2009	2009
As of March 31			
Investments in unconsolidated subsidiaries and affiliates	¥ 216	¥ 312	\$ 3,184
Investments in non-public companies and others	535	487	4,958

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

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

	Millions of yen		Thousands of U.S.dollars
	2008	2009	2009
As of March 31			
Short-term debt:			
Unsecured	¥ 845	¥ 32	\$ 333
Secured	177	-	-
Current portion of long-term bank loans	1,822	1,027	10,463
	2,846	1,060	10,797

	Millions of yen		Thousands of U.S.dollars
	2008	2009	2009
As of March 31			
Long-term bank loans:			
Unsecured	¥ 2,700	¥ 2,200	\$ 22,396
Secured	1,067	1,045	10,638
Less current portion	1,822	1,027	10,463
	1,945	2,217	22,571

6. Bonds

Bonds comprise the following:

	Millions of yen		Thousands of U.S.dollars
	2008	2009	2009
As of March 31			
Unsecured zero coupon convertible bonds in yen, due March 2012	¥ 6,000	¥ 4,500	\$ 45,810

7. Contingent liabilities

Contingent liabilities comprise the following:

As of March 31	Millions of yen				Thousands of U.S.dollars
	2008		2009		2009
Guarantee amounts	¥	49	¥	63	\$ 650

8. Research and development expenses

Research and development expenses comprise the following:

As of March 31	Millions of yen				Thousands of U.S.dollars			
	2007	2008	2009		2009			
Selling, general and administrative expenses	¥	994	¥	1,411	¥	1,293	\$	13,166

9. 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					
	2008					
Year ended March 31	Measurement and control equipments	FPD Assembling equipments	Real estate	Total	Elimination	Consolidated
Sales to customers	¥ 38,836	¥ 10,749	¥ 402	¥ 49,988	-	¥ 49,988
Intersegment sales	1	-	105	107	(107)	-
Total sales	38,838	10,749	508	50,096	(107)	49,988
Operating expenses	37,367	8,573	270	46,210	(107)	46,102
Operating income	1,471	2,176	237	3,885	-	3,885
Assets	47,321	12,265	5,804	65,391	(48)	65,342
Depreciation and amortization	1,451	85	119	1,657	-	1,657
Impairment losses	360	-	-	360	-	360
Capital expenditures	1,183	447	15	1,646	-	1,646

	Millions of yen					
	2009					
Year ended March 31	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

	Thousands of U.S.dollars					
	2009					
Year ended March 31	Measurement and control equipments	FPD Assembling equipments	Real estate	Total	Elimination	Consolidated
Sales to customers	\$ 410,692	\$ 97,362	\$ 4,167	\$ 512,221	-	\$ 512,221
Intersegment sales	19	-	1,043	1,063	(1,063)	-
Total sales	410,712	97,362	5,210	513,285	(1,063)	512,221
Operating expenses	386,154	76,914	2,666	465,736	(1,063)	464,673
Operating income	24,557	20,447	2,543	47,548	-	47,548
Assets	469,187	103,200	58,149	630,537	(510)	630,027
Depreciation and amortization	14,620	988	1,157	16,766	-	16,766
Capital expenditures	22,762	792	26	23,580	-	23,580

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, 2008 and 2009, 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, 2009, 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, 2008 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, 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 26, 2009

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

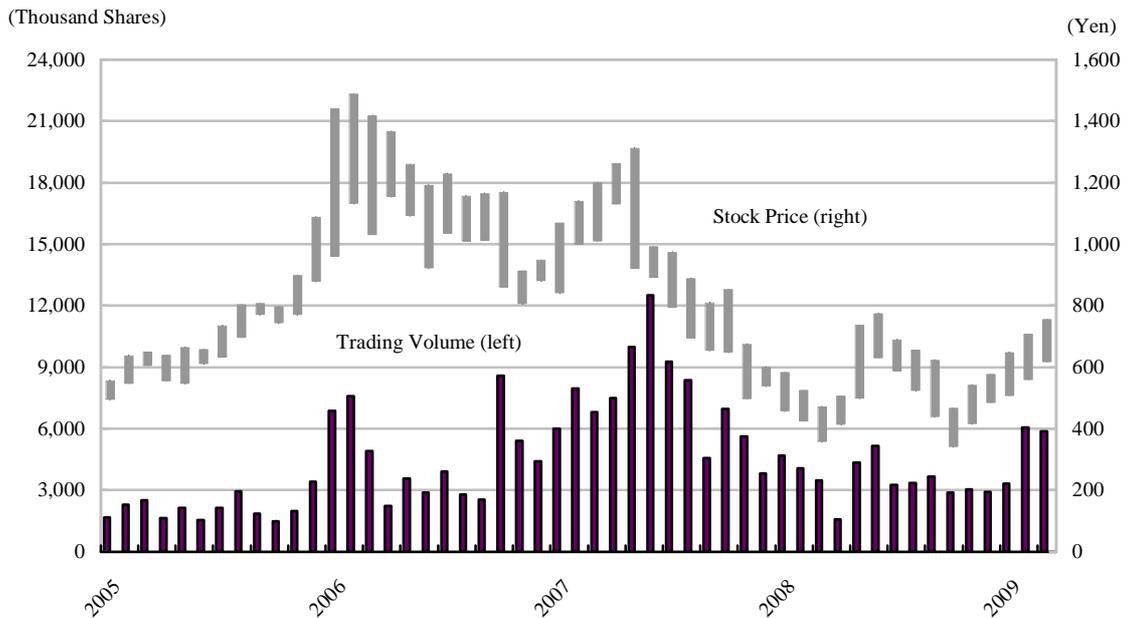
Stock Information

(As of March 31, 2009)

Common Stock

Authorized	:	100,000,000
Issued	:	38,550,684
Number of Shareholders	:	4,414

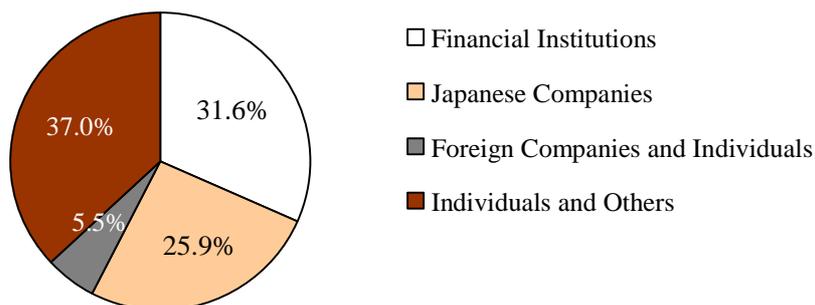
Stock Price Range and Trading Volume (Tokyo Stock Exchange)



Major Shareholders

	Number of shares	
	(Thousand shares)	(%)
Japan Trustee Services Bank, Ltd. (Trust Account)	2,184	5.8
The Tokyo Electric Power Company, Incorporated	1,779	4.7
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,724	4.6
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	1,645	4.3
Kazuko Watanabe	1,470	3.9

Breakdown of Shareholders



Investor Information

(As of March 31, 2009)

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

Nobu Yoshino

Hisao Tobusawa

Directors

Sumio Takano

Giichi Ishida

Terufumi Hiroshima

Yoshio Hirano

Kazuo Nemoto

Toshio Yamanaka

Kuniaki Numazaki

Haruo Nagai

CORPORATE AUDITORS

Standing Auditor

Tadafumi Kaneko

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\$ 47 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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