



ANNUAL REPORT
2008

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
	2004	2005	2006	2007	2008	2008
For the year:						
Net sales	¥ 27,799	¥ 30,640	¥ 32,180	¥ 36,282	¥ 49,988	\$ 498,938
Operating income	2,733	2,958	3,950	3,758	3,885	38,783
Net income	1,699	1,109	2,066	2,982	1,570	15,679
At year-end:						
Total assets	34,970	33,830	41,236	67,262	65,342	652,184
Total equity	19,759	20,290	23,200	38,121	37,641	375,704
Number of employees	1,230	1,191	1,191	1,901	1,897	

	Yen					U.S.dollars
	2004	2005	2006	2007	2008	2008
Per share of common stock:						
Net income	¥ 43.57	¥ 27.77	¥ 53.05	¥ 78.87	¥ 41.60	\$ 0.42
Cash dividends	10.00	10.00	13.00	16.00	15.00	0.15
Equity	520.26	534.39	611.77	672.90	642.37	6.41

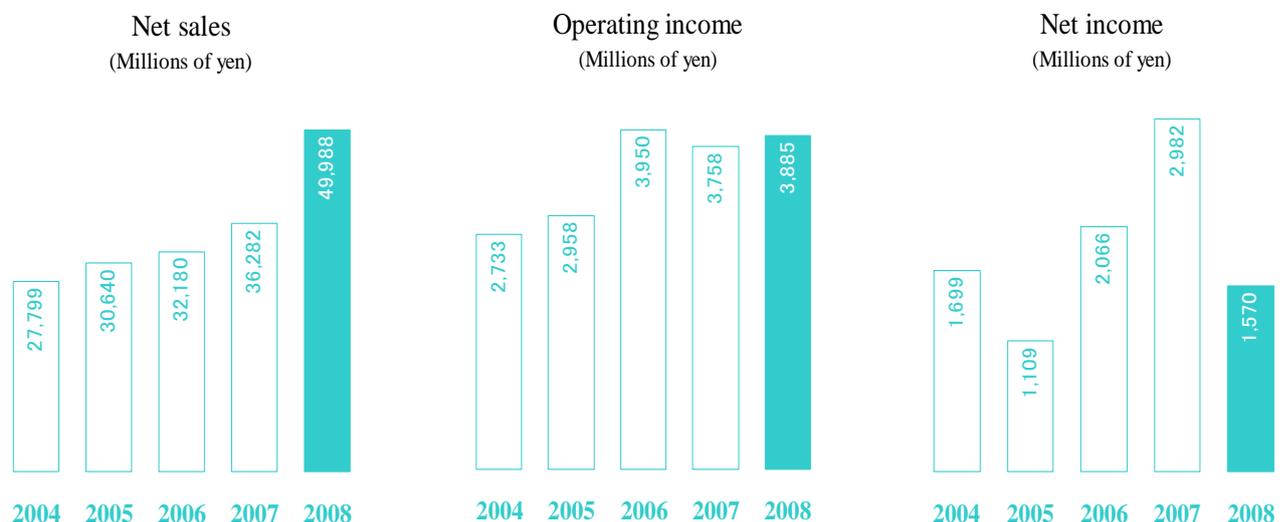
Notes : U.S.dollar amounts have been translated from yen, for convenience only, at the rate of ¥100.19=U.S.\$1
the approximate Tokyo foreign exchange market rate as of March 31, 2008.

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.

Contents

02	Financial Highlights
04	Osaki Philosophy
05	A message from the President
06	Management Policy
08	Present status of Business
08	Business Results Highlight
11	Challenge and Solutions We Should Search for
12	Risks Affecting Our Business
13	Research and Development Activities
15	Analyzing Financial Situation and Business Performance of the Company
17	Capital Expenditures Highlight
18	Corporate Governance Situation
22	Consolidated Financial Statements
23	Consolidated Balance Sheets
25	Consolidated Statements of Income
26	Consolidated Statements of Changes in Equity
27	Consolidated Statements of Cash Flows
28	Notes to Consolidated Financial Statements
32	Report of Independent Accountants
33	Osaki Group Companies
34	Stock Information
35	Investor Information

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 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.

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

Y.Watanabe
President Osaki Electric Co., Ltd.

Management Policy

1. Basic policy of management

Our company's corporate motto 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.

Specifically, in 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, 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.

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). Our target is to identify needs appropriately in the rapidly-changing electronics industry and trying to develop new products which are one step ahead of competitors.

2. 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 12th, 2007 Resolution of board of directors meeting	283	7.50
June 27th, 2008 Resolution of general shareholders' meeting	281	7.50

3. Basic policy for reduction of minimum unit of trading shares

We basically regard the importance to increase liquidity of our company's shares and to create better market environment for various investors including individual investors. However, in view of the fact that reduction of minimum trading unit involves substantial costs, we will continue to study and observe market price level carefully, supply-demand situation and market needs in general.

4. Corporate medium and long range managerial strategy and 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.

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 meters in April 2008. Furthermore we will try harder to pursuit synergy effects by mutually utilizing managerial resources in the development of electronic watt-hour meters.

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 meters. Furthermore as our future target, we will endeavor to develop comprehensive energy measurement and control systems, such as an automated meter reading system.
- (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 for FPD (Flat Panel Display) assembling equipments business, demand for PDP assembling equipments, 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 RFID(Radio Frequency Identification) related assembling equipments, such as IC card and IC tag assembling systems. We expect their markets will expand rapidly.

Present status of Business

1. Business Results Highlight

(1) Business result

During this fiscal year, Japanese economy has been maintaining slow expansion trend, supported by favorable corporate profits and accompanying increase of capital expenditures. On the other hand, however, we have seen unfavorable sign of uncertainty in future, such as a jump in crude oil and material prices, anxiety about worsening of US economy triggered by sub-prime loan issues and confusion in the financial market.

As for our company's business environment, we have been facing severe managerial environment in measurement and control equipments businesses, since our main customers, electric utilities power companies, were sluggish in their capital expenditures and sales prices have gone down due to severe competitions while prices of raw materials such as crude oil and electric copper have remained at high level. As for FPD assembling equipments business, our environment in receiving order from our customers has been showing favorable trend supported by expansion and spread of flat panel TV and our volume of production has been increasing.

Under these circumstances, we have been trying very hard to improve managerial efficiency by promoting cost reduction program as one of our companies' activities as a group, and all companies within our group have made lots of efforts to enhance business performance.

Our consolidated net sales increased to 49,988 million yen (37.8 % increase from previous year) for this fiscal year. This is due to measurement and control equipments business as ENEGATE Co., Ltd. was added as one of our consolidated subsidiaries.

As to our profit, our operating income increased only slightly to 3,885 million yen (3.4 % increase from previous year), due to deterioration of cost of sales ratio as a result of sluggish sales and price-cut of our products for electric power companies, although ENEGATE Co., Ltd. was added as our consolidated subsidiary. Our ordinary income increased to 4,119 million yen (8.1% increase from previous year). Extraordinary losses in loss on business restructuring of Tianjin Fine Electric Co., Ltd. and impairment losses of equipments was offset by extraordinary gains from gain on sales of marketable or investment securities etc.

However, net income for this fiscal year decreased to 1,570 million yen (47.3% decrease from previous year). This is partly because, in previous year gain on change in equity of consolidated subsidiary for 1,007 million yen was recorded as extraordinary gains arising from issuance of new stocks of our subsidiary in connection with its listing on the stock exchange, and partly because some of deferred income taxes were reversed by reviewing collectivity in this fiscal year.

1) Segment information is as follows:

(A) Measurement and Control Equipments Business

Net sales in measurement and control equipments business increased to 38,838 million yen (50.7 % increase from previous year). This is because ENEGATE Co., Ltd. was added as one of our consolidated subsidiary, although sales of electric watt-hour meters and instrument VCT equipment for electric power companies decreased due to decline of number of housing starts as a result of revision of Building Standards Act and due to our customers' adjustment of inventory and prolonged examination period.

On the other hand, operating income decreased to 1,471 million yen (9.1 % decrease from previous year). This is due to decline in selling prices of products for electric utilities power companies as a result of severe competition, despite gain from addition of ENEGATE Co., Ltd. to our consolidated subsidiary.

(B) FPD (Flat Panel Display) Assembling Equipments Business

As to FPD assembling equipments business, FPD manufacturers, which are our main customers, have continued to make capital investments and the demand for FPD assembling equipments has been expanding. In addition, the demand in relation to IC card and image sensor module (CMOS/CCD) used in digital camera been showing favorable trend. Under these circumstances, net sales increased to 10,749 million yen (6.3 % increase from previous year) and operating income increased to 2,176 million yen (15.3 % increase from previous year).

(C) Real Estate Business

Sales remained almost unchanged to 508 million yen (0.3% decrease from previous year) and operating income amounted to 237 million yen (3.1% decrease from previous year).

2) Operating results of segments per business location:

Operating results of segments per business location is omitted here because more than 90% of total amount of sales is originated in "Japan".

Please note that no consumption taxes are included in the amounts.

(2) Cash Flows

	2007 (million yen)	2008 (million yen)	Increase or Decrease (million yen)
Cash flows from operating activities	1,810	△740	△2,551
Cash flows from investing activities	△3,535	△86	3,448
Cash flows from financing activities	8,364	△356	△8,720
Cash and cash equivalents at end of year	11,214	10,039	△1,174

Cash and cash equivalents of the year ended on March 31 2008, decreased by 1,174 million yen from previous year to 10,039 million yen.

(A) Cash Flows from Operating Activities

Cash flows from operating activities decreased by 740 million yen. This is due to the fact that 4,145 million yen was posted as income before income taxes, while depreciation and amortization for 1,657 million yen, increase in notes and accounts receivable for 2,891 million yen, increase in inventories for 871 million yen, decrease in notes and accounts payable for 876 million yen and income taxes paid for 1,204 million yen were recorded.

(B) Cash Flows from Investing Activities

Cash flows from investing activities decreased by 86 million yen. This is due to payments for property, plant and equipment for 1,309 million yen such as the construction of the 3rd Factory of Osaki Engineering Co., Ltd. and payment for investment securities for 1,378 million yen was posted, proceeds from sales of investment securities for 1,878 million yen was posted.

(C) Cash Flows from Financing Activities

Cash flows from financing activities decreased by 356 million yen. This is due to increase in short-term debt, net for 970 million yen, cash dividends paid for 641 million yen and payment for long-term debt for 325 million yen etc.

(3) Prospect for next fiscal year

We foresee that we will continue to face unpredictable managerial situations because of unfavorable influence of higher costs of raw materials and severer competition among manufacturers in the area of products designed for electric utilities power companies which are our main customers, although we expect to see some improvement in the number of housing starts which had decreased substantially due to revision of Building Standards Act.

Despite severe environment as mentioned above, we will further strengthen our sales activities to expand sales of various products, by concentrating our efforts on selling house-hold electronic watt-hour meters and new-type of time switches which we can expect to have increasing demand in measurement and control equipments business, and on selling manufacturing facilities for display panel of flat panel TV in FPD assembling equipments business. Furthermore we will continue to make efforts to promote reduction of manufacturing costs and to improve company's managerial strength and profit performance. We expect that net sales will be 54,500 million yen, operating income will be 5,500 million yen, ordinary income will be 5,600 million yen and net income will be 2,400 million yen for next fiscal year.

At this time of the moment, we expect to have following profit performance for the next year.

Net sales:	54,500 million yen (9.0% increase from previous year)
Operating income:	5,500 million yen (41.5% increase from previous year)
Ordinary income:	5,600 million yen (35.9% increase from previous year)
Net income:	2,400 million yen (52.8% increase from previous 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. Challenge and Solutions We Should Search for

(A) Measurement and Control Equipments Business

As to this area of business, we have been facing very severe managerial issues in the area of products that were sold to electric utilities power companies, our main customers. This is because we foresee the decline of sales price as a result of severe competition among manufacturers and increase of costs due to higher prices of crude oil and raw materials such as electric copper.

As to our main products of electronic watt-hour meters, the demand has been expanding supported by expansion of fully-electrified houses. Shift from household watt-hour meter mechanical to electronic has been expanding steadily, reaching at the level of about 5 % of total electric light users and we expect to see its significant increase of demand in future.

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 order to shorten development period and reduction of development costs by mutually providing technology in the area of research and development, and mutually providing manufacturing technology and know-how in order to attain effective procurement of materials and equipment in the area of production area.

(B) FPD (Flat Panel Display) Assembling Equipments Business

As to FPD assembling equipments business, we will try hard to strengthen this area of business by supplying various types of assembling equipments for FPD, such as PDP, LCD, FED (Field Emission Display), organic EL (Electro Luminescence), etc. by utilizing our accumulated technology /know-how, together with established relationship of mutual trust between customers and our company. Furthermore, we will try to promote semi-conductor related equipments business and other area, including IC card and IC tag products by tackling development project jointly with our customer in its early stage and try to newly establish profitable areas of business by making most of the advantageous position of our group companies.

(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.

3. 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 5,388 million yen including investments in unconsolidated subsidiaries and affiliates and 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 utilities 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.

4. 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.

Total amount of research and development expenses for this fiscal year is 1,411 million yen.

The activities in each field and segment of businesses in the year ended March 31, 2008 are in the following:

(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. 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 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 utilities power companies by establishing a project team. Furthermore, we will try hard to sell our AMR/AMM compatible equipments to Spanish electric power companies in 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. As one of those examples, we are undertaking development of automated meter reading terminals for customers with large consumption demand by utilizing optical and wireless technologies and by applying IP related technology.

In addition, we are trying to develop optical parts for optical connectors and coupler to cope with customers' need as optical network for FTTH has been widely expanding and completing. We are also trying hard to develop optical fiber-cable distribution panel with small as well as large capacity, and optical data transfer systems, such as media-converter and so on. We will try to study value-added technology with a worldwide viewpoint and expand our product lineups by making joint-development efforts with a new strategic partner.

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. We are also trying to develop demand control equipment for security associations and explore new market.

As to distant automated meter reading system for apartment building with high-voltage direct power receiving equipments, we have been also working very hard in order to enter into equipment markets such as automated meter reading system through Power Line Communication (PLC11).

In connection with Handy Terminal meter reading business, we have newly released new type of handy terminal for meter reading and mobile thermal printer, which we have enjoyed good reputation by our customers. 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 utilities power companies but also in gas and water businesses.

Amount of research and development expense for this area is 1,397 million yen.

* 1 AMR : Automated Meter Reading

AMM : Automated Meter Management

(B) FPD (Flat Panel Display) Assembling Equipments Business

As to this field of business, we have been supplying to our FPD manufacturers assembling equipments that are used in the assembling process of FPD module. In this area, further improvement of mounting speed and precision of installation point is required. As to semi-conductor related business such as IC card and IC tag, pressure control under low driving force will become important in addition to the requirement mentioned above. Under these circumstances, our research and development activities have been mainly directed to applied development area in order to cope with such efficiency improvement requirements through our own development effort and to install such developed technology elements on our own products.

We treat these expenditures spent for the above development as the manufacturing cost to realize creation of various production facilities and, therefore, do not put it into the account of research and development expenses. The funds for the above research and development are 13 million yen.

(C) Real estate business

We have no activities in its research and development.

5. Analyzing Financial Situations and Business Performance of the Company

(1) Financial situation

When we compare figures at the end of previous year with those of this fiscal year, we notice several important factors influencing increase and decrease. Cash and cash equivalents decreased by 3,133 million yen and notes and accounts receivable, trade increased by 2,910 million yen. This is mainly due to increase of accounts receivable by 3,758 million yen as a result of change of collection terms in FPD assembling equipments business, compared with previous year and cash and cash equivalents decreased by 3,160 million yen compared with previous year. In addition, as investments in securities decreased by 2,930 million yen due to its sales and drop of market price, total assets decreased by 1,920 million yen compared with previous year although deposits showed some increase. Total liabilities decreased by 1,440 million yen and minority interests increased by 870 million yen and equity ratio went down by 0.9 % point to 36.9 %.

(2) Analysis of management results

a) Products for electric utilities power companies

Electric utilities power companies, our main customers, have been endeavoring to streamline their corporate management by reducing capital expenditure and procurement costs of materials. Under these circumstances, we expect our business environment will continue to be unfavorable due to price fall of our products, mainly in the area of electronic watt-hour meters. In addition, our environment has become much severer because of reduction of inventory level by electric utilities power companies in line with earthquakes, decrease of number of housing starts as a result of revision of Building Standards Act, prolonged examination period for watt-hour meters for industrial use as a result of revision of the Measurement Law and higher raw material prices.

Sales of our main products, electronic watt-hour meters, did not show increasing trend due to decrease of number of housing starts as a result of revision of Building Standards Act and due to customers inventory adjustment, although sales of meters for household increased due to wide expansion of fully-electrified houses. However, our sales volume has increased as we have added ENEGATE Co., Ltd. as one of our consolidated subsidiaries. Sales volume of watt-hour meters for industrial use declined slightly due to prolonged examination period as a result of revision of Measurement Law, although amount of sales by ENEGATE Co., Ltd. was added. Despite these severe environments, our total volume and amount of sales of electronic watt-hour meters as a whole increased since we added ENEGATE Co., Ltd. as one of our consolidated subsidiaries.

As to electronic watt-hour meter, we foresee that sales volume of electronic watt-hour meters for industry use will continue to show declining trend due to prolonged examination period. However, we expect that sales volume of household watt-hour meters will regain previous pace of increase as the number of housing starts will continue to pick up. Accordingly we assume that total volume of sales for this fiscal year will increase.

As we believe that sales volume of electronic watt-hour meters will increase, we will further try to develop more reliable multi-functional low-cost models. Although our business environment will remain very severe due to upward trend in raw material prices, we will try harder to reduce our production costs by procuring parts at lower prices and by improving our manufacturing process. With these efforts, we will continue to strengthen our competitive ability. In research and development and manufacturing area, we will endeavor to enhance synergy effect with ENEGATE Co., Ltd.

b) FPD assembling equipments business

As demand for flat panel TV has been expanding, panel-manufacturing companies continued to increase their capital expenditures to cope with demand for larger size and high quality panels. As to semi-conductor related equipments and others, the demand of high-density packaging module for IC card / IC tag and for image sensor module (CMOS/CCD) used in digital camera has been growing.

As the demand for FPD assembling equipments has been expanding Japanese, European and American markets as well as BRICs markets, supported by worldwide events such as Beijing Olympic Games and Shanghai Expositions, it is expected that panel manufacturers will continue to make capital expenditures at steady pace.

As to semi-conductor related equipments, it is expected that sales of IC card and IC tag will increase with the spread and expansion of those items in distribution and financial sectors where high security and traceability (tracing of manufacturing history) are required as their social responsibility. Although we expect that we will face severe business environment due to decline in our product prices and rise of production costs as a result of significant increase of crude oil price, we will try to obtain larger orders from our customers and break new business ground based on our core competence in the field of fine pitch assembling technology.

Note: Please note that above-mentioned prospects are based on assumption formed from our reasonable judgment at the end of this fiscal year, and actual performance may deviate greatly from such prospects.

6. 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 fiscal year were 1,475 million yen.

In measurement and control equipments area, 1,023 million yen was invested mainly in relation to electronic watt-hour meters area.

In FPD assembling equipments business, we invested 436 million yen.

Real Estate business, we invested 15 million yen

7. 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

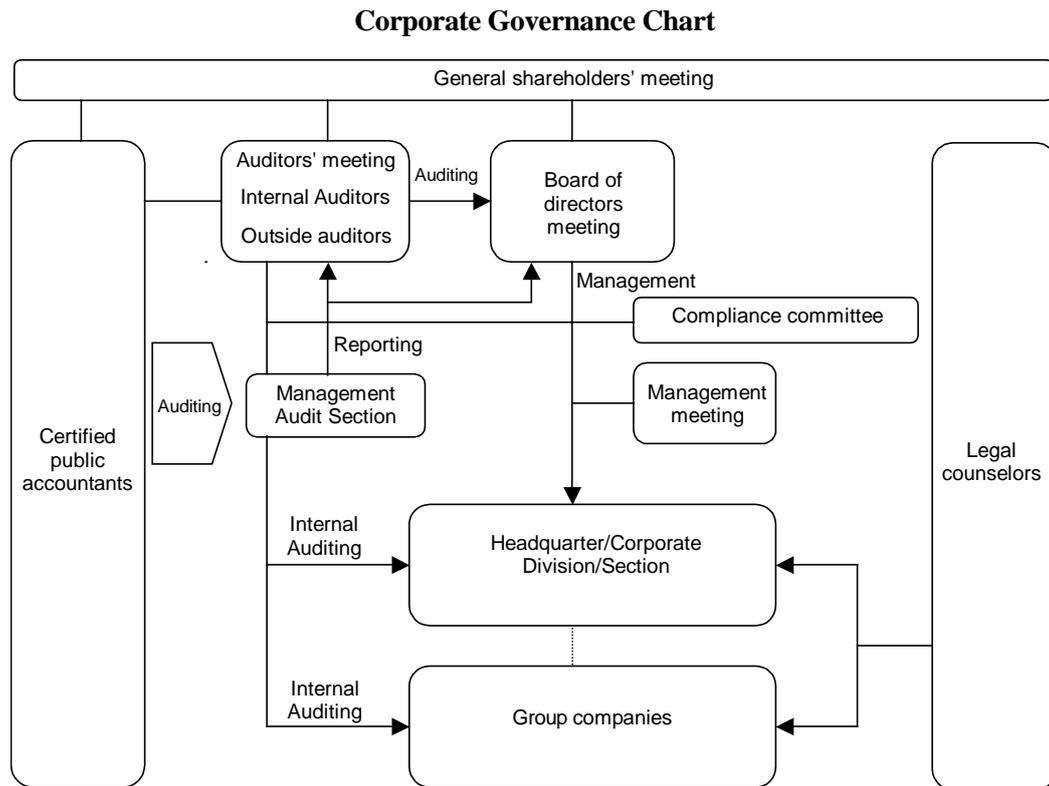
Our company has a statutory auditor system. Board of directors of the company is regarded as an organ to decide basic managerial policy, statutory matters and important managerial matters of the company and to monitor execution of business activities. Currently there are fifteen directors and four corporate 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.

With regard to compliance, we have set up a compliance committee in December 2003 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 new independent organ called "Management Audit Section" since July 2004 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 in our management audit section, "OSAKI group Help Line" headed by executive vice president as internal report system, and started its operation since April, 2006.

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

Basic internal control policy was enacted by the board of directors meeting on May 10th, 2006 and the policy is currently applied in the following way.

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 (Representative director & executive vice 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 audit section was established and internal auditing is carried out by this section which is headed by representative director & executive vice president and COO.
- * Management audit section 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.

- * Management planning section 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 audit section 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.

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 should hold regular meeting with auditor.

③Implementation 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.

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

23	Consolidated Balance Sheets
25	Consolidated Statements of Income
26	Consolidated Statements of Changes in Equity
27	Consolidated Statements of Cash Flows
28	Notes to Consolidated Financial Statements
32	Report of Independent Accountants
33	Osaki Group Companies
34	Stock Information
35	Investor Information

Consolidated Balance Sheets

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

March 31, 2007 and 2008

ASSETS	Millions of yen		Thousands of U.S.dollars
	2007	2008	2008
Current assets:			
Cash and cash equivalents (Note 3)	¥ 4,819	¥ 1,686	\$ 16,835
Deposits (Note 3)	6,394	8,352	83,370
Notes and accounts receivable, trade	10,891	13,802	137,759
Inventories (Note 4)	8,960	9,802	97,835
Deferred income taxes	1,170	1,505	15,031
Other current assets	926	772	7,706
Allowance for doubtful receivables	(102)	(145)	(1,451)
Total current assets	33,059	35,776	357,088
Fixed assets:			
Property, plant and equipment			
Buildings and structures	17,529	17,896	178,630
Less-accumulated depreciation	(11,003)	(11,364)	(113,425)
Total buildings and structures	6,525	6,532	65,204
Machinery and equipment	10,611	10,008	99,896
Less-accumulated depreciation	(8,608)	(8,381)	(83,651)
Total machinery and equipment	2,003	1,627	16,245
Land	12,015	12,015	119,924
Construction in progress	133	135	1,351
Other fixed assets	7,144	6,737	67,249
Less-accumulated depreciation	(6,194)	(5,882)	(58,717)
Total other fixed assets	950	854	8,531
Total property, plant and equipment	21,628	21,165	211,257
Intangible assets	856	791	7,898
Investments and other assets			
Investments in securities (Note 5)	8,319	5,388	53,785
Deferred income taxes	1,381	1,223	12,214
Prepaid pension cost	-	73	734
Other assets	2,029	933	9,317
Allowance for doubtful receivables	(11)	(11)	(111)
Total investments and other assets	11,718	7,608	75,939
Total fixed assets	34,202	29,565	295,095
TOTAL	¥ 67,262	¥ 65,342	\$ 652,184

See notes to consolidated financial statements

Consolidated Balance Sheets

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

March 31, 2007 and 2008

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S.dollars
	2007	2008	2008
Current liabilities:			
Notes and accounts payable, trade	¥ 7,269	¥ 6,492	\$ 64,800
Short-term bank loans (Note 6)	381	2,846	28,411
Accrued income taxes	810	971	9,692
Accrued bonuses allowance	1,217	1,183	11,807
Accrued bonuses allowance for directors	38	36	362
Allowance for product warranties	-	128	1,287
Other current liabilities	3,516	3,060	30,548
Total current liabilities	13,233	14,719	146,911
Long-term liabilities:			
Bonds (Note 7)	6,000	6,000	59,886
Long-term bank loans (Note 6)	3,770	1,945	19,413
Accrued retirement allowances	659	720	7,194
Accrued retirement allowances for directors	210	236	2,362
Consolidation adjusting accounts	1,560	1,404	14,021
Deferred income taxes	3,637	2,628	26,232
Other long-term liabilities	67	45	457
Total long-term liabilities	15,907	12,981	129,568
Total liabilities	29,140	27,700	276,479
Contingent liabilities (Note 8)			
Equity:			
Shareholders' equity			
Common stock:			
Authorized – 100,000,000 shares			
Issued 2008 – 38,550,684 shares and			
Issued 2007 – 38,550,684 shares	4,686	4,686	46,778
Capital surplus	4,768	4,768	47,594
Retained earnings	14,387	15,133	151,049
Treasury stock, at cost:			
1,052,472 shares in 2008 and			
746,165 shares in 2007	(301)	(439)	(4,385)
Total shareholders' equity	23,541	24,149	241,036
Valuation and translation adjustments			
Unrealized gains on securities	2,226	291	2,907
Foreign currency translation adjustments	(329)	(352)	(3,521)
Total valuation and translation adjustments	1,897	(61)	(614)
Minority interests	12,683	13,553	135,282
Total equity	38,121	37,641	375,704
TOTAL	¥ 67,262	¥ 65,342	\$ 652,184

See notes to consolidated financial statements

Consolidated Statements of IncomeOsaki Electric Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2006, 2007 and 2008

	Millions of yen			Thousands of U.S.dollars
	2006	2007	2008	2008
Net sales	¥ 32,180	¥ 36,282	¥ 49,988	\$ 498,938
Cost of sales	21,407	25,340	37,075	370,053
Gross profit	10,772	10,942	12,912	128,884
Selling, general and administrative expenses (Note 9)	6,822	7,184	9,027	90,101
Operating income	3,950	3,758	3,885	38,783
Non-operating income:				
Interest income	3	2	51	517
Dividend income	82	99	120	1,205
Foreign exchange gain	18	-	-	-
Amortization of consolidation adjusting accounts	89	89	156	1,557
Compensation for transfer of property, plant and equipment	-	39	-	-
Others	82	70	148	1,485
	276	301	477	4,766
Non-operating expenses:				
Interest expenses	84	92	105	1,057
Foreign exchange loss	-	3	36	361
Expense of commitment line	78	32	16	168
Expense of term loan	20	1	1	9
Non-deducted withholding tax	-	-	25	254
Others	40	119	58	582
	224	248	243	2,434
Ordinary income	4,002	3,811	4,119	41,115
Extraordinary gains:				
Gain on sales of marketable or investment securities	609	32	859	8,576
Gain on sales of golf club membership	10	-	-	-
Gain on change in equity of consolidated subsidiary	-	1,007	-	-
Gain on change in retirement benefit plan	-	-	71	712
Gain on prior-period adjustment	-	-	32	322
	620	1,039	962	9,610
Extraordinary losses:				
Loss on sales of property, plant and equipment	538	4	1	10
Loss on disposal of property, plant and equipment	32	22	127	1,274
Devaluation of investment securities	-	-	1	10
Devaluation of golf club membership	30	15	2	21
Impairment losses	118	-	360	3,593
Provision of prior year allowance for product warranties	-	-	121	1,211
Loss on business restructuring (Note 10)	-	-	219	2,191
Extraordinary retirement benefit	-	-	103	1,034
	720	42	936	9,347
Income before income taxes and minority interests	3,903	4,809	4,145	41,378
Income taxes				
Current	1,527	1,258	1,354	13,518
Deferred	14	199	148	1,478
	1,542	1,457	1,502	14,997
Minority interests in consolidated subsidiaries	293	369	1,072	10,700
Net income	¥ 2,066	¥ 2,982	¥ 1,570	\$ 15,679

See notes to consolidated financial statements

Consolidated Statements of Changes in Equity

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2006, 2007 and 2008

	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, 2005	¥ 4,686	¥ 4,768	¥ 10,438	¥ (245)	¥ 1,021	¥ (379)	-	¥ 20,290
Cash dividends paid			(435)					(435)
Bonuses to directors and statutory auditors			(57)					(57)
Net income			2,066					2,066
Changes in treasury stock, net				(31)				(31)
Net changes in the year					1,353	15	-	1,368
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.k)							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

	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, 2007	\$ 46,778	\$ 47,594	\$ 143,606	\$ (3,013)	\$ 22,225	\$ (3,284)	\$ 126,590	\$ 380,496
Cash dividends paid			(6,413)					(6,413)
Net income			15,679					15,679
Decrease due to newly consolidation			(1,728)					(1,728)
Decrease due to exclusion from consolidation			(95)					(95)
Changes in treasury stock, net				(1,372)				(1,372)
Net changes in the year					(19,317)	(237)	8,691	(10,863)
Balance at March 31, 2008	\$ 46,778	\$ 47,594	\$ 151,049	\$ (4,385)	\$ 2,907	\$ (3,521)	\$ 135,282	\$ 375,704

See notes to consolidated financial statements

Consolidated Statements of Cash Flows

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2006, 2007 and 2008

	Millions of yen			Thousands of U.S.dollars
	2006	2007	2008	2008
Cash flows from operating activities :				
Income before income taxes	¥ 3,903	¥ 4,809	¥ 4,145	\$ 41,378
Adjustments to reconcile net income to net cash provided by operating activities -				
Depreciation and amortization	822	846	1,657	16,541
Impairment losses	118	-	360	3,593
Amortization of consolidation adjusting accounts	-	-	(156)	(1,557)
Increase (decrease) in allowance for doubtful receivables	9	21	52	519
Increase (decrease) in accrued bonuses allowance	6	13	(34)	(341)
Increase (decrease) in accrued bonuses allowance for directors	-	26	(2)	(20)
Increase (decrease) in allowance for product warranties	-	-	128	1,287
Increase (decrease) in accrued retirement allowances	(239)	(297)	136	1,359
Interest and dividend income	(86)	(101)	(172)	(1,722)
Interest expenses	84	92	105	1,057
Loss on sales of property, plant and equipment	538	4	1	10
Loss on disposal of property, plant and equipment	32	22	127	1,274
Gain on sales of marketable or investment securities	(609)	(32)	(859)	(8,576)
Gain on sales of golf club membership	(10)	-	-	-
Devaluation of golf club membership	30	15	2	21
Gain on change in equity of consolidated subsidiary	-	(1,007)	-	-
Loss on business restructuring	-	-	76	758
(Increase) decrease in notes and accounts receivable	136	(1,584)	(2,891)	(28,858)
(Increase) decrease in inventories	(4,399)	662	(871)	(8,699)
Increase (decrease) in notes and accounts payable	2,346	1,251	(876)	(8,752)
Increase (decrease) in advances received	1,422	(1,353)	17	172
Increase (decrease) in other current liabilities	-	-	(257)	(2,572)
Other, net	(277)	163	(289)	(2,892)
Interest and dividend received	86	101	172	1,722
Interest paid	(88)	(89)	(107)	(1,072)
Income taxes paid	(542)	(1,754)	(1,204)	(12,024)
Net cash provided by (used in) operating activities	3,283	1,810	(740)	(7,393)
Cash flows from investing activities :				
Payments for property, plant and equipment	(599)	(729)	(1,309)	(13,065)
Proceeds from sales of property, plant and equipment	15	39	30	300
Payments for intangible asset	(49)	(21)	(170)	(1,705)
Payments for investment securities	(197)	(638)	(1,378)	(13,755)
Proceeds from sales of investment securities	1,272	74	1,878	18,750
Proceeds from refund of long-term deposits	-	-	800	7,984
Payments for acquisition of shares of subsidiaries	-	(2,156)	-	-
Other, net	33	(103)	62	622
Net cash provided by (used in) investing activities	476	(3,535)	(86)	(868)
Cash flows from financing activities :				
Increase (decrease) in short-term debt, net	(158)	(391)	970	9,685
Proceeds from long-term debt	1,500	1,500	-	-
Payments for long-term debt	(149)	(886)	(325)	(3,253)
Proceeds from issuance of bonds	-	6,000	-	-
Payments for redemption of bonds	(2,500)	-	-	-
Payments for dividends to minority shareholders	-	-	(221)	(2,212)
Proceeds from minority shareholders' payments	131	2,735	-	-
Payments for treasury stock	(31)	(24)	(137)	(1,372)
Cash dividends paid	(435)	(548)	(641)	(6,404)
Other, net	(19)	(20)	-	-
Net cash provided by (used in) financing activities	(1,662)	8,364	(356)	(3,557)
Effect of exchange rate changes on cash and cash equivalents	5	5	(1)	(17)
Net increase (decrease) in cash and cash equivalents	2,102	6,645	(1,185)	(11,836)
Cash and cash equivalents at beginning of year (Note 3)	2,466	4,569	11,214	111,933
Increase in cash and cash equivalents due to newly consolidation	-	-	17	179
Decrease in cash and cash equivalents due to exclusion from consolidation	-	-	(6)	(69)
Cash and cash equivalents at end of year (Note 3)	¥ 4,569	¥ 11,214	¥ 10,039	\$ 100,205

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. Individual order products are stated at cost, which is determined by the identified cost method. Raw materials, purchased components and supplies are stated at cost, which is principally determined by the moving average method.

(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

Finance leases other than those whereby the ownership of the assets would be transferred to lessees at the end of the lease periods are accounted for as operating leases.

(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) 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 fiscal years ending on or after May 1, 2006.

(l) Change in depreciation method

From this fiscal year, as a result of the fiscal year 2007 amendment of the Corporation Tax Law, we are recording depreciation expenses related to property, plant and equipment acquired from April 1, 2007 using the depreciation methods provided for in the amendment.

Where property, plant and equipment obtained prior to March 31, 2007, are concerned, fully depreciated, the salvage values of these assets are depreciated over 5 years using the straight-line method.

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 ¥100.19 = U.S.\$1, the approximate current rate at March 31, 2008, 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
	2007	2008	2008
As of March 31			
Cash and cash equivalents in the balance sheets	¥ 4,819	¥ 1,686	\$ 16,835
Deposits	6,394	8,352	83,370
Cash and cash equivalents in the cash flow statements	11,214	10,039	100,205

4. Inventories

Inventories comprise the following:

	Millions of yen		Thousands of U.S.dollars
	2007	2008	2008
As of March 31			
Current:			
Finished products	¥ 1,518	¥ 1,257	\$ 12,551
Work in process	5,458	6,389	63,778
Raw materials, purchased components and supplies	1,983	2,154	21,505
	8,960	9,802	97,835

5. Investments in securities

Investments in securities comprise the following:

	Millions of yen		Thousands of U.S.dollars
	2007	2008	2008
As of March 31			
Available-for-sale securities			
Acquisition cost	¥ 3,702	¥ 4,083	\$ 40,757
Fair value	7,539	4,637	46,288
Net unrealized gain	3,836	554	5,531

	Millions of yen		Thousands of U.S.dollars
	2007	2008	2008
As of March 31			
Investments in unconsolidated subsidiaries and affiliates	¥ 216	¥ 216	\$ 2,156
Investments in non-public companies and others	563	535	5,339

6. Short-term bank loans and Long-term bank loans

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

	Millions of yen			Thousands of U.S.dollars		
	2007		2008	2008		
As of March 31						
Short-term bank loans:						
Unsecured	¥	58	¥	845	\$	8,442
Secured		-		177		1,775
Current portion of long-term bank loans		322		1,822		18,193
		381		2,846		28,411

	Millions of yen			Thousands of U.S.dollars		
	2007		2008	2008		
As of March 31						
Long-term bank loans:						
Unsecured	¥	3,000	¥	2,700	\$	26,948
Secured		1,093		1,067		10,658
Less current portion		322		1,822		18,193
		3,770		1,945		19,413

7. Bonds

Bonds comprise the following:

	Millions of yen			Thousands of U.S.dollars		
	2007		2008	2008		
As of March 31						
Unsecured zero coupon convertible bonds in yen, due March 2012	¥	6,000	¥	6,000	\$	59,886

8. Contingent liabilities

Contingent liabilities comprise the following:

	Millions of yen			Thousands of U.S.dollars		
	2007		2008	2008		
As of March 31						
Guarantee amounts	¥	199	¥	49	\$	494

9. Research and development expenses

Research and development expenses comprise the following:

	Millions of yen			Thousands of U.S.dollars				
	2006	2007	2008	2008				
As of March 31								
Selling, general and administrative expenses	¥	947	¥	994	¥	1,411	\$	14,083

10. Loss on business restructuring

Loss on business restructuring is a loss with the business restructuring of Tianjin Fine Electric Co., Ltd.

1 1 . 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					
	2007					
	Measurement and control equipments	FPD Assembling equipments	Real estate	Total	Elimination	Consolidated
Sales to customers	¥ 25,766	¥ 10,112	¥ 403	¥ 36,282	-	¥ 36,282
Intersegment sales	2	-	106	108	(108)	-
Total sales	25,768	10,112	509	36,390	(108)	36,282
Operating expenses	24,150	8,224	264	32,639	(114)	32,524
Operating income	1,618	1,887	245	3,751	6	3,758
Assets	50,219	11,164	5,927	67,311	(48)	67,262
Depreciation and amortization	666	57	122	846	-	846
Capital expenditures	665	21	23	710	-	710

Year ended March 31	Millions of yen					
	2008					
	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

Year ended March 31	Thousands of U.S.dollars					
	2008					
	Measurement and control equipments	FPD Assembling equipments	Real estate	Total	Elimination	Consolidated
Sales to customers	\$ 387,632	\$ 107,288	\$ 4,017	\$ 498,938	-	\$ 498,938
Intersegment sales	19	-	1,055	1,074	(1,074)	-
Total sales	387,651	107,288	5,072	500,013	(1,074)	498,938
Operating expenses	372,964	85,567	2,698	461,229	(1,074)	460,154
Operating income	14,687	21,721	2,374	38,783	-	38,783
Assets	472,313	122,426	57,933	652,672	(488)	652,184
Depreciation and amortization	14,491	853	1,196	16,541	-	16,541
Impairment losses	3,593	-	-	3,593	-	3,593
Capital expenditures	11,816	4,463	154	16,434	-	16,434

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, 2007 and 2008, 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, 2008, 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, 2007 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2008, 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 27, 2008

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.	●
	JAPAN MURRAY 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

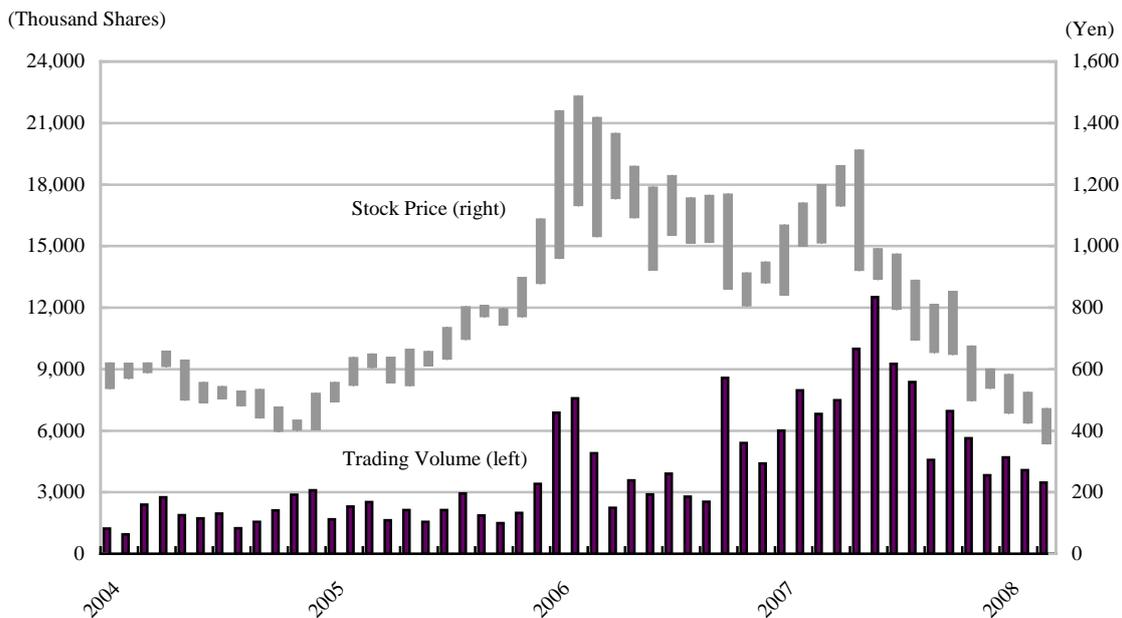
Stock Information

(As of March 31, 2008)

Common Stock

Authorized	:	100,000,000
Issued	:	38,550,684
Number of Shareholders	:	5,249

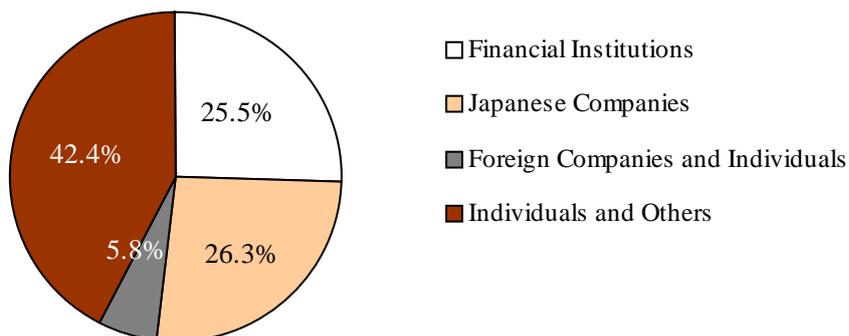
Stock Price Range and Trading Volume (Tokyo Stock Exchange)



Major Shareholders

	Number of shares	
	(Thousand shares)	(%)
The Tokyo Electric Power Company, Incorporated	1,779	4.7
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,724	4.5
Kazuko Watanabe	1,470	3.9
Kyushu Electric Power Co., Inc.	1,109	2.9
Fukoku Mutual Life Insurance Company	1,104	2.9

Breakdown of Shareholders



Investor Information

(As of March 31, 2008)

Management

REPRESENTATIVE DIRECTORS

President and CEO

Yoshihide Watanabe

Executive Vice President and COO

Yoshio Matsui

DIRECTORS

Senior Managing Director

Mitsuyasu Watanabe

Katsunori Umeuchi

Managing Directors

Haruyuki Kawabata

Nobu Yoshino

Hisao Tobusawa

Directors

Sumio Takano

Giichi Ishida

Terufumi Hiroshima

Yoshio Hirano

Kazuo Nemoto

Haruo Nagai

Toshio Yamanaka

Shinji Ozaki

CORPORATE AUDITORS

Standing Auditor

Tadafumi Kaneko

Auditors

Hikoharu Toyoda

Tatsuo Abiru

Kouichi Yanagi

Notes:

Mr.Tatsuo Abiru and Mr. Kouichi Yanagi are outside Corporate Auditors.

Corporate Data

OSAKI ELECTRIC COMPANY, LIMITED

Head Office

2-7, 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\$ 46 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

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