



ANNUAL REPORT  
2011

**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
	2007	2008	2009	2010	2011	2011
<b>For the year:</b>						
Net sales	¥ 36,282	¥ 49,988	¥ 50,315	¥ 46,774	¥ 45,975	\$ 552,926
Operating income	3,758	3,885	4,670	3,011	3,825	46,011
Net income	2,982	1,570	947	1,101	1,020	12,269
<b>At year-end:</b>						
Total assets	67,262	65,342	61,887	61,665	63,051	758,282
Total equity	38,121	37,641	37,795	38,578	39,301	472,655
Number of employees	1,901	1,897	1,841	1,817	1,821	
<b>Per share of common stock:</b>						
	Yen					U.S.dollars
Net income	¥ 78.87	¥ 41.60	¥ 25.28	¥ 29.40	¥ 27.26	\$ 0.33
Cash dividends	16.00	15.00	15.00	12.00	12.00	0.14
Equity	672.90	642.37	633.87	656.33	668.97	8.05

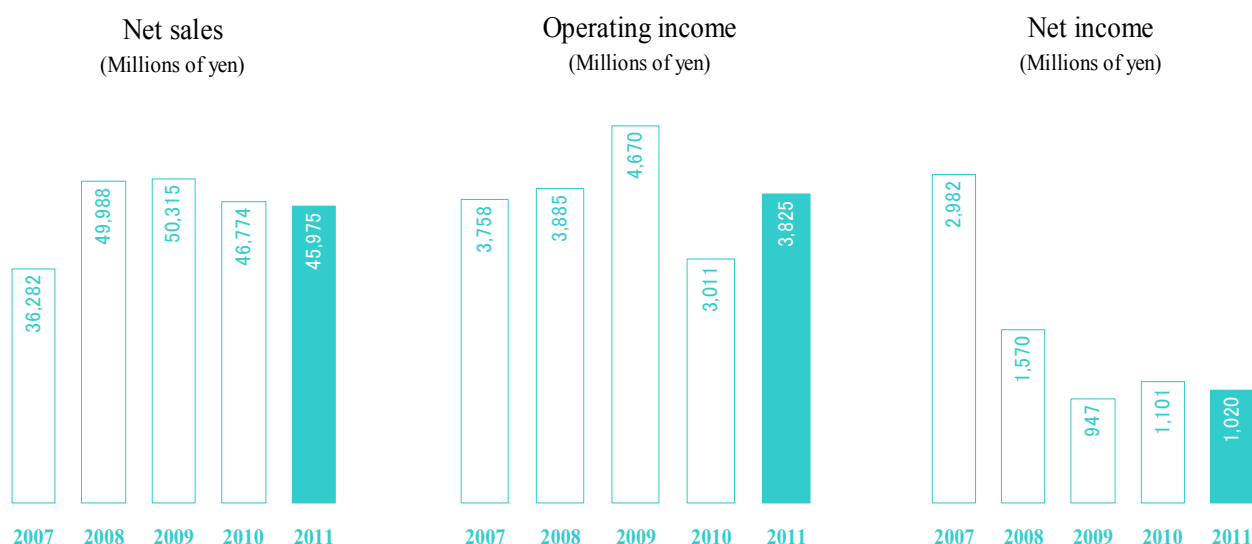
Notes : U.S.dollar amounts have been translated from yen, for convenience only, at the rate of ¥83.15=U.S.\$1  
the approximate Tokyo foreign exchange market rate as of March 31, 2011.

**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

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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.

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## A message from the Chairman and President

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### 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.

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## Management Policy

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### 1. Basic Corporate Policy

The Osaki Electric Group has set forth its corporate policy statement as follows: “We will engage in energy measurement and control equipment as the starting point, and create new value by making positive challenges to new technologies as the next step, and thus make contributions to society and customers as a richly human-oriented company.” The company is aiming to become a company trusted by society while devising to maximize enterprise value.

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

FPD (Flat Panel Display) Assembly Equipment Business will continue to concentrate efforts in the area of full-size manufacturing systems for flat panel displays, including LCDs and plasma display panels. Atop these footings, new business that aims for customer satisfaction improvement in markets where growth is promising in the future such as IC cards and IC tags will be developed actively.

### 2. Measurable Target for Management

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

### 3. Mid-Term and Long-Term Corporate Strategies

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

(1) The electronic electricity meter is migrating from a conventional metering instrument to the next-generation smart meter. Aggressive allocation of resources will build a firm business foundation to face the anticipated explosion in demand and concomitant intensifying competition. Efforts to secure a staunch position as a top manufacturer in Japan are going hand in hand with the creation of comprehensive energy measurement and administering systems that will also address overseas markets focused on Asia and Oceania.

(2) For the general commercial market, we offer demand management services comprising energy consumption diagnostics and consulting for improved plant equipment operation, equipment updates, and energy procurement. Revenue growth is eyed through expanded energy-saving service offers to additional customers, mainly high-voltage commercial electricity accounts, such as home variety retailers and supermarkets.

Active development and sales of new value-added products will also be pursued for optical equipment beyond the existing customer base and portfolio in an effort to unearth new customers.

- (3) The FPD Assembly Equipment Business anticipates sustained growth, as a consequence of increased demand in digital home electronics devices like flat-screen television sets, personal computers, mobile phones, etc. We are driving technology development and enhancing competitiveness further to deny competitive pursuit for semiconductor-related manufacture equipment, including manufacture equipment of IC cards and IC tags where market growth is anticipated, and in the test apparatus domain.

#### 4. Fundamental Policy Regarding Distribution of Profits

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

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

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

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

Date of Resolution	Total Dividend (Million Yen)	Dividend per Share (Yen)
Board of directors resolution of Nov. 8, 2010	224	6.00
Annual general shareholders meeting resolution of June 29, 2011	224	6.00

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## Business Status

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### 1. Business Result

#### (1) Overview of Consolidated Fiscal year

During the consolidated fiscal year under report, the Japanese economy remained in a stagnant situation despite some signs of recovery, such as the improvement of corporate profits and a recovery trend in capital expenditures for plant and equipment. because various risk factors, such as the downswing of the overseas economic climate and impact of deflationary pressure, have not been eliminated. In addition, Japanese economy sustained serious damage, following the Great East Japan Earthquake on March 11 of this year.

The Osaki Electric Group finds itself amidst the following business management environment. In the Measurement and Control Equipment Business, the demand from our main customers, the electric power companies, for our new types of electronic electricity meters have not attained a serious penetration rate yet. Furthermore, the demand for other products has been sluggish due to the slow recovery in numbers of housing starts. At the same time, a severe business environment has continued, since competition among supplying manufacturers is still very keen and the prices of our products have continued to decline. On the other hand, in the FPD Assembly Equipment Business, the digital home electronics market, to which our main customers belong, has seen a partial recovery in business performance, although capital expenditures as a whole have remained sluggish. In addition, slight direct damages to our facilities and the timing close to the end of the fiscal year meant that the impact of the Great East Japan Earthquake was limited.

Under such circumstances, the Osaki Electric Group has been striving to improve performance by increasing sales and enhancing management efficiency through sales promotion activities and cost-cutting activities.

Consolidated net sales decreased by 1.7% from the previous consolidated fiscal year to 45,975 million yen. This is due to a decrease of net sales for the Measurement and Control Equipment Business, although we have seen some sign of sales recovery in the FPD Assembly Equipment Business.

As for earnings, a significant improvement from the previous fiscal year has been attained with the income performance of the FPD Assembly Equipment Business, which converted from red ink in the previous fiscal year to black ink. As a result, operating income increased to 3,825 million yen and ordinary income increased to 4,154 million yen, which were 27.0% and 25.8% increases from the previous consolidated fiscal year, respectively. However, net income decreased by 7.4% from the previous consolidated fiscal year to 1,020 million yen. This is due to a posting of devaluation in marketable or investment securities as extraordinary losses suffered as a result of the earthquake disaster.

#### (2) Business Segments

##### (A) Measurement and Control Equipment Business

This segment increased net sales of new, electronic electricity meters for electric power companies, but net sales of panel products decreased. Income increased with a change of product mix sold and a drop in selling and general administrative expenses. As a result, net sales decreased by 3.1% to 41,829 million yen, and operating income increased by 3.9% to 3,472 million yen from the previous consolidated fiscal year.



**(B) FPD Assembly Equipment Business**

Net sales of FPD assembling equipment have been in a recovery trend, although net sales of semiconductor manufacturing-related equipment decreased. In addition, due to cost reduction for all types of products and reduction of various expenses, the balance between revenues and expenditures improved significantly. As a result, net sales increased by 16.4% from the previous consolidated fiscal year to 3,801 million yen, and operating income increased by 683 million yen from the previous consolidated fiscal year and returned to black ink of 168 million yen.

**(C) Real estate business**

Net sales for this segment increased by 3.4% over the previous fiscal year to 483 million yen, and operating income decreased by 7.4% to 170 million yen.

**(3) Outlook for Ensuing Fiscal Year**

The Measurement and Control Equipment Business sees an increasing trend for demand in new, electronic electricity meters, but their full-scale expansion will not be achieved in the immediate future. Moreover, a continuing, vulnerable operating environment appears likely, because the pace of recovery in housing starts, which fell with the economic slowdown, has remained slow and competition among manufacturers is becoming increasingly keen. The Great East Japan Earthquake has caused enormous damage to many electric power companies, which have been our main customers. There exist various uncertain factors, such as procurement conditions for components and materials due to the earthquake impact, the level of electricity supply required for the operations of our factories, and operating conditions by our competitors, etc. Under these circumstances, it is very difficult to foresee the performance outlook of the next consolidated fiscal year. The FPD Assembly Equipment Business will also continue under a tough business environment without an outlook for recovery in business climate.

Despite the tough environment, the Measurement and Control Equipment Business intends to further reinforce sales activities toward expansion of net sales, mainly from electronic electricity meters for home use (next-generation meters which have been introduced by some of the electric power companies) where growth in demand is expected. Initiatives include the introduction of new models and continued driving down of manufacture costs. We will strengthen our management capability and enhance profitability. Active order-taking activities will move ahead for existing clientele within and outside Japan for the FPD Assembly Equipment Business, as well as new customers associated with touch-screen panels and LED lighting.

The outlook for the full year ahead projects 50,000 million yen in net sales, 2,700 million yen in operating income, 2,800 million yen in ordinary income, and 1,400 million yen in net income.

## Expected results for next consolidated fiscal year

Net sales	:	50,000 million yen (8.8% increase from previous consolidated fiscal year)
Operating income	:	2,700 million yen (29.4% decrease from previous consolidated fiscal year)
Ordinary income	:	2,800 million yen (32.6% decrease from previous consolidated fiscal year)
Net income	:	1,400 million yen (37.2% increase from previous consolidated fiscal year)

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

## 2. Analysis of Financial Condition

Total assets rose to 63,051 million yen at the end of the consolidated fiscal year under report, an increase of 1,385 million yen from the end of the previous consolidated fiscal year. Increases for deposits of 1,031 million yen, notes and accounts receivable, trade of 973 million yen, and inventories of 451 million yen were offset by a decrease in cash and cash equivalents of 572 million yen, property, plant and equipment of 242 million yen, and investment securities of 907 million yen.

Total liabilities rose to 23,749 million yen at the end of the consolidated fiscal year under report, an increase of 663 million yen from the end of the previous consolidated fiscal year). Increases for notes and accounts payable, trade of 2,031 million yen and lease obligation of 464 million yen were offset by a decrease in long-term bank loans and short-term debt, net of 557 million yen and other current liabilities of 1,341 million yen.

Total equity rose to 39,301 million yen at the end of the consolidated fiscal year under report, an increase of 722 million yen from the end of the previous consolidated fiscal year. Increases were for retained earnings of 571 million yen and minority interests of 189 million yen.

The equity ratio fell 0.1 point over the prior year's end to 39.7 %.

	Total assets (million yen)	Total liabilities (million yen)	Total equity (million yen)	Equity ratio
Year ended March 2011	63,051	23,749	39,301	39.7%
Year ended March 2010	61,665	23,086	38,578	39.8%
Difference	1,385	663	722	0.1 points

### 3. Cash Flows

Balances of cash and cash equivalents for the consolidated fiscal year under report totaled 13,197 million yen with an increase of 2,459 million yen over the prior year's end.

	Year Ended March 2010 (million yen)	Year Ended March 2011 (million yen)	Difference (million yen)
Cash flows from operating activities	4,533	3,959	(574)
Cash flows from investing activities	(4,370)	5	(4,375)
Cash flows from financing activities	(1,462)	(1,495)	(33)
Cash and cash equivalents at end of year	10,738	13,197	2,459

#### (1) Cash flows from operating activities

Cash flows from operating activities amounted to 3,959 million yen. Increasing factors were income before income taxes and minority interests of 2,838 million yen, depreciation and amortization of 1,993 million yen, devaluation of marketable or investment securities of 944 million yen, and increased notes and accounts payable of 604 million yen. Decreasing factors were notes and accounts receivable rising by 992 million yen, increased inventories of 461 million yen, and income taxes paid of 1,390 million yen.

#### (2) Cash flows from investing activities

Cash flows from investing activities amounted to 5 million yen. The principal increasing factor was the proceeds from the refund of time deposits of 2,000 million yen. The principal decreasing factor was payments for property, plant and equipment of 1,728 million yen.

#### (3) Cash flows from financing activities

Cash flows from financing activities amounted to (1,495 million yen). etc. Decreasing factors were reduced long-term bank loans and short-term debt, net of 557 million yen, and cash dividends paid of 873 million yen including minority shareholders.

## **4. Responses to Business Challenges**

### **(A) Measurement and control equipments business**

In this segment we have been surrounded by a very severe business environment. Selling prices of our products sold to electric power companies, our main customers, continue to decline as a result of severe competition among supplying manufacturers and a poor trend in housing starts caused by the economic slowdown.

The electricity meter is a core product of our portfolio. Test introduction, study, and experimentation of the smart meter, the next-generation electricity meter, have started at a portion of the electric power companies. The smart meter transition is expected to ramp up, and, although some delay has may arise in the aftermath of the nuclear disaster, a period of full penetration is foreseen within the next few years. Amidst this backdrop, we are making an all-out effort to develop products that meet the needs of the power companies with high functionality, high quality and high reliability and that remain highly competitive. In an effort to acquire the largest market share of smart meters as achieved previously for conventional meters, we are building a production organization to meet increased demand. As our medium-term challenge, we intend to develop sophisticated systems for comprehensive energy measurement and control including automated meter reading that deploy the electricity meter not just as an isolated instrument.

### **(B) FPD assembling equipments business**

Our principal customer base belongs to the digital home electronics industry for this segment. As manufacturing centers for the industry shift to China and Asian countries, the business environment experiences changes. We are thus being driven to promote order-taking activities based on enhanced competitiveness for our existing product line, to forge new business and issue new products, and to reinforce our production, distribution, and service organizations. Conditions have prompted us to improve added value in terms of product performance and functionality and to reinforce competitiveness through cost reductions. We will also concentrate our efforts on developing and marketing manufacture equipment for which we expect increased use, such as those for IC cards, IC tags, and image sensor modules (CMOS/CCD) used in digital cameras, LED lamp modules, for complex mounting of fine electronic parts and optical parts.

### **(C) Real estate business**

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

## **5. Risks in Business Operations**

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

### **(1) Fluctuation in Demand**

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

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

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

### **(3) Stock Price Fluctuation**

The corporate group owns approximately 3.3 billion yen worth of investments in securities. We have no guarantee against any valuation loss of these investments in securities in the event of a large drop in stock prices. A large valuation loss of the investments in securities may impose an adverse effect on the business performance and financial condition of the corporate group.

### **(4) Real Estate Price Fluctuation**

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

### **(5) Product Failure**

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

### **(6) Business Concentration on Select Customers**

Among the customers of the corporate group, the Measurement and Control Equipment Business mainly delivers electricity meters as its core product line, current limiters, measuring instrument converters, monitor control apparatuses, and time switches to the 10 electric power companies in Japan. The proportion

of net sales to the power companies and their affiliated companies accounts for over half of total net sales. The FPD Assembly Equipment Business also relies on select accounts for a high proportion of net sales. Thus, changes in business format of the customers or in the business relationship may impose an adverse effect on the business performance and financial condition of the corporate group.

## 6. Contracts Material to Operating Management

### Business Alliance Agreements

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



## 7. Research and Development

Responding promptly to the needs in this period of significant changes to the business environment, Osaki Electric is streamlining the product development organization for all group companies, including consolidated subsidiaries, activating human resources in flexible fashion, and investing in research and development for purposes of new product development and product improvement.

Research and development (R&D) expenses spent by the corporate group for the consolidated fiscal year under report totaled 1,816 million yen.

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

### (A) Measurement and control equipments business

R&D associated with electricity meters has focused on smart meters, which are expected to receive extensive promotion in installation, in response to worldwide changes in energy delivery. R&D for electricity meters is also advancing in response to needs of the power companies in Japan, amidst their announcements regarding next-generation electricity meter introduction. We regard the electronic electricity meter as an information terminal, and aim for highly integrated, multi-functional, high-quality products in our R&D for meters for home use, which address the needs of the respective electric power companies. For the new, electronic electricity meter lineup whose shipments have started, the development of a series to broaden the portfolio and further cost reduction are main efforts.

We have been actively promoting development of component technologies, in order to introduce the latest technology to the LSI and microcomputer, which form the core of the electronic electricity meter. Globally, the electricity meter is rapidly transforming from an isolated instrument to part of a solution as a smart meter. In response to this trend, the corporate group is pursuing development of a series of smart meter products and reducing costs for power companies overseas.

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

Regarding our general commercial equipment, we have been developing various types of services as an energy solution business that adheres to the energy-saving era. Such efforts include development of demand-management services based on Osaki demand control equipment as core components, and development of a demand control equipment portfolio that is compatible with networks for Electricity Safety Associations located throughout Japan and for general customers. We have been also developing a series of charging stations that promote the halting of engine idling.

In an effort to strengthen our position as a specialized manufacturer, we have been developing new types of products, fully differentiated from our competitors, for the handheld terminal business. Furthermore, in connection with the smart grid, we have been developing wireless application products that leverage our strengths in handy terminal meter-reading services. We intend to expand such wireless meter reading mainly in the electricity domain, but also both the gas and water domains.

**(B) FPD assembling equipments business**

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

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

Component technology development common across apparatuses was the main focus. The general administrative expenses thus entered for the consolidated fiscal year under report totaled 78 million yen. Customized development expenses accruing to individual orders were mainly treated as manufacture costs for the respective orders. R&D expenses are not classed, however, since the portions specific to R&D within manufacture costs are difficult to allocate.

**(C) Real estate business**

Research and development are not conducted for this segment.

## 8. Plant and Facilities

### Overview of Capital Expenditures

The corporate group continually programs capital expenditures for purposes of maintaining and increasing production capacity, and fulfilling and reinforcing R&D functions. Capital expenditures totaled 1,641 million yen for the consolidated fiscal year under report.

The Measurement and Control Equipment Business invested 1,568 million yen mainly in facilities associated with electricity meters, the FPD Assembly Equipment Business invested 41 million yen, and the Real Estate Business invested 31 million yen.

There were no disposals or sales of material facilities.

## 9. Corporate Governance

### (1) Fundamental Approach to Corporate Governance

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

### (2) Overview of Corporate Governance Organization

#### ① Corporate Governance Organization

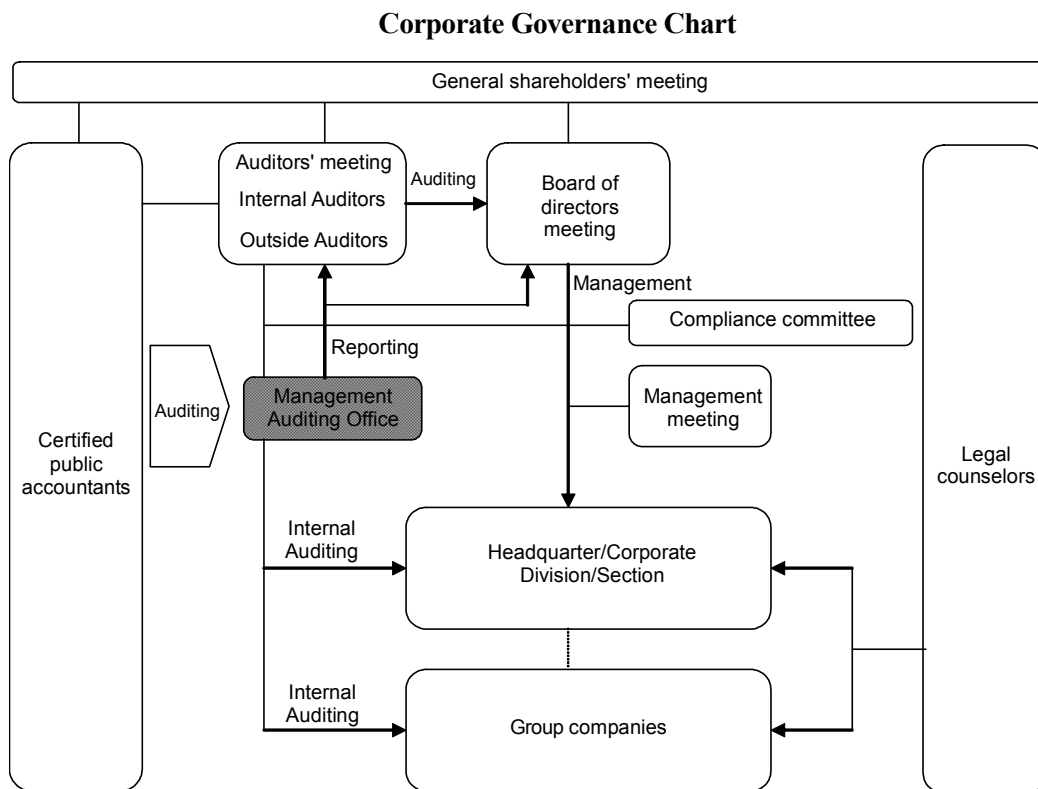
Osaki Electric adopts a statutory auditor system. Although the company does not appoint outside directors, the audit organization constituted by statutory auditors including outside auditors is considered appropriate as a management oversight function. The auditors consist of four members, of which two are outside auditors.

The board of directors consists of fourteen members, of whom none appointed are outside directors. Three of these members have employment experience from external companies, and participate in management with their objective outlook.

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

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

The following is a diagram of the corporate governance system



## ② Organization of Internal Controls System

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

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

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

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

- \* Information and documents related to the execution of duties by directors should be recorded on paper or electromagnetic media and appropriately stored and administered in accordance with board of directors meeting rules and internal corporate rules.
- \* Directors and statutory auditors are entitled to have access to these documents during business hours.

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

- \* Risks concerning compliance, quality, environment, product liability and administration of export are managed cross-departmentally, and committees for each risk are established to address such risks appropriately on a timely basis.
- \* Headed by the President and COO, the Internal Auditing Office is installed to conduct internal audits.
- \* The Internal Auditing Office audits the risk management status for each department through an internal audit. The office reports the results periodically at board meetings, where improvement measures will be deliberated and decided.

d) Organization to secure efficient execution of duties by directors

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

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

- \* Based on management rules of the Osaki Electric Group, the corporate strategy office in conjunction with related departments shall plan and implement various measures to enhance effectiveness of the internal controls system at each subsidiary and provide guidance and support to the subsidiaries.
- \* The Internal Auditing Office implements the internal audits in consultation with each of the subsidiaries according to plan, audits the appropriateness and efficiency of duties, and makes efforts for reinforcement and improvement of the compliance organization.
- \* With the group helpline system, detecting and correcting violations of the law and unlawful conduct by officers and employees of the corporate group can be instituted and thus be applied to efforts to reinforce the compliance organization.
- \* Operations should be based on basic internal controls policy related to financial reporting, and reliability of financial reporting required by the Financial Instruments and Exchange Law should be secured.
- \* In addition to establishing a manual for handling anti-social forces, the company shall introduce a clause calling for the exclusion of organized crime to basic contract documents. As a member of society, the company shall refrain from holding any relations with anti-social forces that threaten the order and safety of civic society, and shall respond to any eventuality with a resolute attitude.

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

- \* Employees in such positions shall be dedicated to assisting the duties of the auditor.
- \* Such employees shall not hold any co-duties in a post to execute duties of the company, shall conduct their duties under the auditor's direction and command, and shall submit to transfers with consent of the auditor.

g) Reporting organization to statutory auditors by director or employee, other reporting organization to statutory auditors

- \* Directors and employees, when they learn of any facts concerning significant violation of the law or articles of incorporation, facts of unlawfulness, or facts that may impose significant damages to the corporate group, shall report such matters to the board of auditors without delay.
- \* In addition to items prescribed by law, directors and employees shall report items that may have a serious effect on the corporate group, the implementation status of internal audits, and notifications regarding the group helpline system and their details to the board of auditors without delay.

h) Other organizations to secure effective auditing by statutory auditors

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

## Consolidated Financial Statements

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**Consolidated Balance Sheets**

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

March 31, 2010 and 2011

ASSETS	Millions of yen		Thousands of U.S.dollars
	2010	2011	2011
<b>Current assets:</b>			
Cash and cash equivalents (Note 3)	¥ 6,484	¥ 5,912	\$ 71,103
Deposits (Note 3)	6,253	7,285	87,612
Notes and accounts receivable, trade	10,517	11,490	138,188
Finished products	2,008	1,911	22,993
Work in process	1,730	2,190	26,349
Raw materials, purchased components and supplies	2,027	2,115	25,437
Deferred income taxes	959	944	11,356
Other current assets	1,079	1,037	12,476
Allowance for doubtful receivables	(79)	(54)	(652)
Total current assets	30,981	32,833	394,865
<b>Fixed assets:</b>			
<b>Property, plant and equipment</b>			
Buildings and structures	19,093	19,086	229,542
Less-accumulated depreciation	(11,901)	(12,263)	(147,483)
Total buildings and structures	7,191	6,823	82,058
Machinery and equipment	10,605	11,022	132,561
Less-accumulated depreciation	(8,754)	(9,101)	(109,457)
Total machinery and equipment	1,850	1,921	23,103
Land	12,279	12,236	147,162
Construction in progress	206	358	4,308
Other fixed assets	7,050	7,317	88,008
Less-accumulated depreciation	(6,073)	(6,395)	(76,911)
Total other fixed assets	976	922	11,097
Net property, plant and equipment	22,504	22,261	267,729
<b>Intangible assets</b>	657	534	6,425
<b>Investments and other assets</b>			
Investment securities (Note 4)	4,208	3,300	39,692
Deferred income taxes	547	669	8,050
Prepaid pension cost	141	286	3,446
Other assets	2,629	3,172	38,158
Allowance for doubtful receivables	(5)	(7)	(85)
Total investments and other assets	7,520	7,422	89,261
Total fixed assets	30,683	30,218	363,416
<b>TOTAL</b>	¥ 61,665	¥ 63,051	\$ 758,282

*See notes to consolidated financial statements*

**Consolidated Balance Sheets**

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

March 31, 2010 and 2011

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S.dollars
	2010	2011	2011
<b>Current liabilities:</b>			
Notes and accounts payable, trade	¥ 3,149	¥ 5,181	\$ 62,311
Short-term debt (Note 5)	650	1,784	21,457
Current portion of bonds (Note 6)	-	4,500	54,119
Accrued income taxes	966	823	9,902
Accrued bonuses allowance	1,211	1,267	15,247
Accrued bonuses allowance for directors	17	15	184
Allowance for product warranties	26	26	320
Allowance for loss of subsidiaries and affiliates	100	-	-
Other current liabilities	4,013	2,671	32,130
Total current liabilities	10,134	16,270	195,672
<b>Long-term liabilities:</b>			
Bonds (Note 6)	4,500	-	-
Long-term bank loans (Note 5)	2,196	505	6,073
Lease obligation	850	1,315	15,817
Long-term accounts payable-other	692	668	8,042
Accrued retirement allowances	912	1,193	14,348
Accrued retirement allowances for directors	198	226	2,725
Consolidation adjusting accounts	1,092	936	11,263
Deferred income taxes	2,415	2,409	28,982
Other long-term liabilities	94	224	2,701
Total long-term liabilities	12,952	7,479	89,954
Total liabilities	23,086	23,749	285,626
<b>Contingent liabilities</b> (Note 7)			
<b>Equity:</b>			
Shareholders' equity			
Common stock:			
Authorized – 100,000,000 shares			
Issued 2011 – 38,550,684 shares and			
Issued 2010 – 38,550,684 shares	4,686	4,686	56,364
Capital surplus	4,768	4,770	57,368
Retained earnings	16,114	16,685	200,663
Treasury stock, at cost:			
1,132,183 shares in 2011 and			
1,125,886 shares in 2010	(499)	(505)	(6,073)
Total shareholders' equity	25,070	25,637	308,322
Valuation and translation adjustments			
Unrealized gains on securities	(45)	(117)	(1,417)
Foreign currency translation adjustments	(462)	(487)	(5,861)
Total valuation and translation adjustments	(507)	(605)	(7,279)
Stock acquisition rights (Note 8)	74	138	1,665
Minority interests	13,941	14,131	169,946
Total equity	38,578	39,301	472,655
<b>TOTAL</b>	¥ 61,665	¥ 63,051	\$ 758,282

See notes to consolidated financial statements

**Consolidated Statements of Income**Osaki Electric Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2009, 2010 and 2011

	Millions of yen			Thousands of U.S.dollars
	2009	2010	2011	2011
<b>Net sales</b>	¥ 50,315	¥ 46,774	¥ 45,975	\$ 552,926
<b>Cost of sales</b>	36,769	34,453	33,049	397,473
Gross profit	13,546	12,321	12,925	155,453
<b>Selling, general and administrative expenses (Note 9)</b>	8,875	9,310	9,100	109,441
Operating income	4,670	3,011	3,825	46,011
<b>Non-operating income:</b>				
Interest income	52	35	31	381
Dividend income	109	89	99	1,199
Amortization of consolidation adjusting accounts	156	156	156	1,877
Gain on redemption by purchase of bonds	145	-	-	-
Subsidy income	-	52	23	282
Others	139	90	119	1,436
	602	423	430	5,177
<b>Non-operating expenses:</b>				
Interest expenses	76	63	51	614
Foreign exchange loss	1	7	11	140
Commitment fee	48	24	18	226
Sales discounts	-	-	10	124
Others	46	38	9	118
	172	133	101	1,225
Ordinary income	5,100	3,301	4,154	49,963
<b>Extraordinary gains:</b>				
Gain on sales of property, plant and equipment	4	3	3	41
Gain on sales of investment securities	30	-	-	-
Gain on sales of memberships	18	6	0	7
Reversal of doubtful accounts provision	62	-	2	31
	116	9	6	80
<b>Extraordinary losses:</b>				
Loss on disposal of property, plant and equipment	50	39	47	570
Devaluation of investment securities	542	-	944	11,358
Devaluation of memberships	30	6	6	80
Loss on change in retirement benefit plan	-	41	-	-
Provision of reserve for directors' retirement benefits	645	-	-	-
Extraordinary retirement benefit	-	-	26	319
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	-	154	1,861
Loss on valuation of stocks of subsidiaries and affiliates	-	205	-	-
Provision for loss of subsidiaries and affiliates	-	100	-	-
Structure improvement expenses	-	124	142	1,713
	1,269	517	1,322	15,905
Income before income taxes and minority interests	3,947	2,794	2,838	34,139
<b>Income taxes</b>				
Current	1,003	1,130	1,265	15,213
Deferred	994	242	(65)	(791)
	1,997	1,372	1,199	14,422
Income before minority interests	1,950	1,421	1,639	19,717
<b>Minority interests in consolidated subsidiaries</b>	1,002	320	619	7,447
<b>Net income</b>	¥ 947	¥ 1,101	¥ 1,020	\$ 12,269

See notes to consolidated financial statements

**Consolidated Statements of Comprehensive Income**

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2010 and 2011

	Millions of yen		Thousands of U.S.dollars
	2010	2011	2011
<b>Income before minority interests</b>	¥ 1,421	¥ 1,639	\$ 19,717
Other comprehensive income			
Unrealized gains on securities	204	(75)	(902)
Foreign currency translation adjustments	66	(29)	(359)
	270	(104)	(1,262)
<b>Comprehensive income</b>	¥ 1,692	¥ 1,534	\$ 18,454
Comprehensive income attributable to owners of the parent	1,360	922	11,089
Comprehensive income attributable to minority interests	331	612	7,365

**Consolidated Statements of Changes in Equity**

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2009, 2010 and 2011

	Millions of yen									
	Shareholders' equity									
	Common stock		Capital surplus		Retained earnings		Treasury stock, at cost		Total shareholders' equity	
<b>Balance at March 31, 2008</b>	¥	4,686	¥	4,768	¥	15,133	¥	(439)	¥	24,149
Cash dividends paid						(562)				(562)
Net income						947				947
Changes in treasury stock, net								(13)		(13)
Net changes of items other than shareholders' equity										
<b>Balance at March 31, 2009</b>		4,686		4,768		15,518		(452)		24,521
Cash dividends paid						(505)				(505)
Net income						1,101				1,101
Decrease due to exclusion from consolidation						(0)				(0)
Changes in treasury stock, net								(46)		(46)
Net changes of items other than shareholders' equity										
<b>Balance at March 31, 2010</b>		4,686		4,768		16,114		(499)		25,070
Cash dividends paid						(449)				(449)
Net income						1,020				1,020
Changes in treasury stock, net				1				(5)		(4)
Net changes of items other than shareholders' equity										
<b>Balance at March 31, 2011</b>	¥	4,686	¥	4,770	¥	16,685	¥	(505)	¥	25,637

	Thousands of U.S.dollars									
	Shareholders' equity									
	Common stock		Capital surplus		Retained earnings		Treasury stock, at cost		Total shareholders' equity	
<b>Balance at March 31, 2010</b>	\$	56,364	\$	57,348	\$	193,795	\$	(6,002)	\$	301,505
Cash dividends paid						(5,400)				(5,400)
Net income						12,269				12,269
Changes in treasury stock, net				20				(71)		(50)
Net changes of items other than shareholders' equity										
<b>Balance at March 31, 2011</b>	\$	56,364	\$	57,368	\$	200,663	\$	(6,073)	\$	308,322

	Millions of yen					
	Accumulated other comprehensive income			Stock Acquisition rights	Minority interests	Total equity
	Unrealized gains on securities	Foreign Currency Translation adjustments	Total accumulated other comprehensive income			
<b>Balance at March 31, 2008</b>	¥ 291	¥ (352)	¥ (61)	-	¥ 13,553	¥ 37,641
Cash dividends paid						(562)
Net income						947
Changes in treasury stock, net						(13)
Net changes of items other than shareholders' equity	(539)	(165)	(705)		486	(218)
<b>Balance at March 31, 2009</b>	(248)	(518)	(766)	-	14,040	37,795
Cash dividends paid						(505)
Net income						1,101
Decrease due to exclusion from consolidation						(0)
Changes in treasury stock, net						(46)
Net changes of items other than shareholders' equity	203	56	259	74	(98)	235
<b>Balance at March 31, 2010</b>	(45)	(462)	(507)	74	13,941	38,578
Cash dividends paid						(449)
Net income						1,020
Changes in treasury stock, net						(4)
Net changes of items other than shareholders' equity	(72)	(25)	(98)	64	189	155
<b>Balance at March 31, 2011</b>	¥ (117)	¥ (487)	¥ (605)	¥ 138	¥ 14,131	¥ 39,301

	Thousands of U.S.dollars					
	Accumulated other comprehensive income			Stock Acquisition rights	Minority interests	Total equity
	Unrealized gains on securities	Foreign Currency Translation adjustments	Total accumulated other comprehensive income			
<b>Balance at March 31, 2010</b>	\$ (543)	\$ (5,556)	\$ (6,100)	\$ 889	\$ 167,670	\$ 463,965
Cash dividends paid						(5,400)
Net income						12,269
Changes in treasury stock, net						(50)
Net changes of items other than shareholders' equity	(874)	(305)	(1,179)	775	2,276	1,872
<b>Balance at March 31, 2011</b>	\$ (1,417)	\$ (5,861)	\$ (7,279)	\$ 1,665	\$ 169,946	\$ 472,655

See notes to consolidated financial statements

**Consolidated Statements of Cash Flows**

Osaki Electric Co., Ltd. and Consolidated Subsidiaries

Years ended March 31, 2009, 2010 and 2011

	Millions of yen			Thousands of U.S.dollars
	2009	2010	2011	2011
<b>Cash flows from operating activities :</b>				
Income before income taxes and minority interests	¥ 3,947	¥ 2,794	¥ 2,838	\$ 34,139
Adjustments to reconcile net income to net cash provided by operating activities -				
Depreciation and amortization	1,646	2,069	1,993	23,979
Amortization of consolidation adjusting accounts	(156)	(156)	(156)	(1,877)
Increase (decrease) in allowance for doubtful receivables	(66)	0	(22)	(268)
Increase (decrease) in accrued bonuses allowance	43	(15)	56	677
Increase (decrease) in accrued bonuses allowance for directors	1	(20)	(2)	(24)
Increase (decrease) in allowance for product warranties	(14)	(88)	0	5
Increase (decrease) in provision for loss of subsidiaries and affiliates	-	100	(100)	(1,202)
Increase (decrease) in accrued retirement allowances	149	47	284	3,424
Increase (decrease) in accrued retirement allowances for directors	678	(717)	28	341
Increase (decrease) in long-term accounts payable-other	-	692	(23)	(280)
Interest and dividend income	(161)	(124)	(131)	(1,581)
Interest expenses	76	63	51	614
(Gain) loss on sales of property, plant and equipment	(4)	(3)	(3)	(41)
Loss on disposal of property, plant and equipment	50	39	47	570
(Gain) loss on sales of investment securities	(30)	-	-	-
Devaluation of investment securities	542	-	944	11,358
(Gain) loss on sales of memberships	(18)	(6)	(0)	(7)
Devaluation of memberships	30	6	6	80
Gain on redemption by purchase of bonds	(145)	-	-	-
Structure improvement expenses	-	124	142	1,713
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	-	154	1,861
Loss on valuation of stocks of subsidiaries and affiliates	-	205	-	-
(Increase) decrease in notes and accounts receivable	3,724	(322)	(992)	(11,935)
(Increase) decrease in inventories	2,499	1,453	(461)	(5,544)
Increase (decrease) in notes and accounts payable	(2,006)	(923)	604	7,264
Increase (decrease) in advances received	(100)	4	0	8
Increase (decrease) in other current liabilities	(145)	-	-	-
Other, net	232	(132)	7	93
Interest and dividend received	161	123	132	1,590
Interest paid	(75)	(64)	(51)	(621)
Income taxes paid	(1,518)	(615)	(1,390)	(16,725)
Net cash provided by (used in) operating activities	9,344	4,533	3,959	47,617
<b>Cash flows from investing activities :</b>				
Payments for property, plant and equipment	(1,242)	(3,165)	(1,728)	(20,784)
Proceeds from sales of property, plant and equipment	79	27	63	766
Payments for intangible assets	(254)	(161)	(110)	(1,324)
Payments for investment securities	(98)	(87)	(167)	(2,014)
Proceeds from sales of investment securities	48	-	6	78
Payment for memberships	-	(68)	(28)	(344)
Payments for long-term deposits	(2,000)	-	(1,000)	(12,026)
Proceeds from refund of long-term deposits	-	1,000	1,000	12,026
Decrease (increase) in time deposits	-	(2,000)	2,000	24,052
Other, net	40	83	(30)	(367)
Net cash provided by (used in) investing activities	(3,427)	(4,370)	5	62
<b>Cash flows from financing activities :</b>				
Increase (decrease) in short-term debt, net	(889)	(39)	9	110
Proceeds from long-term bank loans	1,300	700	200	2,405
Payments for long-term bank loans	(1,822)	(1,097)	(767)	(9,226)
Payments for retirement by purchase of bonds	(1,354)	-	-	-
Repayment of lease obligation	(14)	(36)	(56)	(685)
Cash dividends paid	(561)	(506)	(449)	(5,404)
Payments for dividends to minority shareholders	(464)	(435)	(424)	(5,101)
Payments for treasury stock	(13)	(46)	(7)	(89)
Other, net	-	-	0	0
Net cash provided by (used in) financing activities	(3,819)	(1,462)	(1,495)	(17,990)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(102)	2	(9)	(113)
<b>Net increase (decrease) in cash and cash equivalents</b>	1,994	(1,296)	2,459	29,575
<b>Cash and cash equivalents at beginning of year (Note 3)</b>	10,039	12,034	10,738	129,140
<b>Cash and cash equivalents at end of year (Note 3)</b>	¥ 12,034	¥ 10,738	¥ 13,197	\$ 158,716

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. The amortized cost method with straight-line amortization is applied to held-to-maturity securities.

#### (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 one 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 10 years) within the average remaining years of service of employees when incurred.

**(m) Accrued retirement allowances for directors**

Three consolidated subsidiaries recorded an allowance for retirement benefits for directors equivalent to the amount payable at the end of the consolidated fiscal year under review, in accordance with the rules for retirement benefits for directors.

**(n) Application of "Accounting Standard for Asset Retirement Obligations"**

Effective from this consolidated fiscal year, the Company has applied "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, March 31, 2008). As a result, the operating income and ordinary income of this consolidated fiscal year would decrease by 2 million yen respectively, and income before income taxes and minority interests would decrease by 156 million yen.

**(o) Application of "Accounting Standard for Presentation of Comprehensive Income"**

Effective from this consolidated fiscal year, the Company has applied "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25, June 30, 2010). Please note that the amount of "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" in the previous consolidated fiscal year is stated as the amount of "Valuation and translation adjustments" and "Total valuation and translation adjustments," respectively.

**(p) Application of "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information"**

From this consolidated fiscal year, the Company has applied the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17 issued on March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20 issued on March 21, 2008).

**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 ¥83.15 = U.S.\$1, the approximate current rate at March 31, 2011, has been used for the purpose of presentation of the U.S.dollar amounts in the accompanying consolidated financial statements.

**3. Cash and cash equivalents**

Cash and cash equivalents comprise the following:

As of March 31	Millions of yen		Thousands of U.S.dollars
	2010	2011	2011
Cash and cash equivalents in the balance sheets	¥ 6,484	¥ 5,912	\$ 71,103
Deposits	6,253	7,285	87,612
Total	12,738	13,197	158,716
Time deposits	(2,000)	-	-
Cash and cash equivalents in the cash flow statements	10,738	13,197	158,716

**4. Investment securities**

Investment securities comprise the following:

	Millions of yen		Thousands of U.S.dollars
	2010	2011	2011
As of March 31			
Available-for-sale securities			
Acquisition cost	¥ 3,648	¥ 2,705	\$ 32,531
Fair value	3,624	2,559	30,782
Net unrealized gain	(23)	(145)	(1,748)

This consolidated fiscal year, the Company devaluated available-for-sale securities by 944 million yen.

	Millions of yen		Thousands of U.S.dollars
	2010	2011	2011
As of March 31			
Investments in unconsolidated subsidiaries and affiliates	¥ 106	¥ 106	\$ 1,286
Investments in non-public companies and others	476	633	7,623

**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
	2010	2011	2011
As of March 31			
Short-term debt:			
Unsecured	¥ -	¥ 9	\$ 110
Secured	-	-	-
Current portion of long-term bank loans	650	1,775	21,346
Net short-term debt	650	1,784	21,457

	Millions of yen		Thousands of U.S.dollars
	2010	2011	2011
As of March 31			
Long-term bank loans:			
Unsecured	¥ 2,530	¥ 2,280	\$ 27,420
Secured	317	-	-
Less current portion	650	1,775	21,346
Net long-term bank loans	2,196	505	6,073

**6. Bonds**

Bonds comprise the following:

	Millions of yen		Thousands of U.S.dollars
	2010	2011	2011
As of March 31			
Unsecured zero coupon convertible bonds in yen, due March 2012	¥ 4,500	¥ 4,500	\$ 54,119

**7. Contingent liabilities**

Contingent liabilities comprise the following:

	Millions of yen		Thousands of U.S.dollars
	2010	2011	2011
As of March 31			
Guarantee amounts	¥ 143	¥ 100	\$ 1,202

**8. Stock acquisition rights**

Stock acquisition rights comprise the following:

As of March 31	Millions of yen		Thousands of U.S.dollars
	2010	2011	2011
Stock acquisition rights as the stock options	¥ 74	¥ 138	\$ 1,665

**9. Research and development expenses**

Research and development expenses comprise the following:

As of March 31	Millions of yen			Thousands of U.S.dollars
	2009	2010	2011	2011
Selling, general and administrative expenses	¥ 1,293	¥ 1,679	¥ 1,659	\$ 19,959

## 1 0 . Segment information

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

### Measurement and control equipments:

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

### FPD assembling equipments:

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

**Real estate:** Estate for rent

### Business segments –

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

	Millions of yen					
	2011					
Year ended March 31	Measurement and control equipments	FPD assembling equipments	Real estate	Total	Adjustment	Consolidated
Sales to customers	¥ 41,802	¥ 3,801	¥ 371	¥ 45,975	-	¥ 45,975
Intersegment sales	26	-	112	138	(138)	-
Total sales	41,829	3,801	483	46,114	(138)	45,975
Operating income	3,472	168	170	3,811	14	3,825
Others						
Depreciation and amortization	1,796	85	112	1,993	-	1,993

	Thousands of U.S.dollars					
	2011					
Year ended March 31	Measurement and control equipments	FPD assembling equipments	Real estate	Total	Adjustment	Consolidated
Sales to customers	\$ 502,741	\$ 45,719	\$ 4,465	\$ 552,926	-	\$ 552,926
Intersegment sales	314	-	1,353	1,667	(1,667)	-
Total sales	503,055	45,719	5,819	554,594	(1,667)	552,926
Operating income	41,758	2,032	2,052	45,843	168	46,011
Others						
Depreciation and amortization	21,604	1,027	1,347	23,979	-	23,979

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

## Report of Independent Accountants

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**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, 2010 and 2011, 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, 2011, 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, 2010 and 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, in conformity with accounting principles generally accepted in Japan which were applied on a consistent basis.

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

*Hara Audit Corporation*

Tokyo, JAPAN  
June 29, 2011

## 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

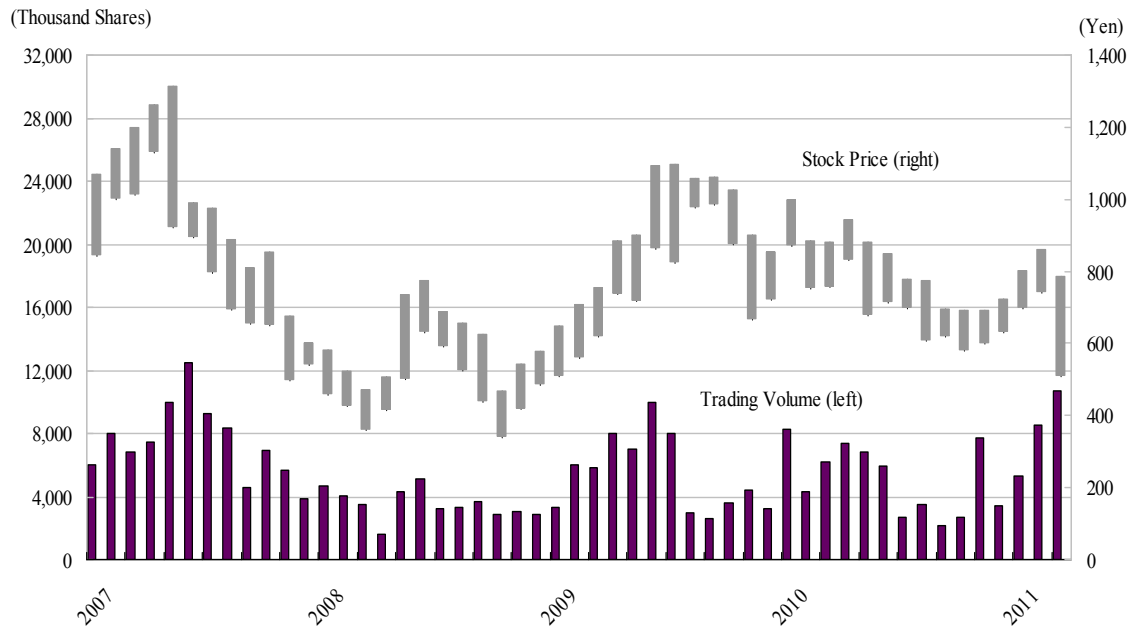
## Stock Information

( As of March 31, 2011 )

### Common Stock

Authorized	:	100,000,000
Issued	:	38,550,684
Number of Shareholders	:	4,793

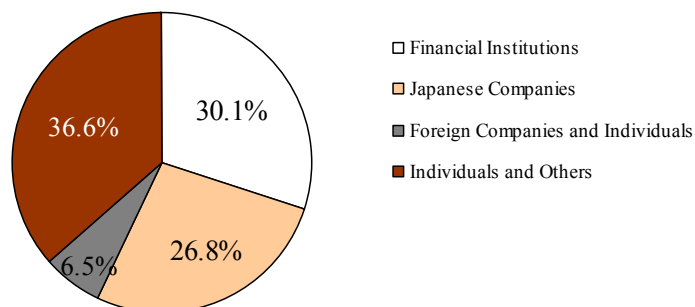
### Stock Price Range and Trading Volume (Tokyo Stock Exchange)



### Major Shareholders

	Number of shares	
	(Thousand shares)	(%)
Japan Trustee Services Bank, Ltd. (Trust Account)	1,810	4.8
The Tokyo Electric Power Company, Incorporated	1,779	4.7
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,552	4.1
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,475	3.9
Osaki Electric cooperation company share holding commission	1,205	3.2

### Breakdown of Shareholders



## Investor Information

( As of March 31, 2011 )

### 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

Sumio Takano

Kazuo Nemoto

##### **Directors**

Kuniaki Numazaki

Toshio Yamanaka

Satoshi Komazawa

Shigeru Mizuta

Hiroyuki Yokoi

Masakazu Ohata

Hisao Tobusawa

#### CORPORATE AUDITORS

##### **Standing Auditor**

Nobu Yoshino

##### **Auditors**

Kenichiro Takahashi

Tatsuo Abiru

Shigehiko Yamamoto

Notes:

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

### Corporate Data

#### **OSAKI ELECTRIC 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\$ 56 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 :

#### **OSAKI ELECTRIC COMPANY, LIMITED**

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