

OSI SYSTEMS INC
Form DEF 14A
September 30, 2004
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

OSI SYSTEMS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if Other than the Registrant)

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12525 Chadron Avenue

Hawthorne, California 90250

September 30, 2004

To Shareholders:

You are cordially invited to attend the Annual Meeting of Shareholders (the Annual Meeting) of OSI Systems, Inc. (the Company), which will be held at 10:00 a.m., local time, on November 8, 2004, at the executive offices of the Company, 12525 Chadron Avenue, Hawthorne, California 90250. All holders of the Company s outstanding common stock as of the close of business on September 24, 2004, are entitled to vote at the Annual Meeting. Enclosed is a copy of the Notice of Annual Meeting of Shareholders, Proxy Statement and Proxy.

We hope you will be able to attend the Annual Meeting. Whether or not you expect to attend, it is important that you complete, sign, date and return the Proxy in the enclosed envelope in order to make certain that your shares will be represented at the Annual Meeting.

Sincerely,

Victor S. Sze

Secretary

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12525 Chadron Avenue

Hawthorne, California 90250

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held November 8, 2004

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders (the "Annual Meeting") of OSI Systems, Inc., a California corporation (the "Company"), will be held at 10:00 a.m., local time, on November 8, 2004, at the executive offices of the Company, 12525 Chadron Avenue, Hawthorne, California 90250, for the following purposes:

1. To elect five directors to hold office for a one-year term and until their respective successors are elected and qualified.
2. To ratify the selection of Deloitte & Touche LLP as the Company's independent public accountants for the fiscal year ending June 30, 2005.
3. To amend the Company's Articles of Incorporation to increase the number of shares of common stock which the Company is authorized to issue, from 40,000,000 shares to 100,000,000 shares.
4. To ratify the Board of Directors' amendment to the 1997 Stock Option Plan.
5. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

A copy of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2004, containing consolidated financial statements, is included with this mailing.

The Board of Directors has fixed the close of business on September 24, 2004, as the record date for the determination of shareholders entitled to notice of and to vote at the Annual Meeting and all adjourned meetings thereof.

By Order of the Board of Directors

Victor S. Sze

Secretary

Dated: September 30, 2004

PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY IN THE RETURN ENVELOPE FURNISHED FOR THAT PURPOSE AS PROMPTLY AS POSSIBLE, WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING. IF YOU LATER DESIRE TO REVOKE YOUR PROXY FOR ANY REASON, YOU MAY DO SO IN THE MANNER DESCRIBED IN THE ATTACHED PROXY STATEMENT.

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OSI SYSTEMS, INC.

12525 Chadron Avenue

Hawthorne, California 90250

PROXY STATEMENT

GENERAL INFORMATION

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Board of Directors of OSI Systems, Inc. (the Company) for use at the Annual Meeting of Shareholders (the Annual Meeting or the Meeting), to be held at 10:00 a.m., local time, on November 8, 2004, at the executive offices at the Company, 12525 Chadron Avenue, Hawthorne, California 90250, and at any adjournment thereof. When such proxy is properly executed and returned, the shares it represents will be voted in accordance with any directions noted thereon. Any shareholder giving a proxy has the power to revoke it at any time before it is voted by written notice to the Secretary of the Company or by issuance of a subsequent proxy. In addition, a shareholder attending the Annual Meeting may revoke his or her proxy and vote in person if he or she desires to do so, but attendance at the Annual Meeting will not of itself revoke the proxy.

At the close of business on September 24, 2004, the record date for determining shareholders entitled to notice of and to vote at the Annual Meeting, the Company had issued and outstanding 16,245,310 shares of common stock, without par value (Common Stock). A majority of the shares outstanding on the record date will constitute a quorum for the transaction of business. Each share of Common Stock entitles the holder of record thereof to one vote on any matter coming before the Annual Meeting. In voting for directors, however, if any shareholder gives notice at the Annual Meeting prior to voting of an intention to cumulate votes, then each shareholder has the right to cumulate votes and to give any one or more of the nominees whose names have been placed in nomination prior to voting a number of votes equal to the number of directors to be elected (i.e., five) multiplied by the number of shares which the shareholder is entitled to vote. Unless the proxy holders are otherwise instructed, shareholders, by means of the accompanying proxy, will grant the proxy holders discretionary authority to cumulate votes. Only shareholders of record at the close of business on September 24, 2004 are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

The enclosed Proxy, when properly signed, also confers discretionary authority with respect to amendments or variations to the matters identified in the Notice of Annual Meeting and with respect to other matters which may be properly brought before the Annual Meeting. At the time of printing this Proxy Statement, management was not aware of any other matters to be presented for action at the Annual Meeting. If, however, other matters which are not now known to management should properly come before the Annual Meeting, the proxies hereby solicited will be exercised on such matters in accordance with the best judgment of the proxy holders.

Shares represented by executed and unrevoked proxies will be voted in accordance with the instructions contained therein or in the absence of such instructions, in accordance with the recommendations of the Board of Directors. Neither abstentions nor broker non-votes will be counted for the purposes of determining whether any of the proposals has been approved by the shareholders of the Company, although they will be counted for purposes of determining the presence of a quorum.

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In the election of directors, the candidates who receive the largest number of affirmative votes cast are elected as directors up to the maximum number of directors to be chosen at the Annual Meeting. Approval of the other proposals will require the affirmative vote of a majority of the shares of Common Stock present and voting at the Meeting.

The Company will pay the expenses of soliciting proxies for the Annual Meeting, including the cost of preparing, assembling and mailing the proxy solicitation materials. Proxies may be solicited personally, by mail, by e-mail, or by telephone, by directors, officers and regular employees of the Company who will not be additionally compensated therefore. It is anticipated that this Proxy Statement and accompanying Proxy will be mailed on or about October 8, 2004 to all shareholders entitled to vote at the Annual Meeting. A copy of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2004, containing consolidated financial statements, is included in this mailing.

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The matters to be considered and acted upon at the Annual Meeting are referred to in the preceding notice and are more fully discussed below.

ELECTION OF DIRECTORS*(Item 1 of the Proxy Card)***Nominees**

The Board of Directors consists of five members. At each annual meeting of shareholders, directors are elected for a term of one year to succeed those directors whose terms expire on the annual meeting date.

The five candidates nominated for election as directors at the Annual Meeting are Deepak Chopra, Ajay Mehra, Steven C. Good, Meyer Luskin and Chand R. Viswanathan. The enclosed Proxy will be voted in favor of these individuals unless other instructions are given. If elected, the nominees will serve as directors until the Company's Annual Meeting of Shareholders in 2005, and until their successors are elected and qualified. If any nominee declines to serve or becomes unavailable for any reason, or if a vacancy occurs before the election (although the Company knows of no reason to anticipate that this will occur), the proxies may be voted for such substitute nominees as the Board of Directors may designate.

If a quorum is present and voting, the five nominees for directors receiving the highest number of votes will be elected as directors. Abstentions and shares held by brokers that are present, but not voted because the brokers were prohibited from exercising discretionary authority, *i.e.*, broker non-votes, will be counted as present only for purposes of determining if a quorum is present.

The nominees for election as directors at this meeting are as follows:

| <u>Name</u> | <u>Age</u> | <u>Position</u> | <u>Director Since</u> |
|-------------------------|------------|---|-----------------------|
| Deepak Chopra | 53 | Chairman of the Board of Directors, Chief Executive Officer and President | 1987 |
| Ajay Mehra | 42 | Director, Executive Vice President, and President of Security Group | 1996 |
| Steven C. Good(1)(2)(3) | 62 | Director | 1987 |
| Meyer Luskin(1)(2)(3) | 78 | Director | 1990 |
| Chand R. Viswanathan(1) | 75 | Director | 2001 |

(1) Member of Audit Committee

(2) Member of Compensation Committee

(3) Member of Nominating Committee

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Deepak Chopra is the founder of the Company and has served as President, Chief Executive Officer and a Director since the Company's inception in May 1987. He has served as the Company's Chairman of the Board of Directors since February 1992. Mr. Chopra also serves as the President and Chief Executive Officer of the Company's major subsidiaries. From 1976 to 1979 and from 1980 to 1987, Mr. Chopra held various positions with ILC Technology, Inc. (ILC), a publicly-held manufacturer of lighting products, including serving as Chairman of the Board of Directors, Chief Executive Officer, President and Chief Operating Officer of its United Detector Technology division. In 1990, the Company acquired certain assets of ILC's United Detector Technology division. Mr. Chopra has also held various positions with Intel Corporation, TRW Semiconductors and RCA Semiconductors. Mr. Chopra holds a Bachelor of Science degree in Electronics and a Master of Science degree in Semiconductor Electronics.

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Ajay Mehra joined the Company as Controller in 1989 and served as Vice President and Chief Financial Officer from November 1992 until November 2002, when he was named the Company's Executive Vice President. Mr. Mehra became a Director in March 1996 and served as Secretary between March 1996 and November 2002. Mr. Mehra also serves as President of the Company's Security Group. Prior to joining the Company, Mr. Mehra held various financial positions with Thermador/Waste King, a household appliance company, Presto Food Products, Inc. and United Detector Technology. Mr. Mehra holds a Bachelor of Arts degree from the School of Business of the University of Massachusetts, Amherst and a Master of Business Administration degree from Pepperdine University.

Steven C. Good has served as a Director of the Company since September 1987. He is a Senior Partner in the accounting firm of Good, Swartz, Brown & Berns, which he founded in 1976, and has been active in consulting and advisory services for businesses in various sectors including the manufacturing, garment, medical services and real estate development industries. Mr. Good founded California United Bancorp and served as its Chairman through 1993. In 1997, Mr. Good was elected as a Director of Arden Realty Group, Inc., a publicly-held Real Estate Investment Trust listed on the New York Stock Exchange. Since October 1997, Mr. Good has also served as a Director of Big Dogs, Inc., a publicly held corporation listed on NASDAQ. Mr. Good holds a Bachelor of Science degree in Business Administration from the University of California, Los Angeles and attended its Graduate School of Business.

Meyer Luskin has served as a Director of the Company since February 1990. Since 1961, Mr. Luskin has served as the President, Chief Executive Officer and Chairman of the board of directors of Scope Industries, a publicly-held company listed on the American Stock Exchange, which is engaged in the business of recycling and processing food waste products into animal feed. Mr. Luskin has also served as a Director of Scope Industries since 1958 and currently serves as a Director of Stamet, Inc., an industrial solid pump manufacturer, Chromagen, Inc., a biotechnology company, Alerion Biomedical, Inc. a biotechnology company, and Myricom, Inc. a computer and network infrastructure company. Mr. Luskin holds a Bachelor of Arts degree from the University of California, Los Angeles, and a Master of Business Administration degree from Stanford University.

Chand R. Viswanathan has served as a Director of the Company since June 2001. Dr. Viswanathan has been a Professor of Electrical Engineering on the faculty of the University of California, Los Angeles since 1974 and a member of the faculty of that department since 1962. He served as the Chairman of the department from 1979 to 1985.

Retirement from the Board of Directors

Madan G. Syal retired as a Director of the Company on June 30, 2004. He had been a Director of the Company since the Company's inception in May 1987. From May 1987 until February 1992, he served as Secretary of the Company. Mr. Syal has accepted an invitation by the Company to continue his involvement with the Company as a member of OSI Systems' Healthcare Group's Advisory Committee, which is currently being formed.

Relationships Among Directors or Executive Officers

There are no arrangements or understandings known to the Company between any of the directors or nominees for director of the Company and any other person pursuant to which any such person was or is to be elected a director.

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Ajay Mehra is the first cousin of Deepak Chopra. Other than this relationship, there are no family relationships among the directors or Named Executive Officers of the Company (for a list of Named Executive Officers, See Information Concerning Management, Compensation and Stock Ownership Executive Compensation).

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Board of Directors Meetings and Committees of the Board of Directors

There were six meetings of the Board of Directors and the Board of Directors acted pursuant to unanimous written consent on two additional occasions during the fiscal year ended June 30, 2004. The Board of Directors has established an Audit Committee, Compensation Committee, Executive Committee, and Nominating Committee. The members of each committee are appointed by the majority vote of the Board of Directors. No director attended fewer than 75% of the aggregate number of meetings held by the Board of Directors and all committees on which such director served.

The Board of Directors has determined that each of the directors, except Deepak Chopra and Ajay Mehra, is independent within the meaning of the rules and regulations of the Securities and Exchange Commission (SEC) and the Nasdaq Stock Market, Inc. (NASDAQ) director independence standards (Listing Standards), as currently in effect. Furthermore, the Board of Directors has determined that each of the members of each of the committees of the Board of Directors is independent within the meaning of the rules and regulations of the SEC and the NASDAQ Listing Standards, as currently in effect.

Audit Committee

The Company has a separately designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act). The Audit Committee makes recommendations for selection of the Company's independent public accountants, reviews with the independent public accountants the plans and results of the audit engagement, approves professional services provided by the independent public accountants, reviews the independence of the independent public accountants, considers the range of audit and any non-audit fees, and reviews the financial statements of the Company and the adequacy of the Company's internal accounting controls and financial management practices.

The Audit Committee consists of Messrs. Good, Luskin and Viswanathan. The Board of Directors has determined that, based upon his prior work experience and his tenure and experience on the Company's Audit Committee, Mr. Good qualifies as an Audit Committee Financial Expert as this term has been defined under the rules and regulations of the SEC. To date, no determination has been made as to whether the other members of the Audit Committee also qualify as Audit Committee Financial Experts. There were seven meetings of the Audit Committee during the fiscal year ended June 30, 2004. See *Report of the Audit Committee*.

The charter of the Audit Committee is attached to this Proxy Statement as Appendix A.

Compensation Committee

The Compensation Committee is responsible for determining compensation for the Company's executive officers, reviewing and approving executive compensation policies and practices, and providing advice and input to the Board of Directors in the administration of the Company's stock option plans. The Compensation Committee engages and consults with independent compensation consultants in the performance of its duties. The Compensation Committee consists of Messrs. Good and Luskin. There were two meetings of the Compensation Committee during the fiscal year ended June 30, 2004. See *Report of the Compensation Committee*.

Executive Committee

In January 2004, the Board of Directors formed an Executive Committee whose members convene for the purpose of advising and consulting with the Company's management regarding potential acquisitions, mergers and strategic alliances between the Company and third parties. The Executive Committee consists of Messrs. Good and Luskin.

Nominating Committee

In June 2004, the Board of Directors formed a Nominating Committee for the purpose of evaluating nominations for new members of the Board of Directors. The Nominating Committee consists of Messrs. Good and Luskin. There were no meetings of the Nominating Committee during the fiscal year ended June 30, 2004.

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The Nominating Committee will consider candidates based upon their business and financial experience, personal characteristics, expertise that is complementary to the background and experience of other Board of Directors members, willingness to devote the required amount of time to carrying out the duties and responsibilities of membership on the Board of Directors, willingness to objectively appraise management performance, and any such other qualifications the Nominating Committee deems necessary to ascertain the candidates ability to serve on the Board of Directors. The Charter of the Nominating Committee is attached to this Proxy Statement as Appendix B.

Director Nomination Process

The Nominating Committee will consider director candidates recommended by shareholders. Shareholders who wish to submit names of candidates for election to the Board of Directors must do so in writing. The recommendation should be sent to the following address: c/o Secretary, OSI Systems, Inc., 12525 Chadron Avenue, Hawthorne, CA 90250. The Company's Secretary will, in turn, forward the recommendation to the Nominating Committee. The recommendation should include the following information:

A statement that the writer is a shareholder and is proposing a candidate for consideration by the Nominating Committee;

The name and contact information for the candidate;

A statement of the candidate's occupation and background, including education and business experience;

Information regarding each of the factors listed above, sufficient to enable the committee to evaluate the candidate;

A statement detailing (i) any relationship or understanding between the candidate and the Company, or any customer, supplier, competitor, or affiliate of the Company, and (ii) any relationship or understanding between the candidate and the shareholder proposing the candidate for consideration, or any affiliate of such shareholder; and

A statement that the candidate is willing to be considered for nomination by the committee and willing to serve as a director if nominated and elected.

Shareholders must also comply with all requirements of the Company's bylaws, a copy of which is available from our Secretary upon written request, with respect to nomination of persons for election to the Board of Directors. The Company may also require any proposed nominee to furnish such other information as the Company or the committee may reasonably require to determine the eligibility of the nominee to serve as a director. In performing its evaluation and review, the committee generally does not differentiate between candidates proposed by shareholders and other proposed nominees, except that the committee may consider, as one of the factors in its evaluation of shareholder recommended candidates, the size and duration of the interest of the recommending shareholder or shareholder group in the equity of the Company.

To date, the Nominating Committee has not retained or paid any third party to identify or evaluate, or assist in identifying or evaluating, potential director nominees, although it may do so in the future. The Nominating Committee (and prior to its formation, the Board of Directors) did not receive any shareholder recommendations for nomination to the Board of Directors in connection with this year's Annual Meeting, and this year's nominees for director are all currently directors of the Company. Shareholders wishing to submit nominations for next year's annual meeting of shareholders must notify us of their intent to do so on or before the date on which shareholder proposals to be included in the proxy statement for the shareholder meeting must be received by the Company. For details see Shareholder Proposals.

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Annual Meeting Attendance

The Company has adopted a formal policy with regard to directors' attendance at annual meetings of shareholders. All members of the Board of Directors of the Company are strongly encouraged to prepare for, attend and participate in all annual meetings of shareholders. All of the Company's directors attended the 2003 annual meeting of shareholders in person.

Shareholder Communications

Shareholders interested in communicating directly with the Board of Directors, or specified individual directors, may do so by writing the Secretary of the Company at the following address: c/o Secretary, OSI Systems, Inc., 12525 Chadron Avenue, Hawthorne, CA 90250. The Secretary will review all such correspondence and will regularly forward to the Board of Directors copies of all such correspondence that, in the opinion of the Secretary, deals with the functions of the Board of Directors or committees thereof or that he otherwise determines requires their attention. Directors may at any time review a log of all correspondence received that is addressed to members of the Board of Directors and request copies of such correspondence. Concerns relating to accounting, internal controls or auditing matters will immediately be brought to the attention of the Audit Committee and handled in accordance with procedures established by the Audit Committee with respect to such matters.

Director Compensation

Each non-employee director receives a fee of \$7,500 per year, \$1,500 for each Board of Directors or committee meeting attended, and options to purchase 5,000 shares of the Company's Common Stock at an exercise price equal to 100% of fair market value as of the date of grant. Each member of the Executive Committee also receives a fee of \$10,000 per year. In addition, options to purchase 5,000 shares of Common Stock at an exercise price equal to 100% of fair market value as of the date of grant, are granted to each member of the Executive Committee and each member of the Compensation Committee. These options vest in three installments: 25% on the first anniversary of the grant date, 25% on the second anniversary, and the balance on the third anniversary, conditioned upon continued service as a director of the Company. The directors also are reimbursed for expenses incurred in connection with the performance of their services as directors.

Code of Ethics

The Company has adopted a Code of Ethics and Conduct, which code applies to all of its directors, officers and employees. A copy of the Code of Ethics and Conduct may be obtained, without charge, upon written request addressed to the following address, c/o Secretary, OSI Systems, Inc., 12525 Chadron Avenue, Hawthorne, CA 90250.

The Board of Directors unanimously recommends that you vote FOR the election of each of Deepak Chopra, Ajay Mehra, Steven C. Good, Meyer Luskin and Chand R. Viswanathan as directors of the Company. Holders of proxies solicited by this Proxy Statement will vote the proxies received by them as directed on the Proxy or, if no direction is made, for each of the above-named nominees. The election of directors requires a plurality of the votes cast by the holders of the Company's Common Stock present and voting at the Meeting.

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RATIFICATION OF INDEPENDENT PUBLIC ACCOUNTANTS

(Item 2 of the Proxy Card)

The Audit Committee of the Board of Directors has selected Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, the Deloitte Entities or Deloitte) as the Company's independent public accountant for the fiscal year ending June 30, 2005, and has further directed that management submit the selection of independent public accountants for ratification by the stockholders at the Annual Meeting. Deloitte has no financial interest in the Company and neither it nor any employee of Deloitte has had any connection with the Company in the capacity of promoter, underwriter, voting trustee, director, officer or employee. A representative of Deloitte is expected to be present at the Annual Meeting.

In the event the stockholders fail to ratify the selection of Deloitte, the Audit Committee will reconsider whether or not to retain the firm. Even if the selection is ratified, the Audit Committee and the Board of Directors in their discretion may direct the appointment of a different independent public accounting firm at any time during the year if they determine that such a change would be in the best interests of the Company and its shareholders.

Audit Fees

The aggregate fees billed for the audit of the Company's annual financial statements for the fiscal years ended June 30, 2004 and 2003 for the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q were \$1,138,000 and \$405,000, respectively. For the fiscal year ended June 30, 2004, these fees included \$529,000 related to the audit of the opening balance sheet of a completed acquisition.

Audit-Related Fees

The aggregate fees billed for audit-related services for the fiscal years ended June 30, 2004 and 2003 were \$40,000 and \$188,000, respectively. For the fiscal year ended June 30, 2004, these fees related to due diligence/consultation services in connection with completed acquisitions of \$24,000, Sarbanes-Oxley 404 advisory fees of \$9,000, and pension plan audits of \$7,000. For the fiscal year ended June 30, 2003, these fees related to due diligence/consultation services in connection with potential and completed acquisitions of \$164,000, consents related to SEC registration statements of \$18,000 and employee benefit plans of \$6,000.

Tax Fees

The aggregate fees billed for tax services for the fiscal years ended June 30, 2004 and 2003 were \$428,000 and \$225,000, respectively. For the fiscal years ended June 30, 2004 and 2003, these fees related to U.S. and international tax return compliance and advisory services.

All Other Fees

During the fiscal years ended June 30, 2004 and 2003, there were no fees for services not included in the above categories.

Audit Committee s Pre-Approval Policy

The Audit Committee pre-approves all audit, audit-related and tax services (other than prohibited non-audit services) to be provided by the independent public accountants. The Audit Committee has delegated to its Chairman the authority to pre-approve all other services to be provided by the independent public accountants, up to an aggregate of \$50,000 each fiscal year. The Chairman reports each such pre-approval decision to the full Audit Committee at its next scheduled meeting.

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Independence

The Audit Committee has considered whether Deloitte's provision of services other than its audit of the Company's annual financial statement and its review of the Company's quarterly financial statements is compatible with maintaining such independent public accountant's independence and has determined that it is compatible.

The Board of Directors unanimously recommends that you vote FOR this proposal (Proposal 2 on the Proxy) to ratify the selection of the independent public accountants. Holders of proxies solicited by this Proxy Statement will vote the proxies received by them as directed on the Proxy or, if no direction is made, in favor of this proposal. In order to be adopted, this proposal must be approved by the affirmative vote of the holders of a majority of the shares of Common Stock present and voting at the Meeting.

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APPROVAL OF AMENDMENT TO ARTICLES OF INCORPORATION

(Item 3 of the Proxy Card)

The Board of Directors has adopted a resolution proposing an amendment of the Company's Amended and Restated Articles of Incorporation to increase the number of authorized shares of Common Stock of Company from 40,000,000 shares to 100,000,000 shares. As of June 30, 2004, the Company had 16,213,428 shares of Common Stock issued and outstanding. Following the end of fiscal year 2004, the Company repurchased 107,500 shares of Common Stock and now holds such shares in treasury. An additional 1,745,673 authorized and unissued shares were reserved for future issuance under the Company's stock plans, of which 1,652,887 authorized and unissued shares were covered by outstanding options and 92,786 authorized and unissued shares were available for future grant.

The Board of Directors believes that the authorized Common Stock available for issue is not sufficient to enable the Company to respond to potential business opportunities and to pursue important objectives designed to enhance shareholder value. The additional authorized shares will provide the Company with greater flexibility to use its capital stock, without further shareholder approval, for various purposes including, without limitation, expanding the Company's businesses and product lines through the acquisition of other businesses or products, stock dividends (including stock splits in the form of stock dividends), raising capital, providing equity incentives to employees, officers and directors and establishing strategic relationships with other companies. The Company currently does not have specific agreements or plans that would involve the issuance of the proposed additional authorized shares, although it intends to continue to consider transactions from time to time that may result in such issuances. The Company cannot assure the shareholders that any such transactions will be consummated on favorable terms or at all or, if consummated, that any such transaction will enhance shareholder value. The issuance of additional shares of Common Stock may have a dilutive effect on earnings per share and, for a shareholder who does not purchase additional shares to maintain his or her pro rata interest, on a shareholder's percentage voting power.

The authorized shares of Common Stock in excess of those issued or reserved will be available for issuance at such times and for such corporate purposes as the Board of Directors may deem advisable without further action by the Company's shareholders, except as may be required by applicable laws or the rules of any stock exchange or national securities association trading system on which the Common Stock may be listed or traded. Upon issuance, such shares will have the same rights as the outstanding shares of Common Stock. Holders of Common Stock do not have preemptive rights.

The additional shares of Common Stock that would become available for issuance if the proposal were adopted could also be used by the Company to oppose a hostile takeover attempt or delay or prevent changes in control or management of the Company. For example, without further shareholder approval, the Board of Directors could strategically sell shares of Common Stock in a private transaction to purchasers who would oppose a takeover or favor the current Board of Directors. Although this proposal to increase the authorized Common Stock has been prompted by business and financial considerations and not by the threat of any hostile takeover attempt (nor is the Board of Directors currently aware of any such attempts directed at the Company), nevertheless, shareholders should be aware that approval of the proposal could facilitate future efforts by the Company to deter or prevent changes in control of the Company, including transactions in which the shareholders might otherwise receive a premium for their shares over then current market prices.

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If the amendment is approved, then Article III(A) of the Company's Amended and Restated Articles would be amended to read as provided below. The only proposed change from the current Amended and Restated Articles of Incorporation is the number of shares of Common Stock that would be authorized for issuance:

Article III(A)

The total number of shares of stock which this corporation shall have authority to issue is 110,000,000, consisting of 100,000,000 shares of Common Stock and 10,000,000 shares of Preferred Stock.

The Board of Directors unanimously recommends that you vote FOR this proposal (Proposal 3 on the Proxy) to amend the Company's Articles of Incorporation to increase the number of shares of Common Stock from 40,000,000 shares to 100,000,000 shares. Holders of proxies solicited by this Proxy Statement will vote the proxies received by them as directed on the Proxy or, if no direction is made, in favor of this proposal. In order to be adopted, this proposal must be approved by the affirmative vote of the holders of a majority of the shares of Common Stock present and voting at the Meeting.

Table of Contents**RATIFICATION OF AMENDMENT OF 1997 STOCK OPTION PLAN***(Item 4 of the Proxy Card)***Summary and Purpose of the Amended Stock Option Plan**

The Company's 1997 Stock Option Plan (the "1997 Plan") is described below in Information Concerning Management, Compensation and Stock Ownership - Stock Option Plans. The Board of Directors has voted to amend the 1997 Plan to increase the number of shares of Common Stock for which options may be issued under the plan from 2,350,000 to 3,350,000. No other change in the plan is presently proposed. As of June 30, 2004, options to purchase 604,327 shares were exercised under the 1997 Plan and options to purchase 1,652,887 shares were outstanding under the 1997 Plan, leaving options to purchase only 92,786 shares of Common Stock authorized for issuance under the 1997 Plan. The Board of Directors believes that the proposed increase in the number of shares of Common Stock available for issuance as provided in the 1997 Plan will provide the Compensation Committee with greater flexibility in the administration of its incentive plan and is appropriate in light of the growth of the Company. The increase in the number of shares for which options may be issued under the 1997 Plan would represent approximately 6.2% of the issued and outstanding shares of Common Stock of the Company as of June 30, 2004.

Awards to be Granted to Certain Individuals and Groups

As of the date hereof, the Company cannot estimate the benefits or amounts required by Item 10 of this Schedule 14A with respect to the persons and groups specified in such Item resulting from the approval of the amendment to this 1997 Plan. The following table sets forth (a) the aggregate number of shares subject to option grants to certain individuals and groups under the 1997 Plan during the last fiscal year, which ended June 30, 2004, and (b) the average per share exercise price of such options.

| Name of Group | Number of Options Granted | Average Per Share Exercise Price |
|--|------------------------------|-------------------------------------|
| Named Executive Officers(1) | 170,000 | \$ 19.88 |
| All executive officers, as a group | 170,000 | \$ 19.88 |
| All directors who are not executive officers, as a group(2) | 40,000 | \$ 19.86 |
| All employees, including all current officers who are not executive officers, as a group | 245,765 | \$ 18.83 |

(1) The Named Executive Officers are set forth under Information Concerning Management, Compensation and Stock Ownership - Executive Compensation.

(2) The directors group includes Mr. Madan Syal who retired from the Board of Directors on June 30, 2004.

Table of Contents**Equity Compensation Plan Information**

The following table summarizes information, as of June 30, 2004, with respect to shares of the Company's Common Stock that may be issued under the Company's existing equity compensation plans.

| <u>Plan Category</u> | <u>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</u> | <u>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</u> | <u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A))</u> |
|--|--|--|--|
| Equity compensation plans approved by security holders | 1,652,887 | \$ 14.57 | 92,786 |
| Equity compensation plans not approved by security holders | | | |
| Total | 1,652,887 | \$ 14.57 | 92,786 |

The Board of Directors unanimously recommends that you vote FOR this proposal (Proposal 4 on the Proxy) to ratify the amendment of the Company's 1997 Stock Option Plan to increase the number of shares of Common Stock for which options may be issued under the plan from 2,350,000 to 3,350,000. Holders of proxies solicited by this Proxy Statement will vote the proxies received by them as directed on the Proxy or, if no direction is made, in favor of this proposal. In order to be adopted, this proposal must be approved by the affirmative vote of the holders of a majority of the shares of Common Stock present and voting at the Meeting.

Table of Contents**INFORMATION CONCERNING****MANAGEMENT, COMPENSATION AND STOCK OWNERSHIP****Executive Officers**

Anuj Wadhawan was named Chief Financial Officer and Treasurer of the Company in November 2002. From March 1991 to March 2000, Mr. Wadhawan held various accounting and finance-related positions with the Company and its subsidiaries, including Corporate Controller. In March 2000, Mr. Wadhawan became the Company's Vice President of Finance. Prior to joining the Company, Mr. Wadhawan held various finance positions with the Lighting Division of Phillips Electronics in India. Mr. Wadhawan holds a Bachelor of Science in Accounting from Punjab University in India, is a chartered accountant in India, and has passed the certified public accounting examinations in the United States.

Andreas F. Kotowski has served as Chief Technology Officer for Company's security and inspection systems subsidiaries since October 2000. Previously, since January 1993, he served as the President of U.S. Operations, General Manager and a Director of the Company's subsidiary, Rapiscan Security Products (U.S.A.), Inc. From September 1989 to January 1993, Mr. Kotowski was self-employed as an engineering consultant, providing technical and management consulting services to businesses in the explosive detection and medical imaging industries. From 1979 to 1989, Mr. Kotowski held various positions with EG&G Astrophysics, including Vice President of Engineering and Chief Engineer, in which he was responsible for product planning, design, development and management. Prior to 1979, he worked as an Engineer at National Semiconductor Corporation and the Jet Propulsion Laboratory. Mr. Kotowski holds a Bachelor of Science degree in Electrical Engineering and a Bachelor of Science degree in Physics from California State Polytechnic University, Pomona, and a Master of Science degree in Electrical Engineering from Stanford University.

Victor S. Sze was named General Counsel, Vice President of Corporate Affairs of the Company in March 2002. In November 2002, Mr. Sze was appointed Secretary of the Company. From 1999 through November 2001, Mr. Sze served as in-house counsel to Interplay Entertainment Corp., a developer and worldwide publisher of interactive entertainment software, holding the title of Director of Corporate Affairs. Prior to joining Interplay Entertainment Corp., Mr. Sze practiced law with the firm of Wolf, Rifkin & Shapiro in Los Angeles. Mr. Sze holds a bachelors' degree in economics from the University of California, Los Angeles and a juris doctorate from Loyola Law School.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth the amount of shares of the Company beneficially owned as of June 30, 2004 by each person known by the Company to own beneficially more than 5% of the outstanding shares of the Company's outstanding Common Stock:

| <u>Name of Beneficial Owner(1)</u> | <u>Amount and Nature of Beneficial Ownership of Common Stock(2)</u> | <u>Percent of Class of Common Stock</u> |
|---|---|---|
| Deepak Chopra(3) | 1,220,640 | 7.4% |
| Essex Investment Management Co., LLC(4) | 1,302,312 | 8.0% |
| Wellington Management Company, LLP(5) | 1,638,342 | 10.1% |

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- (1) Except as otherwise noted, the address of each shareholder is c/o OSI Systems, Inc., 12525 Chadron Avenue, Hawthorne, CA 90250.
 - (2) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of Common Stock which are purchasable under options which are currently exercisable, or which will become exercisable no later than 60 days after June 30, 2004, are deemed outstanding for computing the percentage of the person holding such options but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote and subject to community property laws where applicable, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them.

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- (3) Includes 200,000 shares and 200,000 shares owned by The Deepika Chopra Trust UDT, dated July 17, 1987, and The Chandini Chopra Trust UDT, dated July 17, 1987, respectively. Deepak Chopra is the co-trustee of both irrevocable trusts. Of the balance of such shares, 588,815 shares are held jointly by Mr. Chopra and his wife, Nandini Chopra, and 16,825 shares are held individually by Mr. Chopra. Includes 215,000 shares issuable pursuant to options which become exercisable no later than 60 days after June 30, 2004. Mr. Chopra is the Chairman of the Board of Directors, Chief Executive Officer and President of the Company.
- (4) As reported in a Schedule 13G filed with the SEC by Essex Investment Management Co. Inc., whose address was reported as 125 High Street, South Boston, MA 02110.
- (5) As reported in a Schedule 13G filed with the SEC by Wellington Management Company, LLP, whose address was reported as 75 State St., Boston, MA 02109.

The following table sets forth the amount of shares of the Company beneficially owned as of June 30, 2004 by each director of the Company, each Named Executive Officer (see Information Concerning Management, Compensation and Stock Ownership Executive Compensation), and all directors and executive officers as a group:

| Name of Beneficial Owner(1) | Amount and Nature of Beneficial Ownership of | Percent of Class |
|---|---|------------------|
| | Common Stock(2) | of Common Stock |
| Deepak Chopra(3) | 1,220,640 | 7.4% |
| Ajay Mehra(4) | 170,964 | 1.0% |
| Anuj Wadhawan(5) | 34,185 | 0.2% |
| Andreas F. Kotowski(6) | 81,518 | 0.5% |
| Victor S. Sze(7) | 3,000 | 0.0% |
| Steven C. Good(8) | 20,000 | 0.1% |
| Meyer Luskin(9) | 72,410 | 0.4% |
| Madan Syal(10) | 67,750 | 0.4% |
| Chand R. Viswanathan(11) | 8,750 | 0.1% |
| All directors and executive officers as a group (9 persons)(3)(4)(5)(6)(7)(8)(9)(10)(11) | 1,654,217 | 9.9% |

* Less than 1%.

- (1) Except as noted otherwise, the address of each shareholder is c/o OSI Systems, Inc., 12525 Chadron Avenue, Hawthorne, CA 90250.
- (2) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of Common Stock which are purchasable under options which are currently exercisable, or which will become exercisable no later than 60 days after June 30, 2004, are deemed outstanding for computing the percentage of the person holding such options but are not deemed outstanding for computing the percentage of any other person. Except as indicated by footnote and subject to community property laws where applicable, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them.
- (3) Includes 200,000 shares and 200,000 shares owned by The Deepika Chopra Trust UDT, dated July 17, 1987, and The Chandini Chopra Trust UDT, dated July 17, 1987, respectively. Deepak Chopra is the co-trustee of both irrevocable trusts. Of the balance of such shares, 588,815 shares are held jointly by Mr. Chopra and his wife, Nandini Chopra, and 16,825 shares are held individually by Mr. Chopra. Includes 215,000 shares issuable pursuant to options which become exercisable no later than 60 days after June 30, 2004. Mr. Chopra is the Chairman of the Board of Directors, Chief Executive Officer and President of the Company.
- (4) Includes 81,250 shares issuable pursuant to options which become exercisable no later than 60 days after June 30, 2004. Mr. Mehra is the Executive Vice President and a Director of the Company and President of the OSI Security Group.
- (5) Includes 27,935 shares issuable pursuant to options which become exercisable no later than 60 days after June 30, 2004. Mr. Wadhawan is the Chief Financial Officer of the Company.

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- (6) Includes 24,000 shares issuable pursuant to options which become exercisable no later than 60 days after June 30, 2004. Mr. Kotowski is the Chief Technology Officer of the Company.
- (7) Includes 2,500 shares issuable pursuant to options which become exercisable no later than 60 days after June 30, 2004. Mr. Sze is the General Counsel, Vice President of Corporate Affairs and Secretary of the Company.
- (8) Includes 15,000 shares issuable pursuant to options which become exercisable no later than 60 days after June 30, 2004. Includes 5,000 shares owned for Mr. Good's benefit by the Good, Swartz & Berns Pension & Profit Sharing Plan, of which Mr. Good is a co-trustee and in which he participates. Mr. Good is a Director of the Company. The address of Mr. Good is 11755 Wilshire Boulevard, 17th Floor, Los Angeles, CA 90025.
- (9) Includes 12,910 shares held by the Meyer and Doreen Luskin Family Trust. Includes 25,000 shares owned by Scope Industries. Mr. Luskin is the Chairman of the Board, President and Chief Executive Officer of Scope Industries. Includes 34,500 shares issuable pursuant to options which become exercisable no later than 60 days after June 30, 2004. Mr. Luskin is a Director of the Company. The address of Mr. Luskin is c/o Scope Industries, 233 Wilshire Boulevard, Suite 310, Santa Monica, CA 90401.
- (10) Includes 18,750 shares issuable pursuant to options which become exercisable no later than 60 days after June 30, 2004. On June 30, 2004, Mr. Syal retired as a Director of the Company.
- (11) Includes 8,750 shares issuable pursuant to options which become exercisable no later than 60 days after June 30, 2004. Mr. Viswanathan is a Director of the Company.

Executive Compensation

The following table sets forth the compensation for the Chief Executive Officer, each of the four most highly compensated executive officers whose individual remuneration exceeded \$100,000 for the fiscal year ended June 30, 2004, and up to two additional individuals for whom disclosure would have been provided but for the fact that the individual was not serving as an executive officer of the Company at th