

## Financial Report for the Fiscal Year Ended December 31, 2009 (Consolidated)

### OTSUKA CORPORATION (URL: <http://www.otsuka-shokai.co.jp>)

Listing: The First Section of Tokyo Stock Exchange, Code 4768

Representative: Yuji Otsuka, President & Chief Executive Officer

Contact: Youichi Harada, Managing Director & Senior Executive Operating Officer

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Scheduled date of Ordinary General Meeting of Shareholders: March 26, 2010

Scheduled date to commence dividend payments: March 29, 2010

Scheduled date to file Securities Report: March 26, 2010

(All amounts less than one million yen are rounded down)

#### 1. Financial Results for the Fiscal Year 2009 (From January 1, 2009 to December 31, 2009)

##### (1) Results of operations (Percentages indicate changes from the same period of the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year 2009	429,927	(8.0)	16,094	(40.6)	16,427	(40.5)	8,782	(38.9)
Fiscal Year 2008	467,154	(0.5)	27,089	(9.9)	27,628	(9.5)	14,371	(23.8)

	Net income per share	Diluted net income per share	Net income to equity	Ordinary income to total assets	Operating income to net sales
	yen	yen	%	%	%
Fiscal Year 2009	277.92	277.82	8.8	8.3	3.7
Fiscal Year 2008	454.76	454.53	15.6	13.9	5.8

Reference) Equity in net income (loss) of unconsolidated subsidiaries and affiliates

Fiscal Year 2009: 1 million yen;

Fiscal Year 2008: 18 million yen

##### (2) Financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
December 31, 2009	198,076	102,779	51.4	3,219.46
December 31, 2008	196,946	97,790	49.2	3,065.54

Reference) Equity:

As of December 31, 2009: 101,740 million yen; As of December 31, 2008: 96,876 million yen

##### (3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal Year 2009	15,982	(4,927)	(5,417)	32,806
Fiscal Year 2008	13,347	(6,960)	(4,591)	27,169

## 2. Dividends

	Dividends per share					Total dividend payments (total)	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Total			
	yen	yen	yen	yen	yen	Millions of yen	%	%
Fiscal Year 2008	–	0.00	–	130.00	130.00	4,108	28.6	4.5
Fiscal Year 2009	–	0.00	–	130.00	130.00	4,108	46.8	4.1
Fiscal Year 2010 (forecast)	–	0.00	–	130.00	130.00		44.8	

## 3. Financial Forecasts for the Fiscal Year 2010 (From January 1, 2010 to December 31, 2010)

(Percentages indicate changes from the same period of the previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Six months ending June 30, 2010	234,600	2.8	11,100	0.1	11,340	0.8	6,230	(1.9)	197.14
Full-Year	451,000	4.9	16,700	3.8	17,000	3.5	9,160	4.3	289.86

Note) The above forecasts are based on the information available as of the date on which these materials were released.

Actual results are subject to change due to various future events and may differ from these figures.

## 4. Others

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): No
  
- (2) Changes in accounting policies, procedures, and methods of presentation for preparing the consolidated financial statements (changes described in the section indicating changes in significant matters forming the basis of preparing the consolidated financial statements)
  - 1) Changes due to revisions to accounting standards and other regulations: Yes
  - 2) Changes due to other reasons: No
  
- (3) Number of shares issued (common stock)
  - 1) Number of shares issued at the end of the period (including treasury stock):
 

As of December 31, 2009:	31,667,020 shares
As of December 31, 2008:	31,667,020 shares
  - 2) Number of treasury shares at the end of the period:
 

As of December 31, 2009:	65,425 shares
As of December 31, 2008:	65,342 shares

**\*This financial report is an abridged translation from the Japanese "Kessan Tanshin," which has been prepared in accordance with accounting principles generally accepted in Japan, for reference purpose only.**

## Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2008	As of December 31, 2009
<b>Assets</b>		
Current assets		
Cash and deposits	21,544	27,716
Notes and accounts receivable-trade	71,843	70,540
Short-term investment securities	4,996	4,998
Inventories	16,526	–
Merchandise	–	14,191
Work in process	–	1,179
Raw materials and supplies	–	1,065
Deferred tax assets	2,341	2,740
Other	12,198	11,757
Allowance for doubtful accounts	(271)	(459)
<b>Total current assets</b>	<b>129,178</b>	<b>133,729</b>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	62,244	62,121
Accumulated depreciation and impairment loss	(35,339)	(36,721)
<b>Buildings and structures, net</b>	<b>26,905</b>	<b>25,399</b>
Land	16,727	17,193
Construction in progress	49	90
Other	13,659	14,197
Accumulated depreciation and impairment loss	(9,639)	(10,616)
<b>Other, net</b>	<b>4,020</b>	<b>3,580</b>
<b>Total property, plant and equipment</b>	<b>47,702</b>	<b>46,264</b>
Intangible assets		
Software	4,922	5,486
Other	163	118
<b>Total intangible assets</b>	<b>5,085</b>	<b>5,604</b>
Investments and other assets		
Investment securities	6,355	5,824
Guarantee deposits	3,285	3,281
Long-term prepaid expenses	2,421	1,307
Deferred tax assets	1,360	1,227
Other	2,489	1,910
Allowance for doubtful accounts	(932)	(1,037)
Allowance for investment loss	–	(34)
<b>Total investments and other assets</b>	<b>14,979</b>	<b>12,478</b>
<b>Total noncurrent assets</b>	<b>67,767</b>	<b>64,347</b>
<b>Total assets</b>	<b>196,946</b>	<b>198,076</b>

(Millions of yen)

	As of December 31, 2008	As of December 31, 2009
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	62,626	63,490
Short-term loans payable	9,540	8,340
Lease obligations	–	67
Income taxes payable	5,297	2,516
Advances received	5,053	4,812
Provision for bonuses	2,498	2,398
Other	10,864	10,667
<b>Total current liabilities</b>	<b>95,880</b>	<b>92,293</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	90	50
Lease obligations	–	226
Deferred tax liabilities	671	93
Deferred tax liabilities for land revaluation	216	216
Provision for retirement benefits	1,514	1,641
Provision for directors' retirement benefits	530	483
Other	253	291
<b>Total noncurrent liabilities</b>	<b>3,275</b>	<b>3,004</b>
<b>Total liabilities</b>	<b>99,155</b>	<b>95,297</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	85,652	89,307
Treasury stock	(122)	(123)
<b>Total shareholders' equity</b>	<b>112,159</b>	<b>115,813</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	429	380
Revaluation reserve for land	(15,574)	(14,331)
Foreign currency translation adjustment	(137)	(122)
<b>Total valuation and translation adjustments</b>	<b>(15,282)</b>	<b>(14,073)</b>
Minority interests	913	1,039
<b>Total net assets</b>	<b>97,790</b>	<b>102,779</b>
<b>Total liabilities and net assets</b>	<b>196,946</b>	<b>198,076</b>

## **Consolidated Statements of Income**

(Millions of yen)

	Fiscal Year 2008 (Year ended December 31, 2008)	Fiscal Year 2009 (Year ended December 31, 2009)
Net sales	467,154	429,927
Cost of sales	359,754	335,436
Gross profit	107,399	94,490
Selling, general and administrative expenses	80,310	78,396
Operating income	27,089	16,094
Non-operating income		
Interest income	62	41
Interest on securities	23	27
Dividends income	87	82
House rent income	219	215
Equity in earnings of affiliates	18	1
Foreign exchange gains	103	27
Other	208	204
Total non-operating income	723	599
Non-operating expenses		
Interest expenses	148	120
Loss on investments in partnership	34	61
Provision of allowance for doubtful accounts	-	82
Other	1	2
Total non-operating expenses	184	266
Ordinary income	27,628	16,427
Extraordinary income		
Gain on sales of noncurrent assets	7	-
Gain on sales of investment securities	12	415
Reversal of allowance for doubtful accounts	22	0
Gain on change in equity	-	5
Other	-	0
Total extraordinary income	42	422
Extraordinary loss		
Loss on sales of noncurrent assets	18	43
Loss on retirement of noncurrent assets	1,090	87
Impairment loss	275	292
Loss on valuation of investment securities	284	81
Provision of allowance for doubtful accounts	50	70
Provision of allowance for investment loss	-	34
Loss on change in equity	17	-
Other	-	2
Total extraordinary losses	1,736	611
Income before income taxes and minority interests	25,934	16,237

(Millions of yen)

	Fiscal Year 2008 (Year ended December 31, 2008)	Fiscal Year 2009 (Year ended December 31, 2009)
Income taxes-current	11,212	7,861
Income taxes-deferred	117	(602)
Total income taxes	11,329	7,259
Minority interests in income	233	195
Net income	14,371	8,782

## **Consolidated Statements of Changes in Net Assets**

(Millions of yen)

	Fiscal Year 2008 (Year ended December 31, 2008)	Fiscal Year 2009 (Year ended December 31, 2009)
<b>Shareholders' equity</b>		
<b>Capital stock</b>		
Balance at the end of previous period	10,374	10,374
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	10,374	10,374
<b>Capital surplus</b>		
Balance at the end of previous period	16,254	16,254
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	16,254	16,254
<b>Retained earnings</b>		
Balance at the end of previous period	75,389	85,652
Changes of items during the period		
Dividends from surplus	(4,108)	(4,108)
Net income	14,371	8,782
Reversal of revaluation reserve for land	–	(1,019)
Total changes of items during the period	10,263	3,654
Balance at the end of current period	85,652	89,307
<b>Treasury stock</b>		
Balance at the end of previous period	(120)	(122)
Changes of items during the period		
Purchase of treasury stock	(2)	(0)
Total changes of items during the period	(2)	(0)
Balance at the end of current period	(122)	(123)
<b>Total shareholders' equity</b>		
Balance at the end of previous period	101,899	112,159
Changes of items during the period		
Dividends from surplus	(4,108)	(4,108)
Net income	14,371	8,782
Reversal of revaluation reserve for land	–	(1,019)
Purchase of treasury stock	(2)	(0)
Total changes of items during the period	10,260	3,654
Balance at the end of current period	112,159	115,813

(Millions of yen)

	Fiscal Year 2008 (Year ended December 31, 2008)	Fiscal Year 2009 (Year ended December 31, 2009)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	982	429
Changes of items during the period		
Net changes of items other than shareholders' equity	(553)	(48)
Total changes of items during the period	(553)	(48)
Balance at the end of current period	429	380
Revaluation reserve for land		
Balance at the end of previous period	(15,574)	(15,574)
Changes of items during the period		
Net changes of items other than shareholders' equity	–	1,243
Total changes of items during the period	–	1,243
Balance at the end of current period	(15,574)	(14,331)
Foreign currency translation adjustment		
Balance at the end of previous period	(47)	(137)
Changes of items during the period		
Net changes of items other than shareholders' equity	(90)	15
Total changes of items during the period	(90)	15
Balance at the end of current period	(137)	(122)
Total valuation and translation adjustments		
Balance at the end of previous period	(14,639)	(15,282)
Changes of items during the period		
Net changes of items other than shareholders' equity	(643)	1,209
Total changes of items during the period	(643)	1,209
Balance at the end of current period	(15,282)	(14,073)
Minority interests		
Balance at the end of previous period	741	913
Changes of items during the period		
Net changes of items other than shareholders' equity	172	125
Total changes of items during the period	172	125
Balance at the end of current period	913	1,039



(Millions of yen)

	Fiscal Year 2008 (Year ended December 31, 2008)	Fiscal Year 2009 (Year ended December 31, 2009)
Total net assets		
Balance at the end of previous period	88,000	97,790
Changes of items during the period		
Dividends from surplus	(4,108)	(4,108)
Net income	14,371	8,782
Reversal of revaluation reserve for land	—	(1,019)
Purchase of treasury stock	(2)	(0)
Net changes of items other than shareholders' equity	(470)	1,334
Total changes of items during the period	9,789	4,989
Balance at the end of current period	97,790	102,779

## Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal Year 2008 (Year ended December 31, 2008)	Fiscal Year 2009 (Year ended December 31, 2009)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	25,934	16,237
Depreciation and amortization	6,012	5,939
Impairment loss	275	292
Increase (decrease) in allowance for doubtful accounts	131	293
Interest income, interest income on securities, and dividends income	(173)	–
Interest and dividends income	–	(123)
Interest income on securities	–	(27)
Interest expenses	148	120
Equity in (earnings) losses of affiliates	(18)	(1)
Gain on sales of noncurrent assets	(7)	–
Loss on sales of and retirement of noncurrent assets	961	–
Loss (gain) on sales of noncurrent assets	–	43
Loss on retirement of noncurrent assets	–	84
Decrease (increase) in notes and accounts receivable-trade	3,511	1,247
Decrease (increase) in inventories	397	73
Increase (decrease) in notes and accounts payable-trade	(7,298)	944
Loss (gain) on sales of investment securities	(12)	(415)
Loss (gain) on valuation of investment securities	284	81
Increase (decrease) in allowance for investment loss	–	34
Loss (gain) on change in equity	17	(5)
Increase (decrease) in provision for retirement benefits	486	1,235
Other, net	(2,876)	438
Subtotal	27,773	26,492
Interest and dividends income received	202	179
Interest expenses paid	(148)	(122)
Income taxes paid	(14,479)	(10,567)
Net cash provided by (used in) operating activities	13,347	15,982

(Millions of yen)

	Fiscal Year 2008 (Year ended December 31, 2008)	Fiscal Year 2009 (Year ended December 31, 2009)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(2,812)	(2,278)
Proceeds from sales of property, plant and equipment	292	11
Purchase of software	(2,702)	(3,167)
Purchase of investment securities	(1,293)	(104)
Proceeds from sales of investment securities	112	841
Payments of long-term loans receivable	(355)	(124)
Collection of long-term loans receivable	92	166
Other, net	(294)	(271)
Net cash provided by (used in) investing activities	(6,960)	(4,927)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	2,200	(1,200)
Repayment of long-term loans payable	(2,621)	(40)
Cash dividends paid	(4,107)	(4,107)
Other, net	(63)	(70)
Net cash provided by (used in) financing activities	(4,591)	(5,417)
Effect of exchange rate change on cash and cash equivalents	–	0
Net increase (decrease) in cash and cash equivalents	1,794	5,636
Cash and cash equivalents at beginning of period	25,374	27,169
Cash and cash equivalents at end of period	27,169	32,806

## Segment Information

### Information by Business Segment

Fiscal Year 2008 (Year ended December 31, 2008)

(Millions of yen)

	System Integration business	Service and Support business	Other business	Total	Elimination or corporate	Consolidated total
Net sales						
(1) Outside customers	266,476	198,761	1,916	467,154	–	467,154
(2) Inter-segment sales/transfers	191	296	2,142	2,630	(2,630)	–
Total	266,668	199,057	4,058	469,785	(2,630)	467,154
Costs and expenses	243,679	187,517	3,911	435,108	4,956	440,064
Operating income (loss)	22,989	11,539	146	34,676	(7,586)	27,089
Assets	82,639	75,758	1,618	160,017	36,928	196,946
Depreciation and amortization	2,898	2,215	22	5,136	875	6,012
Impairment loss	14	291	–	305	(30)	275
Capital expenditure	2,915	1,790	8	4,715	819	5,535

Fiscal Year 2009 (Year ended December 31, 2009)

(Millions of yen)

	System Integration business	Service and Support business	Other business	Total	Elimination or corporate	Consolidated total
Net sales						
(1) Outside customers	226,688	200,938	2,300	429,927	–	429,927
(2) Inter-segment sales/transfers	190	278	1,838	2,308	(2,308)	–
Total	226,879	201,216	4,139	432,235	(2,308)	429,927
Costs and expenses	210,943	194,089	4,020	409,053	4,779	413,833
Operating income (loss)	15,935	7,127	119	23,181	(7,087)	16,094
Assets	78,262	74,671	2,625	155,559	42,516	198,076
Depreciation and amortization	2,789	2,270	25	5,085	854	5,939
Impairment loss	29	61	–	90	201	292
Capital expenditure	3,091	1,733	452	5,278	167	5,445

- Notes) 1. Business segments are defined in consideration of the operations of the Group.  
 2. The Group operates principally in three segments: system integration business, service and support business, and other business.

Segment	Major products and services
System Integration business	Research, analysis, design, and introduction for comprehensive information system Transport and installation Network construction Introduction for packaged software Development of consigned software Other related services
Service and Support business	Supplies for comprehensive information system Telephone support Maintenance Consigned system operation Data recovery IT education Guidance for operation of packaged software Hotel business
Other business	Construction Repair, sale of automobiles Insurance Printing

3. Significant amounts and contents of "Elimination or corporate" column are as described below.

(Millions of yen)

	Fiscal Year 2008	Fiscal Year 2009	Major contents
Amount of unallocated operating costs and expenses included in "Elimination or corporate" column	7,654	7,170	Expenses relating to administrative departments of parent company
Amount of corporate assets included in "Elimination or corporate" column	38,304	44,293	Cash and deposits and investment securities of parent company, and assets relating to administrative departments of parent company

4. "Depreciation and amortization" and "Capital expenditure" include amortization and increase of long-term prepaid expenses.