

Financial Report for the Fiscal Year Ended December 31, 2011 (Consolidated) <under Japanese GAAP>

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: Yasuhiro Wakamatsu, Managing Director & Operating Officer

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Scheduled date of Ordinary General Meeting of Shareholders: March 28, 2012

Scheduled date to commence dividend payments: March 29, 2012

Scheduled date to file Securities Report: March 28, 2012

Preparation of supplementary material on financial results: Yes

Holding of financial results presentation meeting: Yes (for analysts)

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

1. Financial Results for the Fiscal Year 2011 (From January 1, 2011 to December 31, 2011)

(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 2011	478,215	3.2	23,095	21.5	23,315	19.5	12,744	19.9
Fiscal Year 2010	463,493	7.8	19,013	18.1	19,508	18.8	10,631	21.1

Note) Comprehensive income:

Fiscal Year 2011: 12,745 million yen [19.0%]; Fiscal Year 2010: 10,712 million yen [- %]

	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 2011	403.28	403.10	11.3	10.5	4.8
Fiscal Year 2010	336.42	336.28	10.1	9.5	4.1

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

Fiscal Year 2011: (325) million yen; Fiscal Year 2010: (4) million yen

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	yen
December 31, 2011	229,610	117,385	50.8	3,690.81
December 31, 2010	213,401	108,931	50.7	3,425.67

Reference) Equity:

As of December 31, 2011: 116,633 million yen;

As of December 31, 2010: 108,255 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 2011	23,158	(4,604)	(4,229)	52,320
Fiscal Year 2010	17,851	(7,527)	(5,205)	37,924

2. Dividends

	Annual dividends					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 2010	–	0.00	–	135.00	135.00	4,266	40.1	4.1
Fiscal Year 2011	–	0.00	–	155.00	155.00	4,898	38.4	4.4
Fiscal Year 2012 (forecast)	–	0.00	–	145.00	145.00		33.8	

Note) The year-end dividends per share for the fiscal year ended December 31, 2011 consists of:

Ordinary dividends per share: 145.00 yen

Commemorative dividends per share to mark the 50th anniversary of the Company's establishment: 10.00 yen

3. Financial Forecasts for the Fiscal Year 2012 (From January 1, 2012 to December 31, 2012)

(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, 2012	256,500	3.0	14,300	2.6	14,600	2.1	8,210	4.9	259.80
Full-Year	493,000	3.1	24,000	3.9	24,500	5.1	13,550	6.3	428.78

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

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, 2011: 31,667,020 shares

As of December 31, 2010: 31,667,020 shares

2) Number of shares of treasury stock at the end of the period:

As of December 31, 2011: 65,855 shares

As of December 31, 2010: 65,718 shares

3) Average number of shares during the period:

Fiscal Year 2011: 31,601,213 shares

Fiscal Year 2010: 31,601,395 shares

*** Indication regarding execution of audit procedures**

This financial report is not subject to the audit procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this financial report, the audit procedures are in progress.

*** 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, 2010	As of December 31, 2011
Assets		
Current assets		
Cash and deposits	32,669	45,600
Notes and accounts receivable-trade	75,428	79,558
Short-term investment securities	5,000	5,000
Merchandise	17,858	15,833
Work in process	625	818
Raw materials and supplies	1,053	961
Deferred tax assets	3,505	3,723
Other	12,718	15,028
Allowance for doubtful accounts	(608)	(455)
Total current assets	148,251	166,068
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	61,939	65,059
Accumulated depreciation and impairment loss	(37,578)	(38,835)
Buildings and structures, net	24,360	26,224
Land	17,179	17,291
Construction in progress	2,302	–
Other	14,369	14,525
Accumulated depreciation and impairment loss	(10,983)	(11,426)
Other, net	3,385	3,099
Total property, plant and equipment	47,228	46,614
Intangible assets		
Software	5,544	5,197
Other	185	158
Total intangible assets	5,730	5,355
Investments and other assets		
Investment securities	5,453	4,918
Guarantee deposits	3,049	2,555
Long-term prepaid expenses	1,242	1,436
Deferred tax assets	1,358	1,354
Other	2,084	2,404
Allowance for doubtful accounts	(997)	(1,099)
Total investments and other assets	12,191	11,571
Total noncurrent assets	65,150	63,542
Total assets	213,401	229,610

(Millions of yen)

	As of December 31, 2010	As of December 31, 2011
Liabilities		
Current liabilities		
Notes and accounts payable-trade	67,498	71,514
Short-term loans payable	7,340	7,410
Lease obligations	127	287
Income taxes payable	5,182	5,377
Advances received	5,762	7,239
Provision for bonuses	2,652	2,788
Other	12,549	13,563
Total current liabilities	101,111	108,180
Noncurrent liabilities		
Long-term loans payable	10	–
Lease obligations	325	717
Deferred tax liabilities	93	83
Deferred tax liabilities for land revaluation	216	189
Provision for retirement benefits	1,783	1,902
Provision for directors' retirement benefits	559	482
Asset retirement obligations	–	228
Other	369	440
Total noncurrent liabilities	3,358	4,043
Total liabilities	104,469	112,224
Net assets		
Shareholders' equity		
Capital stock	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	95,830	104,308
Treasury stock	(124)	(125)
Total shareholders' equity	122,335	130,812
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	383	291
Revaluation reserve for land	(14,331)	(14,304)
Foreign currency translation adjustment	(131)	(165)
Total accumulated other comprehensive income	(14,079)	(14,178)
Minority interests	675	752
Total net assets	108,931	117,385
Total liabilities and net assets	213,401	229,610

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Fiscal Year 2010 (Year ended December 31, 2010)	Fiscal Year 2011 (Year ended December 31, 2011)
Net sales	463,493	478,215
Cost of sales	363,094	371,828
Gross profit	100,398	106,387
Selling, general and administrative expenses	81,385	83,292
Operating income	19,013	23,095
Non-operating income		
Interest income	41	55
Interest on securities	13	–
Dividends income	53	53
House rent income	218	214
Foreign exchange gains	34	58
Income from recycling	–	76
Other	254	165
Total non-operating income	617	624
Non-operating expenses		
Interest expenses	92	76
Loss on investments in partnership	21	–
Equity in losses of affiliates	4	325
Other	4	2
Total non-operating expenses	122	404
Ordinary income	19,508	23,315
Extraordinary income		
Gain on sales of investment securities	0	3
Reversal of allowance for doubtful accounts	2	91
Total extraordinary income	2	95
Extraordinary loss		
Loss on retirement of noncurrent assets	330	167
Impairment loss	127	19
Loss on valuation of investment securities	4	48
Loss on valuation of stocks of subsidiaries and affiliates	113	0
Loss on liquidation of subsidiaries and affiliates	37	–
Provision of allowance for doubtful accounts	202	292
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	510
Other	8	21
Total extraordinary losses	824	1,060

(Millions of yen)

	Fiscal Year 2010 (Year ended December 31, 2010)	Fiscal Year 2011 (Year ended December 31, 2011)
Income before income taxes and minority interests	18,687	22,350
Income taxes-current	8,865	9,629
Income taxes-deferred	(896)	(122)
Total income taxes	7,968	9,506
Income before minority interests	–	12,844
Minority interests in income	86	100
Net income	10,631	12,744

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal Year 2010 (Year ended December 31, 2010)	Fiscal Year 2011 (Year ended December 31, 2011)
Income before minority interests	–	12,844
Other comprehensive income		
Valuation difference on available-for-sale securities	–	(89)
Revaluation reserve for land	–	26
Share of other comprehensive income of associates accounted for using equity method	–	(37)
Total other comprehensive income	–	(99)
Comprehensive income	–	12,745
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	–	12,645
Comprehensive income attributable to minority interests	–	99

Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Fiscal Year 2010 (Year ended December 31, 2010)	Fiscal Year 2011 (Year ended December 31, 2011)
Shareholders' equity		
Capital stock		
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
Capital surplus		
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
Retained earnings		
Balance at the end of previous period	89,307	95,830
Changes of items during the period		
Dividends from surplus	(4,108)	(4,266)
Net income	10,631	12,744
Total changes of items during the period	6,523	8,477
Balance at the end of current period	95,830	104,308
Treasury stock		
Balance at the end of previous period	(123)	(124)
Changes of items during the period		
Purchase of treasury stock	(1)	(0)
Total changes of items during the period	(1)	(0)
Balance at the end of current period	(124)	(125)
Total shareholders' equity		
Balance at the end of previous period	115,813	122,335
Changes of items during the period		
Dividends from surplus	(4,108)	(4,266)
Net income	10,631	12,744
Purchase of treasury stock	(1)	(0)
Total changes of items during the period	6,521	8,477
Balance at the end of current period	122,335	130,812

(Millions of yen)

	Fiscal Year 2010 (Year ended December 31, 2010)	Fiscal Year 2011 (Year ended December 31, 2011)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	380	383
Changes of items during the period		
Net changes of items other than shareholders' equity	3	(92)
Total changes of items during the period	3	(92)
Balance at the end of current period	383	291
Revaluation reserve for land		
Balance at the end of previous period	(14,331)	(14,331)
Changes of items during the period		
Net changes of items other than shareholders' equity	–	26
Total changes of items during the period	–	26
Balance at the end of current period	(14,331)	(14,304)
Foreign currency translation adjustment		
Balance at the end of previous period	(122)	(131)
Changes of items during the period		
Net changes of items other than shareholders' equity	(9)	(33)
Total changes of items during the period	(9)	(33)
Balance at the end of current period	(131)	(165)
Total accumulated other comprehensive income		
Balance at the end of previous period	(14,073)	(14,079)
Changes of items during the period		
Net changes of items other than shareholders' equity	(6)	(98)
Total changes of items during the period	(6)	(98)
Balance at the end of current period	(14,079)	(14,178)
Minority interests		
Balance at the end of previous period	1,039	675
Changes of items during the period		
Net changes of items other than shareholders' equity	(363)	76
Total changes of items during the period	(363)	76
Balance at the end of current period	675	752

(Millions of yen)

	Fiscal Year 2010 (Year ended December 31, 2010)	Fiscal Year 2011 (Year ended December 31, 2011)
Total net assets		
Balance at the end of previous period	102,779	108,931
Changes of items during the period		
Dividends from surplus	(4,108)	(4,266)
Net income	10,631	12,744
Purchase of treasury stock	(1)	(0)
Net changes of items other than shareholders' equity	(369)	(22)
Total changes of items during the period	6,152	8,454
Balance at the end of current period	108,931	117,385

Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal Year 2010 (Year ended December 31, 2010)	Fiscal Year 2011 (Year ended December 31, 2011)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	18,687	22,350
Depreciation and amortization	6,089	5,944
Impairment loss	127	19
Increase (decrease) in allowance for doubtful accounts	108	116
Interest and dividends income	(95)	(108)
Interest income on securities	(13)	–
Interest expenses	92	76
Equity in (earnings) losses of affiliates	4	325
Loss on retirement of noncurrent assets	210	167
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	510
Decrease (increase) in notes and accounts receivable-trade	(4,803)	(3,884)
Decrease (increase) in inventories	(3,083)	1,931
Increase (decrease) in notes and accounts payable-trade	4,077	3,992
Loss (gain) on sales of investment securities	(0)	(3)
Loss (gain) on valuation of investment securities	4	48
Loss on valuation of stocks of subsidiaries and affiliates	113	0
Loss on liquidation of subsidiaries and affiliates	37	–
Increase (decrease) in provision for retirement benefits	202	(20)
Other, net	2,150	1,069
Subtotal	23,908	32,535
Interest and dividends income received	133	144
Interest expenses paid	(93)	(77)
Income taxes paid	(6,096)	(9,444)
Net cash provided by (used in) operating activities	17,851	23,158

(Millions of yen)

	Fiscal Year 2010 (Year ended December 31, 2010)	Fiscal Year 2011 (Year ended December 31, 2011)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(4,421)	(2,459)
Proceeds from sales of property, plant and equipment	–	17
Purchase of software	(3,029)	(2,522)
Purchase of investment securities	(62)	(110)
Proceeds from sales of investment securities	157	8
Purchase of investments in subsidiaries	(490)	–
Payments of long-term loans receivable	(308)	(291)
Collection of long-term loans receivable	149	63
Other, net	477	690
Net cash provided by (used in) investing activities	(7,527)	(4,604)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(1,000)	100
Repayment of long-term loans payable	(40)	(40)
Cash dividends paid	(4,105)	(4,264)
Other, net	(60)	(24)
Net cash provided by (used in) financing activities	(5,205)	(4,229)
Net increase (decrease) in cash and cash equivalents	5,118	14,324
Cash and cash equivalents at beginning of period	32,806	37,924
Increase (decrease) in cash and cash equivalents resulting from merger of subsidiaries	–	71
Cash and cash equivalents at end of period	37,924	52,320

Segment Information

1. Overview of reportable segments

The reportable segments of the Company are periodically examined by the Board of Directors for the purpose of deciding the allocation of business resources and evaluating the operating results.

The Company's main businesses are "System Integration," whose business fields encompass the construction of information systems and their cutover, and "Service and Support," which has support following the cutover of systems as its business field.

Therefore, the Company is composed of two reportable segments, "System Integration business" and "Service and Support business."

The details of the two segments are as follows. The "System Integration business" provides optimized system services ranging from consulting to system design and development, transport and installation work and network construction. The "Service and Support business" provides customers with total support for their business operations and installed systems encompassing supply provision, hardware and software maintenance, telephone support and outsourcing.

2. Information concerning net sales, profit/loss, assets and other items by reportable segment

Fiscal Year 2010 (Year ended December 31, 2010)

(Millions of yen)

	Reportable segment			Other	Total	Adjustment	Amount recorded in consolidated financial statements
	System Integration business	Service and Support business	Total				
Net sales							
Outside customers	253,541	208,008	461,550	1,942	463,493	–	463,493
Inter-segment sales/transfers	254	317	571	2,047	2,618	(2,618)	–
Total	253,795	208,326	462,121	3,990	466,112	(2,618)	463,493
Segment profit	18,818	7,182	26,001	155	26,157	(7,143)	19,013
Segment assets	86,202	77,591	163,794	2,218	166,012	47,388	213,401
Other items							
Depreciation and amortization	3,037	2,238	5,275	35	5,310	779	6,089
Investments in associates accounted for using equity method	1,847	817	2,664	–	2,664	–	2,664
Increase in property, plant and equipment and intangible assets	4,059	3,085	7,145	71	7,216	233	7,450

Fiscal Year 2011 (Year ended December 31, 2011)

(Millions of yen)

	Reportable segment			Other	Total	Adjustment	Amount recorded in consolidated financial statements
	System Integration business	Service and Support business	Total				
Net sales							
Outside customers	262,508	214,576	477,084	1,130	478,215	–	478,215
Inter-segment sales/transfers	104	488	593	2,048	2,641	(2,641)	–
Total	262,612	215,065	477,678	3,178	480,857	(2,641)	478,215
Segment profit	22,717	7,485	30,202	97	30,299	(7,204)	23,095
Segment assets	89,240	79,120	168,360	1,853	170,214	59,396	229,610
Other items							
Depreciation and amortization	3,157	2,198	5,356	47	5,404	540	5,944
Investments in associates accounted for using equity method	1,319	943	2,262	–	2,262	–	2,262
Increase in property, plant and equipment and intangible assets	2,936	2,168	5,104	26	5,131	191	5,322