

Financial Report for the Fiscal Year Ended December 31, 2012 (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 (Tel: +81-3-3264-7111)

Scheduled date of Ordinary General Meeting of Shareholders: March 27, 2013

Scheduled date to commence dividend payments: March 28, 2013

Scheduled date to file Securities Report: March 27, 2013

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 2012 (From January 1, 2012 to December 31, 2012)

(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 2012	515,771	7.9	28,251	22.3	29,079	24.7	16,277	27.7
Fiscal Year 2011	478,215	3.2	23,095	21.5	23,315	19.5	12,744	19.9

Note) Comprehensive income:

Fiscal Year 2012: 16,873 million yen [32.4%]; Fiscal Year 2011: 12,745 million yen [19.0%]

	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 2012	515.11	—	13.3	12.0	5.5
Fiscal Year 2011	403.28	403.10	11.3	10.5	4.8

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

Fiscal Year 2012: 343 million yen; Fiscal Year 2011: (325) 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, 2012	253,158	129,268	50.7	4,065.43
December 31, 2011	229,610	117,385	50.8	3,690.81

Reference) Equity:

As of December 31, 2012: 128,471 million yen; As of December 31, 2011: 116,633 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 2012	25,879	(4,894)	(5,190)	68,113
Fiscal Year 2011	23,158	(4,604)	(4,229)	52,320

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 2011	–	0.00	–	155.00	155.00	4,898	38.4	4.4
Fiscal Year 2012	–	0.00	–	200.00	200.00	6,320	38.8	5.2
Fiscal Year 2013 (forecast)	–	0.00	–	205.00	205.00		35.8	

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 2013 (From January 1, 2013 to December 31, 2013)

(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, 2013	276,800	3.9	18,100	7.2	18,370	5.6	10,760	8.4	340.50
Full-Year	536,000	3.9	30,500	8.0	31,000	6.6	18,090	11.1	572.45

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.

* Notes

(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 principles, changes in accounting estimates, and restatements

1) Changes in accounting principles due to revisions to accounting standards, etc.: No

2) Changes due to accounting principles other than 1): No

3) Changes in accounting estimates: No

4) Restatements: 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, 2012: 31,667,020 shares

As of December 31, 2011: 31,667,020 shares

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

As of December 31, 2012: 65,994 shares

As of December 31, 2011: 65,855 shares

3) Average number of shares during the period:

Fiscal Year 2012: 31,601,092 shares

Fiscal Year 2011: 31,601,213 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, 2011	As of December 31, 2012
<hr/>		
Assets		
Current assets		
Cash and deposits	45,600	61,519
Notes and accounts receivable-trade	79,558	86,983
Short-term investment securities	5,000	5,000
Merchandise	15,833	14,298
Work in process	818	1,271
Raw materials and supplies	961	924
Deferred tax assets	3,723	3,272
Other	15,028	15,963
Allowance for doubtful accounts	(455)	(300)
Total current assets	166,068	188,934
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	65,059	65,309
Accumulated depreciation and impairment loss	(38,835)	(40,244)
Buildings and structures, net	26,224	25,065
Land	17,291	17,259
Other	14,525	14,335
Accumulated depreciation and impairment loss	(11,426)	(11,196)
Other, net	3,099	3,139
Total property, plant and equipment	46,614	45,464
Intangible assets		
Software	5,197	4,867
Other	158	113
Total intangible assets	5,355	4,980
Investments and other assets		
Investment securities	4,918	6,021
Guarantee deposits	2,555	2,507
Long-term prepaid expenses	1,436	1,525
Deferred tax assets	1,354	1,949
Other	2,404	3,498
Allowance for doubtful accounts	(1,099)	(1,723)
Total investments and other assets	11,571	13,779
Total noncurrent assets	63,542	64,223
Total assets	229,610	253,158

(Millions of yen)

As of December 31, 2011 As of December 31, 2012

	As of December 31, 2011	As of December 31, 2012
Liabilities		
Current liabilities		
Notes and accounts payable-trade	71,514	76,978
Short-term loans payable	7,410	7,150
Lease obligations	287	613
Income taxes payable	5,377	7,846
Advances received	7,239	8,462
Provision for bonuses	2,788	2,858
Other	13,563	14,774
Total current liabilities	108,180	118,682
Noncurrent liabilities		
Lease obligations	717	1,604
Deferred tax liabilities	83	60
Deferred tax liabilities for land revaluation	189	189
Provision for retirement benefits	1,902	2,146
Provision for directors' retirement benefits	482	522
Asset retirement obligations	228	230
Other	440	453
Total noncurrent liabilities	4,043	5,207
Total liabilities	112,224	123,890
Net assets		
Shareholders' equity		
Capital stock	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	104,308	115,688
Treasury stock	(125)	(126)
Total shareholders' equity	130,812	142,191
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	291	678
Revaluation reserve for land	(14,304)	(14,304)
Foreign currency translation adjustment	(165)	(93)
Total accumulated other comprehensive income	(14,178)	(13,719)
Minority interests	752	796
Total net assets	117,385	129,268
Total liabilities and net assets	229,610	253,158

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Fiscal Year 2011 (Year ended December 31, 2011)	Fiscal Year 2012 (Year ended December 31, 2012)
Net sales	478,215	515,771
Cost of sales	371,828	401,113
Gross profit	106,387	114,658
Selling, general and administrative expenses	83,292	86,407
Operating income	23,095	28,251
Non-operating income		
Interest income	55	53
Dividends income	53	66
House rent income	214	237
Foreign exchange gains	58	—
Income from recycling	76	81
Equity in earnings of affiliates	—	343
Other	165	169
Total non-operating income	624	952
Non-operating expenses		
Interest expenses	76	73
Foreign exchange losses	—	48
Equity in losses of affiliates	325	—
Other	2	1
Total non-operating expenses	404	123
Ordinary income	23,315	29,079
Extraordinary income		
Gain on sales of investment securities	3	61
Gain on sales of subsidiaries and affiliates' stocks	—	37
Compensation income	—	112
Reversal of allowance for doubtful accounts	91	—
Total extraordinary income	95	210
Extraordinary loss		
Loss on retirement of noncurrent assets	167	208
Impairment loss	19	177
Loss on valuation of investment securities	48	18
Provision of allowance for doubtful accounts	292	485
Loss on adjustment for changes of accounting standard for asset retirement obligations	510	—
Other	21	1
Total extraordinary losses	1,060	891
Income before income taxes and minority interests	22,350	28,399
Income taxes-current	9,629	12,353
Income taxes-deferred	(122)	(368)
Total income taxes	9,506	11,985
Income before minority interests	12,844	16,413
Minority interests in income	100	135
Net income	12,744	16,277

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal Year 2011 (Year ended December 31, 2011)	Fiscal Year 2012 (Year ended December 31, 2012)
Income before minority interests	12,844	16,413
Other comprehensive income		
Valuation difference on available-for-sale securities	(89)	383
Revaluation reserve for land	26	—
Share of other comprehensive income of associates accounted for using equity method	(37)	75
Total other comprehensive income	(99)	459
Comprehensive income	12,745	16,873
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	12,645	16,736
Comprehensive income attributable to minority interests	99	136

Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Fiscal Year 2011 (Year ended December 31, 2011)	Fiscal Year 2012 (Year ended December 31, 2012)
Shareholders' equity		
Capital stock		
Balance at the beginning of current 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 beginning of current 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 beginning of current period	95,830	104,308
Changes of items during the period		
Dividends from surplus	(4,266)	(4,898)
Net income	12,744	16,277
Change of scope of consolidation	—	(22)
Change of scope of equity method	—	23
Total changes of items during the period	8,477	11,380
Balance at the end of current period	104,308	115,688
Treasury stock		
Balance at the beginning of current period	(124)	(125)
Changes of items during the period		
Purchase of treasury stock	(0)	(0)
Total changes of items during the period	(0)	(0)
Balance at the end of current period	(125)	(126)
Total shareholders' equity		
Balance at the beginning of current period	122,335	130,812
Changes of items during the period		
Dividends from surplus	(4,266)	(4,898)
Net income	12,744	16,277
Change of scope of consolidation	—	(22)
Change of scope of equity method	—	23
Purchase of treasury stock	(0)	(0)
Total changes of items during the period	8,477	11,379
Balance at the end of current period	130,812	142,191

(Millions of yen)

	Fiscal Year 2011 (Year ended December 31, 2011)	Fiscal Year 2012 (Year ended December 31, 2012)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	383	291
Changes of items during the period		
Net changes of items other than shareholders' equity	(92)	386
Total changes of items during the period	(92)	386
Balance at the end of current period	291	678
Revaluation reserve for land		
Balance at the beginning of current period	(14,331)	(14,304)
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	(14,304)	(14,304)
Foreign currency translation adjustment		
Balance at the beginning of current period	(131)	(165)
Changes of items during the period		
Net changes of items other than shareholders' equity	(33)	71
Total changes of items during the period	(33)	71
Balance at the end of current period	(165)	(93)
Total accumulated other comprehensive income		
Balance at the beginning of current period	(14,079)	(14,178)
Changes of items during the period		
Net changes of items other than shareholders' equity	(98)	458
Total changes of items during the period	(98)	458
Balance at the end of current period	(14,178)	(13,719)
Minority interests		
Balance at the beginning of current period	675	752
Changes of items during the period		
Net changes of items other than shareholders' equity	76	44
Total changes of items during the period	76	44
Balance at the end of current period	752	796
Total net assets		
Balance at the beginning of current period	108,931	117,385
Changes of items during the period		
Dividends from surplus	(4,266)	(4,898)
Net income	12,744	16,277
Change of scope of consolidation	—	(22)
Change of scope of equity method	—	23
Purchase of treasury stock	(0)	(0)
Net changes of items other than shareholders' equity	(22)	503
Total changes of items during the period	8,454	11,882
Balance at the end of current period	117,385	129,268

Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal Year 2011 (Year ended December 31, 2011)	Fiscal Year 2012 (Year ended December 31, 2012)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	22,350	28,399
Depreciation and amortization	5,944	5,766
Impairment loss	19	177
Increase (decrease) in allowance for doubtful accounts	116	469
Interest and dividends income	(108)	(120)
Interest expenses	76	73
Equity in (earnings) losses of affiliates	325	(343)
Loss (gain) on sales of stocks of subsidiaries and affiliates	—	(36)
Compensation income	—	(112)
Loss on retirement of noncurrent assets	167	208
Loss on adjustment for changes of accounting standard for asset retirement obligations	510	—
Decrease (increase) in notes and accounts receivable-trade	(3,884)	(7,491)
Decrease (increase) in inventories	1,931	1,125
Increase (decrease) in notes and accounts payable-trade	3,992	5,506
Loss (gain) on sales of investment securities	(3)	(60)
Loss (gain) on valuation of investment securities	48	18
Increase (decrease) in provision for retirement benefits	(20)	146
Other, net	1,069	1,848
Subtotal	<u>32,535</u>	<u>35,574</u>
Interest and dividends income received	144	162
Interest expenses paid	(77)	(73)
Proceeds from compensation	—	112
Income taxes paid	(9,444)	(9,897)
Net cash provided by (used in) operating activities	<u>23,158</u>	<u>25,879</u>
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(2,459)	(1,963)
Proceeds from sales of property, plant and equipment	17	0
Purchase of software	(2,522)	(2,654)
Purchase of investment securities	(110)	(1,078)
Proceeds from sales of investment securities	8	110
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	50
Proceeds from sales of stocks of subsidiaries and affiliates	—	615
Payments of long-term loans receivable	(291)	(279)
Collection of long-term loans receivable	63	44
Other, net	690	260
Net cash provided by (used in) investing activities	<u>(4,604)</u>	<u>(4,894)</u>

(Millions of yen)

	Fiscal Year 2011 (Year ended December 31, 2011)	Fiscal Year 2012 (Year ended December 31, 2012)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	100	(250)
Repayment of long-term loans payable	(40)	(10)
Cash dividends paid	(4,264)	(4,898)
Other, net	(24)	(32)
Net cash provided by (used in) financing activities	(4,229)	(5,190)
Net increase (decrease) in cash and cash equivalents	14,324	15,793
Cash and cash equivalents at beginning of period	37,924	52,320
Increase (decrease) in cash and cash equivalents resulting from merger of subsidiaries	71	—
Cash and cash equivalents at end of period	52,320	68,113

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, income/loss, assets, liabilities and other items by reportable segment

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

Fiscal Year 2012 (Year ended December 31, 2012)

(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	289,840	225,298	515,139	632	515,771	—	515,771
Inter-segment sales/transfers	131	497	629	2,066	2,695	(2,695)	—
Total	289,972	225,796	515,768	2,699	518,467	(2,695)	515,771
Segment profit	27,062	8,528	35,590	91	35,682	(7,431)	28,251
Segment assets	94,254	79,815	174,070	1,457	175,527	77,630	253,158
Other items							
Depreciation and amortization	3,093	2,113	5,206	36	5,243	522	5,766
Investments in associates accounted for using equity method	515	1,149	1,665	—	1,665	—	1,665
Increase in property, plant and equipment and intangible assets	2,484	1,643	4,128	9	4,137	481	4,618