

## Financial Report for the Fiscal Year Ended December 31, 2015 (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 29, 2016

Scheduled date to commence dividend payments: March 30, 2016

Scheduled date to file Securities Report: March 29, 2016

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 2015 (From January 1, 2015 to December 31, 2015)

##### (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 2015	609,045	0.5	37,311	0.6	38,240	0.3	23,705	1.1
Fiscal Year 2014	605,766	7.3	37,097	9.4	38,144	13.8	23,455	15.7

Notes) Comprehensive Income: Fiscal Year 2015: 24,771 million yen [0.6%]

Fiscal Year 2014: 24,612 million yen [11.1%]

	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 2015	250.06	—	14.1	12.1	6.1
Fiscal Year 2014	247.41	—	15.3	13.0	6.1

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

Fiscal Year 2015: 213 million yen; Fiscal Year 2014: 174 million yen

\* The Company conducted a 3-for-1 stock split for shares of common stock of the Company with July 1, 2014 as the effective date. Accordingly, the amount of net income per share for the fiscal year 2014 is calculated based on the assumption that the share split was conducted at the beginning of the previous fiscal year (fiscal year 2014).

##### (2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	yen
December 31, 2015	324,755	174,402	53.3	1,827.30
December 31, 2014	305,513	164,347	53.4	1,722.31

Reference) Equity: As of December 31, 2015: 173,229 million yen; As of December 31, 2014: 163,277 million yen

\* The Company conducted a 3-for-1 stock split for shares of common stock of the Company with July 1, 2014 as the effective date. Accordingly, the amount of net assets per share as of December 31, 2014 is calculated based on the assumption that the share split was conducted at the beginning of the previous fiscal year (fiscal year 2014).

**(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 2015	27,621	(7,235)	(8,742)	109,587
Fiscal Year 2014	34,130	(5,410)	(7,580)	97,943

**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 2014	–	0.00	–	90.00	90.00	8,532	36.4	5.6
Fiscal Year 2015	–	0.00	–	100.00	100.00	9,480	40.0	5.6
Fiscal Year 2016 (forecast)	–	0.00	–	105.00	105.00		39.5	

**3. Financial Forecasts for the Fiscal Year 2016 (From January 1, 2016 to December 31, 2016)**

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Six months ending June 30, 2016	336,130	5.7	24,970	7.8	25,224	6.4	15,684	7.1	165.44
Full-Year	639,000	4.9	40,000	7.2	40,500	5.9	25,180	6.2	265.61

Note) The above forecasts are based on the information available as of the date of publication of this document.

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 policies, changes in accounting estimates, and restatements

1) Changes in accounting policies due to revisions to accounting standards, etc.: Yes

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

3) Changes in accounting estimates: No

4) Restatements: No

(3) Number of shares issued (common shares)

1) Number of shares issued at the end of the period (including treasury shares):

As of December 31, 2015: 95,001,060 shares

As of December 31, 2014: 95,001,060 shares

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

As of December 31, 2015: 200,104 shares

As of December 31, 2014: 199,910 shares

3) Average number of shares during the period:

Fiscal Year 2015: 94,801,071 shares

Fiscal Year 2014: 94,801,994 shares

\* The Company conducted a 3-for-1 stock split for shares of common stock of the Company with July 1, 2014 as the effective date. Accordingly, the average number of shares during the fiscal year 2014 is calculated based on the assumption that the share split was conducted at the beginning of the previous fiscal year (fiscal year 2014).

**\* 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, 2014	As of December 31, 2015
<b>Assets</b>		
Current assets		
Cash and deposits	90,234	100,676
Notes and accounts receivable - trade	98,066	105,055
Securities	5,900	6,900
Merchandise	17,822	19,499
Work in process	993	744
Raw materials and supplies	810	780
Deferred tax assets	2,969	2,806
Other	18,282	19,353
Allowance for doubtful accounts	(146)	(135)
Total current assets	234,931	255,679
Non-current assets		
Property, plant and equipment		
Buildings and structures	63,351	63,157
Accumulated depreciation and impairment loss	(41,080)	(42,025)
Buildings and structures, net	22,270	21,131
Land	16,832	16,832
Other	13,553	13,694
Accumulated depreciation and impairment loss	(10,294)	(10,530)
Other, net	3,259	3,163
Total property, plant and equipment	42,363	41,127
Intangible assets		
Software	8,133	9,510
Other	59	59
Total intangible assets	8,192	9,569
Investments and other assets		
Investment securities	8,671	11,013
Guarantee deposits	2,553	2,516
Long-term prepaid expenses	291	191
Deferred tax assets	1,338	2,209
Net defined benefit asset	5,389	—
Other	1,977	2,631
Allowance for doubtful accounts	(196)	(185)
Total investments and other assets	20,025	18,377
Total non-current assets	70,581	69,075
Total assets	305,513	324,755

(Millions of yen)

	As of December 31, 2014	As of December 31, 2015
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	67,066	74,542
Electronically recorded obligations - operating	15,389	17,095
Short-term loans payable	6,850	6,700
Lease obligations	960	1,043
Income taxes payable	8,007	7,916
Advances received	10,845	10,212
Provision for bonuses	3,126	3,184
Other	21,036	18,829
<b>Total current liabilities</b>	<b>133,282</b>	<b>139,523</b>
<b>Non-current liabilities</b>		
Lease obligations	1,774	1,600
Deferred tax liabilities	2,059	—
Deferred tax liabilities for land revaluation	142	129
Provision for directors' retirement benefits	582	588
Net defined benefit liability	2,533	7,640
Asset retirement obligations	215	217
Other	575	653
<b>Total non-current liabilities</b>	<b>7,882</b>	<b>10,829</b>
<b>Total liabilities</b>	<b>141,165</b>	<b>150,352</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	145,326	154,389
Treasury shares	(135)	(136)
<b>Total shareholders' equity</b>	<b>171,820</b>	<b>180,881</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	2,974	4,617
Revaluation reserve for land	(14,069)	(14,055)
Foreign currency translation adjustment	52	25
Remeasurements of defined benefit plans	2,499	1,759
<b>Total accumulated other comprehensive income</b>	<b>(8,543)</b>	<b>(7,652)</b>
Minority interests	1,070	1,173
<b>Total net assets</b>	<b>164,347</b>	<b>174,402</b>
<b>Total liabilities and net assets</b>	<b>305,513</b>	<b>324,755</b>

## **Consolidated Statements of Income and Comprehensive Income**

### Consolidated Statements of Income

(Millions of yen)

	Fiscal Year 2014 (Year ended December 31, 2014)	Fiscal Year 2015 (Year ended December 31, 2015)
Net sales	605,766	609,045
Cost of sales	474,176	474,977
Gross profit	131,589	134,068
Selling, general and administrative expenses	94,492	96,756
Operating income	37,097	37,311
Non-operating income		
Interest income	42	44
Dividend income	78	96
House rent income	238	253
Income from recycling	212	122
Share of profit of entities accounted for using equity method	174	213
Foreign exchange gains	140	53
Other	223	202
Total non-operating income	1,112	986
Non-operating expenses		
Interest expenses	62	55
Other	3	3
Total non-operating expenses	65	58
Ordinary income	38,144	38,240
Extraordinary income		
Gain on sales of non-current assets	56	—
Gain on liquidation of subsidiaries and associates	223	—
Gain on sales of investment securities	29	130
Compensation income	52	34
Other	—	3
Total extraordinary income	363	168
Extraordinary losses		
Loss on sales of non-current assets	393	—
Loss on retirement of non-current assets	118	88
Loss on valuation of investment securities	77	—
Other	7	2
Total extraordinary losses	597	91
Income before income taxes and minority interests	37,910	38,316
Income taxes - current	13,886	13,796
Income taxes - deferred	359	639
Total income taxes	14,246	14,435
Income before minority interests	23,663	23,880
Minority interests in income	208	174
Net income	23,455	23,705

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal Year 2014 (Year ended December 31, 2014)	Fiscal Year 2015 (Year ended December 31, 2015)
Income before minority interests	23,663	23,880
Other comprehensive income		
Valuation difference on available-for-sale securities	662	1,639
Revaluation reserve for land	235	13
Remeasurements of defined benefit plans, net of tax	—	(738)
Share of other comprehensive income of entities accounted for using equity method	51	(23)
Total other comprehensive income	948	890
Comprehensive income	24,612	24,771
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	24,403	24,597
Comprehensive income attributable to minority interests	208	174

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

Fiscal Year 2014 (Year ended December 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,374	16,254	129,640	(127)	156,142
Cumulative effects of changes in accounting policies					—
Restated balance	10,374	16,254	129,640	(127)	156,142
Changes of items during period					
Dividends of surplus			(7,426)		(7,426)
Net income			23,455		23,455
Change of scope of consolidation			(107)		(107)
Reversal of revaluation reserve for land			(235)		(235)
Purchase of treasury shares				(8)	(8)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	15,686	(8)	15,678
Balance at end of current period	10,374	16,254	145,326	(135)	171,820

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,314	(14,304)	(0)	—	(11,991)	915	145,066
Cumulative effects of changes in accounting policies							—
Restated balance	2,314	(14,304)	(0)	—	(11,991)	915	145,066
Changes of items during period							
Dividends of surplus							(7,426)
Net income							23,455
Change of scope of consolidation							(107)
Reversal of revaluation reserve for land							(235)
Purchase of treasury shares							(8)
Net changes of items other than shareholders' equity	660	235	53	2,499	3,447	155	3,602
Total changes of items during period	660	235	53	2,499	3,447	155	19,281
Balance at end of current period	2,974	(14,069)	52	2,499	(8,543)	1,070	164,347



Fiscal Year 2015 (Year ended December 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,374	16,254	145,326	(135)	171,820
Cumulative effects of changes in accounting policies			(6,111)		(6,111)
Restated balance	10,374	16,254	139,215	(135)	165,709
Changes of items during period					
Dividends of surplus			(8,532)		(8,532)
Net income			23,705		23,705
Purchase of treasury shares				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	15,173	(1)	15,172
Balance at end of current period	10,374	16,254	154,389	(136)	180,881

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,974	(14,069)	52	2,499	(8,543)	1,070	164,347
Cumulative effects of changes in accounting policies						(9)	(6,121)
Restated balance	2,974	(14,069)	52	2,499	(8,543)	1,061	158,226
Changes of items during period							
Dividends of surplus							(8,532)
Net income							23,705
Purchase of treasury shares							(1)
Net changes of items other than shareholders' equity	1,643	13	(26)	(739)	891	111	1,002
Total changes of items during period	1,643	13	(26)	(739)	891	111	16,175
Balance at end of current period	4,617	(14,055)	25	1,759	(7,652)	1,173	174,402

## Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal Year 2014 (Year ended December 31, 2014)	Fiscal Year 2015 (Year ended December 31, 2015)
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	37,910	38,316
Depreciation	5,286	5,764
Increase (decrease) in allowance for doubtful accounts	(253)	(21)
Interest and dividend income	(121)	(140)
Interest expenses	62	55
Share of (profit) loss of entities accounted for using equity method	(174)	(213)
Loss (gain) on liquidation of subsidiaries and associates	(223)	—
Compensation income	(52)	(34)
Loss on retirement of non-current assets	118	88
Loss (gain) on sales of non-current assets	337	—
Decrease (increase) in notes and accounts receivable - trade	1,664	(6,974)
Decrease (increase) in inventories	1,002	(1,398)
Increase (decrease) in notes and accounts payable - trade	(2,558)	9,180
Loss (gain) on sales of investment securities	(29)	(130)
Loss (gain) on valuation of investment securities	77	—
Other, net	3,834	(3,157)
Subtotal	46,879	41,334
Interest and dividend income received	190	233
Interest expenses paid	(63)	(54)
Proceeds from compensation	52	34
Income taxes paid	(12,929)	(13,925)
Net cash provided by (used in) operating activities	34,130	27,621
<b>Cash flows from investing activities</b>		
Payments into time deposits	—	(800)
Purchase of property, plant and equipment	(1,907)	(1,488)
Proceeds from sales of property, plant and equipment	494	—
Purchase of software	(5,180)	(5,030)
Purchase of investment securities	(22)	(54)
Proceeds from sales of investment securities	30	140
Proceeds from liquidation of subsidiaries	1,273	—
Payments of long-term loans receivable	(7)	(73)
Collection of long-term loans receivable	26	18
Other, net	(117)	50
Net cash provided by (used in) investing activities	(5,410)	(7,235)

(Millions of yen)

	Fiscal Year 2014 (Year ended December 31, 2014)	Fiscal Year 2015 (Year ended December 31, 2015)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(100)	(150)
Cash dividends paid	(7,425)	(8,528)
Other, net	(55)	(63)
Net cash provided by (used in) financing activities	(7,580)	(8,742)
Net increase (decrease) in cash and cash equivalents	21,140	11,643
Cash and cash equivalents at beginning of period	76,863	97,943
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(60)	—
Cash and cash equivalents at end of period	97,943	109,587

## **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 and other items by reportable segment**

Fiscal Year 2014 (Year ended December 31, 2014)

(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	362,068	243,316	605,384	381	605,766	—	605,766
Inter-segment sales/transfers	97	398	496	140	637	(637)	—
Total	362,166	243,714	605,880	522	606,403	(637)	605,766
Segment profit	34,284	10,387	44,672	57	44,729	(7,631)	37,097
Segment assets	111,392	88,461	199,853	784	200,638	104,874	305,513
Other items							
Depreciation	2,732	1,989	4,722	13	4,736	550	5,286
Investments in associates accounted for using equity method	711	1,101	1,812	—	1,812	—	1,812
Increase in property, plant and equipment and intangible assets	3,710	2,834	6,545	5	6,550	537	7,088

Fiscal Year 2015 (Year ended December 31, 2015)

(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	353,170	255,490	608,660	385	609,045	—	609,045
Inter-segment sales/transfers	92	298	390	177	568	(568)	—
Total	353,262	255,788	609,050	563	609,613	(568)	609,045
Segment profit	33,864	10,925	44,790	67	44,857	(7,545)	37,311
Segment assets	115,215	91,589	206,805	762	207,567	117,187	324,755
Other items							
Depreciation	2,913	2,338	5,251	12	5,264	499	5,764
Investments in associates accounted for using equity method	707	1,234	1,942	—	1,942	—	1,942
Increase in property, plant and equipment and intangible assets	3,406	2,802	6,208	0	6,209	309	6,518