ANNUAL REPORT 2011

For the fiscal year ended December 31, 2011

Otsuka Corporation

CONTENTS

Mission Statement

Mission

OTSUKA CORPORATION serves a wide range of companies, providing comprehensive support for their business activities by presenting, within a concrete framework, new business opportunities and management improvement strategies brought about by innovations in information and telecommunication technology. By so doing, we continue to facilitate the growth of our client companies and contribute to the development of our country and the creation of a spiritually enriching society.

Goals

- To become a corporate group that is recognized and trusted as a valuable corporate citizen.
- To encourage employee growth and self–realization through the attainment of personal goals and professional achievement.
- To demonstrate harmonious coexistence and growth with nature and society.
- To create business models that consistently keep pace with the changing times.

Principles

- Always thinking from the customer's perspective and acting through harmonious team work.
- Maintaining the spirit of challenge inherited from our predecessors, exercising our own critical judgment, and acting on our own initiative.
- Fully complying with all prevailing laws and regulations, and maintaining high ethical standards.

Otsuka Corporation

Forward-looking Statements

The forecasts, plans and outlooks concerning future operating results that are described in this Annual Report are judgments believed to be reasonable by the Company's management, based upon the information available to OTSUKA CORPORATION and member companies of the OTSUKA Group at the time such future projections were created. Various factors that form the basis of these forward-looking statements may differ from the OTSUKA Group's assumptions, and actual results may differ significantly from those presented here. Such factors include changes in the economic situation in principal markets and in product demand, and changes in various domestic and international regulations, accounting standards and customary business practices.

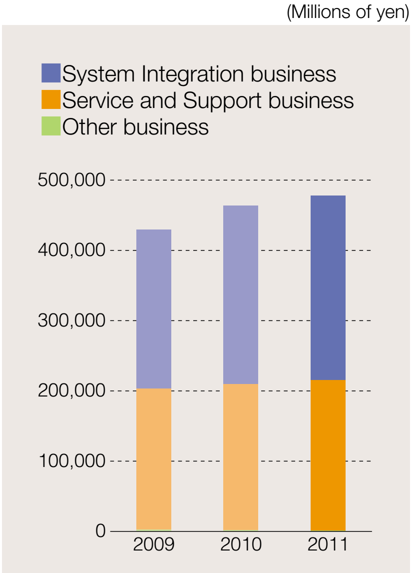
Consolidated Financial Highlights

OTSUKA CORPORATION and Consolidated Subsidiaries Years ended December 31, 2009, 2010 and 2011	2009	2010	Millions of yen 2011	Thousands of U.S. dollars 2011	% Change
Net sales	¥429,927	¥463,493	**¥478,215**	**$6,152,266**	+3.2
System Integration business	226,688	253,541	**262,508**	**3,377,178**	+3.5
Service and Support business	200,938	208,008	**214,576**	**2,760,540**	+3.2
Other business	2,300	1,942	**1,130**	**14,546**	-41.8
Operating income	16,094	19,013	**23,095**	**297,120**	+21.5
Ordinary income	16,427	19,508	**23,315**	**299,954**	+19.5
Income before income taxes and minority interests	16,237	18,687	**22,350**	**287,542**	+19.6
Net income	8,782	10,631	**12,744**	**163,952**	+19.9
Total assets	198,076	213,401	**229,610**	**2,953,951**	+7.6
Interest-bearing debt	8,684	7,802	**8,415**	**108,266**	+7.9
Equity	101,740	108,255	**116,633**	**1,500,500**	+7.7
Net income per share (EPS) (Yen and U.S. dollars)	277.92	336.42	**403.28**	**5.19**	+19.9
Dividends per share of common stock (Yen and U.S. dollars)	130.00	135.00	**155.00**	**1.99**	+14.8
Cash flows from operating activities per share (Yen and U.S. dollars)	505.74	564.91	**732.82**	**9.42**	+29.7
Operating income to Net sales ratio (%)	3.74	4.10	**4.83**	**—**	
Net income to Net sales ratio (%)	2.04	2.29	**2.66**	**—**	
Interest-bearing debt ratio (%)	4.38	3.66	**3.67**	**—**	
Equity ratio (%)	51.36	50.73	**50.80**	**—**	
Return on equity (ROE) (%)	8.84	10.13	**11.33**	**—**	

Notes:
Equity = Total net assets - Share subscription rights - Minority interests
Figures for ROE are calculated using average equity.
U.S. dollar amounts are computed using the December 31, 2011 exchange rate of ¥77.73 = US$1.

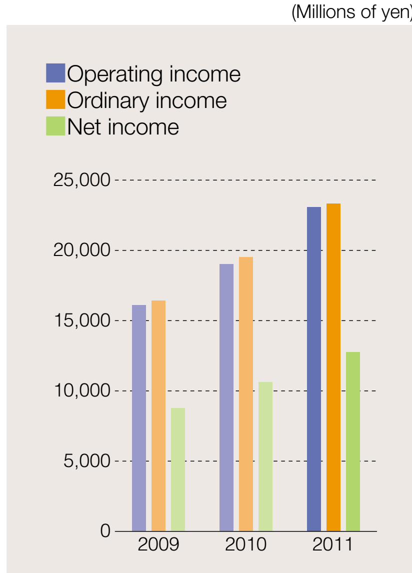
Net sales

(Millions of yen)



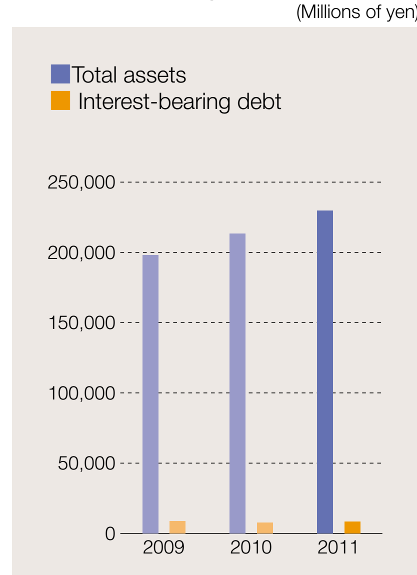
Operating income, Ordinary income, Net income

(Millions of yen)



Total assets, Interest-bearing debt

(Millions of yen)



Note:
Sums of less than a million yen are rounded down.

To Our Shareholders and Investors

I am pleased to announce the results for the fiscal year ended December 31, 2011 and to thank our shareholders and investors for their loyal support.

During the fiscal year under review, although the Japanese economy was significantly affected by the Great East Japan Earthquake, corporate IT investments gradually trended toward recovery. The OTSUKA Group focused on strengthening customer contact and offered system proposals for achieving cost reductions, improving productivity and reducing power usage. As a result of these measures, net sales rose 3.2% from the previous fiscal year to ¥478,215 million.

At the earnings level, because we improved the gross profit margin and controlled selling, general and administrative (SG&A) expenses, operating income increased 21.5% to ¥23,095 million, ordinary income rose 19.5% to ¥23,315 million and net income jumped 19.9% to ¥12,744 million.

Management has resolved to pay year-end dividends per share of ¥155. This includes an ordinary dividend of ¥145 and a special 50th anniversary commemorative dividend of ¥10 in line with our efforts to return profits to shareholders, who have given us their support.

In the coming fiscal year, despite the uncertain direction of the economy, we will further strengthen our contact with customers and strive to identify customers' IT utilization needs. In working to realize our Mission Statement, the OTSUKA Group will continue to pursue management reforms to ensure the trust of all stakeholders. Your ongoing support is greatly appreciated as we move forward with these endeavors.

Yuji Otsuka, President & Chief Executive Officer

March 2012

Overview of Consolidated Operations

IT Investments Trend toward Recovery

During the fiscal year, the Japanese economy started out on a recovery track. However, disruptions to the supply chain due to the Great East Japan Earthquake and electric power shortages caused by the nuclear power plant accident led to a decline in production activities and a mood of self-restraint, and these factors had a major impact on the Japanese economy. Although the supply chain problems were gradually resolved, electric power shortages still continue. Additionally, in the second half of the year, there were supply shortages of parts and other items in some industries because of the impact of the flooding in Thailand. Meanwhile, the global economy, which had been favorable amid growth in newly emerging countries and the recovery of the U.S. economy, faced uncertainty due to the European fiscal crisis and sluggishness in the U.S. economy, ongoing appreciation of the yen and a decline in share prices.

Under these economic conditions, although numerous companies took a cautious stance, IT investment by domestic companies picked up along with new demand, including for the renovation of systems and power saving countermeasures, the building of business continuity plans (BCPs) and the use of tablet terminals.

Proposals for Realizing Cost Reductions and Improving Efficiency

Within this environment, based on our fiscal 2011 slogan "Live up to customers' trust and vitalize office via IT," we strengthened our contact with customers and actively proposed systems for achieving cost reductions, raising productivity and strengthening competitiveness. Additionally, we strengthened our earnings foundation by building stable and long-term business relations with customers by upgrading and expanding packaged products that combine multiple products and services and enhancing our accumulated business, including by developing appealing maintenance services.

Moreover, in the aftermath of the earthquake, we supported companies in the disaster-affected areas by lending equipment to replace their damaged equipment and providing several services at no cost. At the same time, we made proposals for power savings solutions and BCP solutions for responding to new IT demand.

External Environment

The domestic economy is slowly beginning to pick up.

The environment was characterized by a mild recovery in the global economy, the European debt crisis and financial uncertainties.

Exports weakened, the yen remained strong, share prices were lower and interest rates remained at the same level.

Production showed signs of a slow recovery and there were concerns over power supply.

The number of corporate bankruptcies remained at the same level.

Investments in facilities and equipment showed signs of recovery.

IT Investments are starting to pick up.

OTSUKA Group's Activities

- **System proposals that lead to cost reductions, improvement of productivity and strengthening of competitiveness**
- **Strengthening of customer contact and frontline**
- **Activities "participated in by all employees"**
- **Strengthening of accumulated business: "tanomail" and "tayoreru"**
- **BCP measures and proposals for reducing power consumption**
- **Support for the disaster-affected areas**

Increase in Sales and Double-digit Growth in Profits

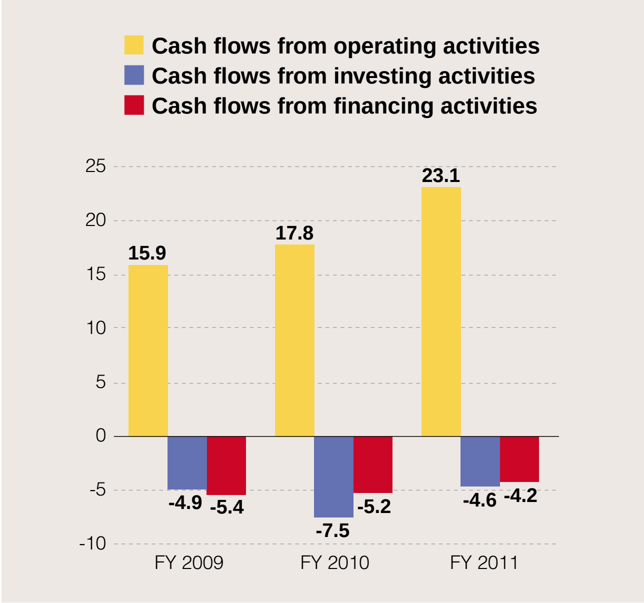
As a result of these measures, net sales rose 3.2% from the previous fiscal year to ¥478,215 million. Regarding profits, because we improved the gross profit margin and controlled SG&A expenses, operating income rose 21.5% to ¥23,095 million, ordinary income increased 19.5% to ¥23,315 million and net income was up 19.9% to ¥12,744 million.

(Millions of yen)

	FY 2010	FY 2011	
	Amount	**Amount**	**Change to Last Year**
Net sales	463,493	**478,215**	**+3.2%**
Operating income	19,013	**23,095**	**+21.5%**
Ordinary income	19,508	**23,315**	**+19.5%**
Net income	10,631	**12,744**	**+19.9%**

Cash Flows

(Billions of yen)



Net cash provided by operating activities amounted to ¥23,158 million, an increase of ¥5,306 million from the previous fiscal year, due to an increase in income before income taxes and minority interests and a decrease in inventories.

Net cash used in investing activities decreased ¥2,923 million from the previous fiscal year to ¥4,604 million due to such factors as the completion of the rebuilding of the Yokohama Building. Net cash used in financing activities decreased ¥976 million to ¥4,229 million.

Overview of Results by Quarter

Net Sales

Although sales in the first quarter (January-March) of 2011 declined due to the effects of the earthquake and a backlash in demand associated with the establishment of information and communication technology (ICT) environments at schools in the first quarter of the previous year, sales increased from the second quarter (April-June) onward.

Net sales in the third quarter (July-September) of 2011 amounted to ¥110,745 million, a 5.8% increase from the previous third quarter. Net sales in the fourth quarter (October-December) of 2011 amounted to ¥118,326 million, an increase of 3.3% over the previous fourth quarter.

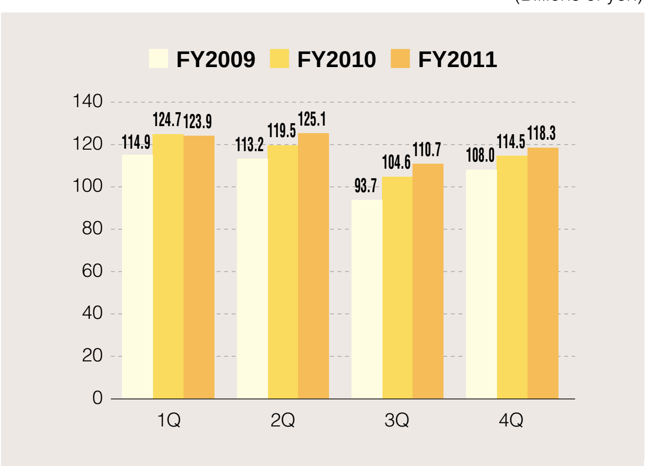
Ordinary Income

We secured an increase in ordinary income in the first quarter (January-March) of 2011, and ordinary income in each successive quarter also rose.

Ordinary income in the third quarter (July-September) of 2011 amounted to ¥3,629 million, an increase of 72.7% from the previous third quarter. Ordinary income in the fourth quarter (October-December) of 2011 amounted to ¥5,381 million, up 10.3% from the previous fourth quarter.

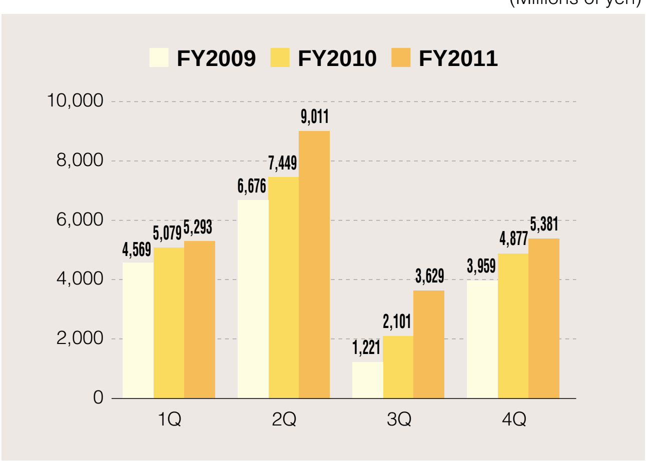
Quarterly Net Sales

(Billions of yen)



Quarterly Ordinary Income

(Millions of yen)



Overview of Business Segments

System Integration Business

The System Integration business provides optimized system services ranging from consulting to system design and development, transport and installation work and network construction. Despite the impact of the Great East Japan Earthquake and the flood damage in Thailand, we seized demand for replacement and upgrade systems at companies and active corporate demand for IT investment. Accordingly, we achieved growth in unit sales, including for PCs, servers and copiers. Consequently, the System Integration business recorded sales growth, with net sales rising 3.5% to ¥262,508 million.

Service and Support Business

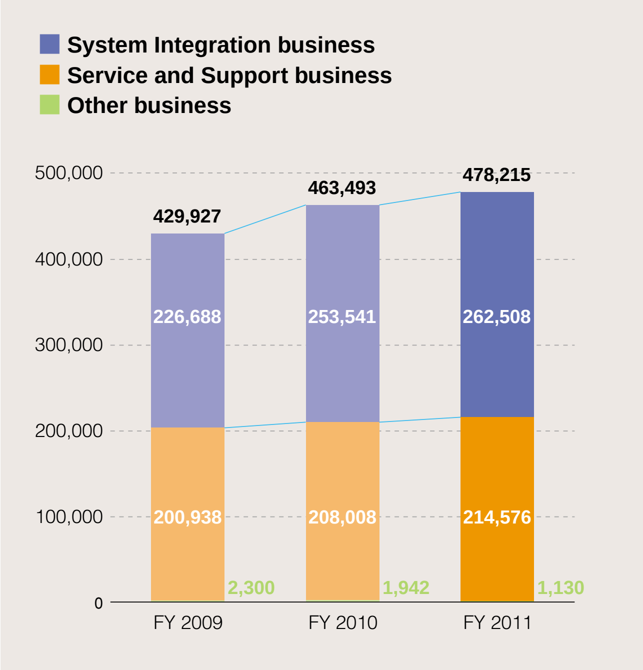
The Service and Support business provides customers with total service and support for their business operations and installed systems encompassing supplies, hardware and software maintenance, telephone support and outsourcing. Although some products and services were adversely affected by the rolling power blackouts and the mood of voluntary restraint following the earthquake, our “tanomail” office supply mail-order service business achieved steady growth in sales, while sales from maintenance and other support rose slightly. As a result, net sales in the Service and Support business rose 3.2% to ¥214,576 million.

Other Business

In the Other Business, net sales declined 41.8% from the previous fiscal year to ¥1,130 million.

Net Sales by Segments

(Millions of yen)



Focusing Efforts on the Accumulated Business

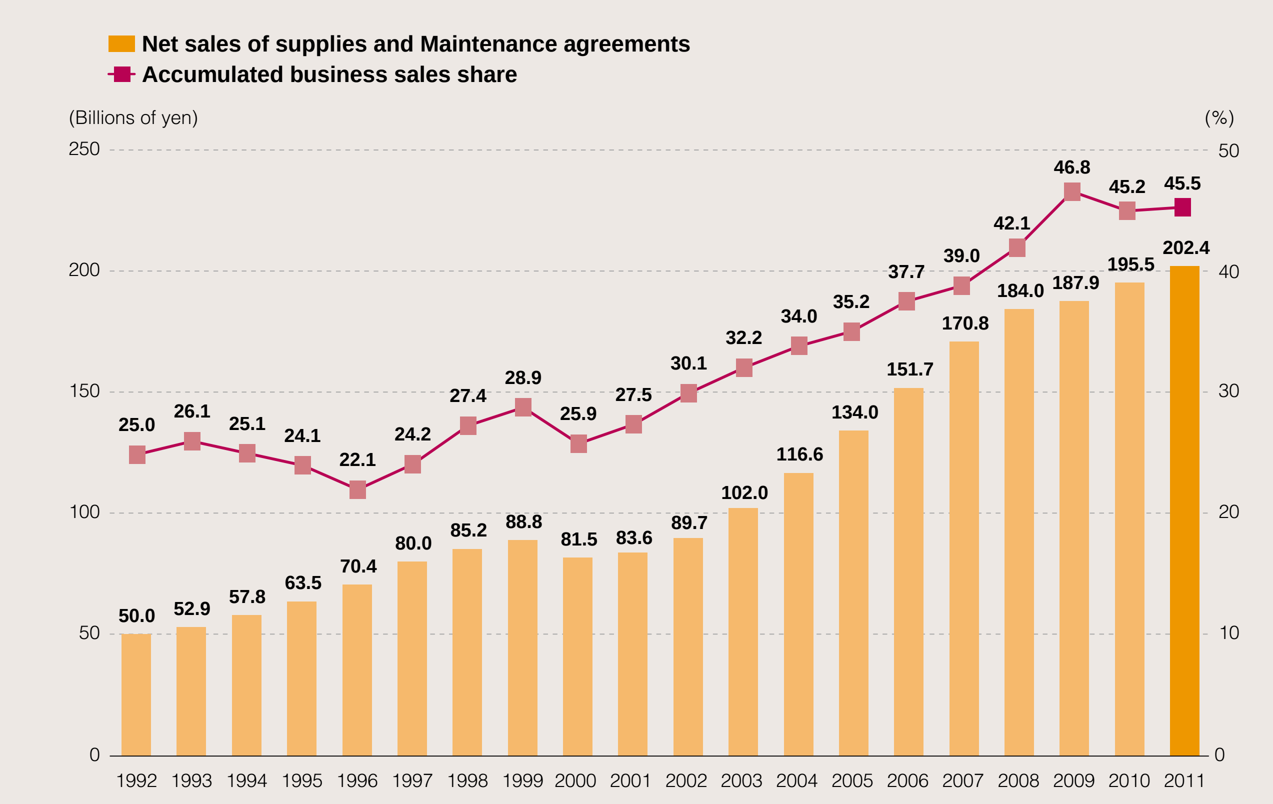
OTSUKA CORPORATION places special emphasis on office supply and maintenance agreement services as the “accumulated business” within the Service and Support business.

The accumulated business is not easily impacted by fluctuations in the economy and is steadily achieving growth annually. As such, this can be said to be a cumulative or accumulation business.

In fiscal 2011 as well, sales in the accumulated business grew steadily, increasing ¥6.9 billion, or 3.5%, surpassing ¥200 billion and accounting for 45.5% of net sales. Since our public listing in 2000, net sales have increased ¥120.9 billion, an approximately 150% increase (non-consolidated basis).

OTSUKA CORPORATION will continue to focus on the accumulated business as it works to raise the stability of its operations.

Accumulated Business (Non-consolidated)



Figures for 1992-1999 are provided as a reference.

“tanomail” and “tayoreru” are the core pillars of the accumulated business.

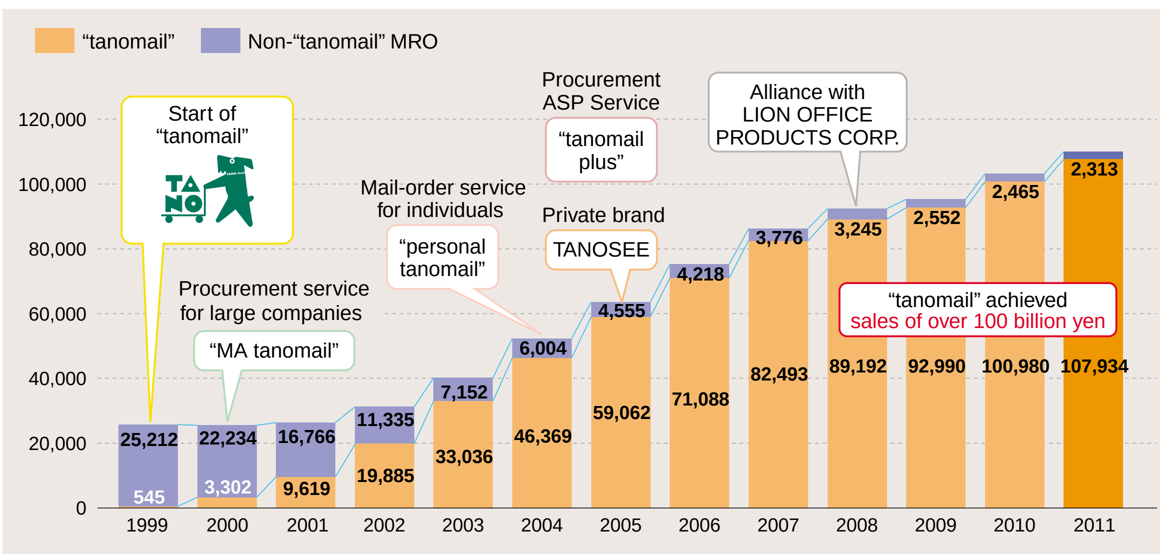
たのめーる “tanomail”

Net sales in our “tanomail” office supply mail-order service business were increasing steadily.

In fiscal 2011, net sales increased 6.9% to ¥107,934 million.

Annual Sales of “tanomail” (Non-consolidated)

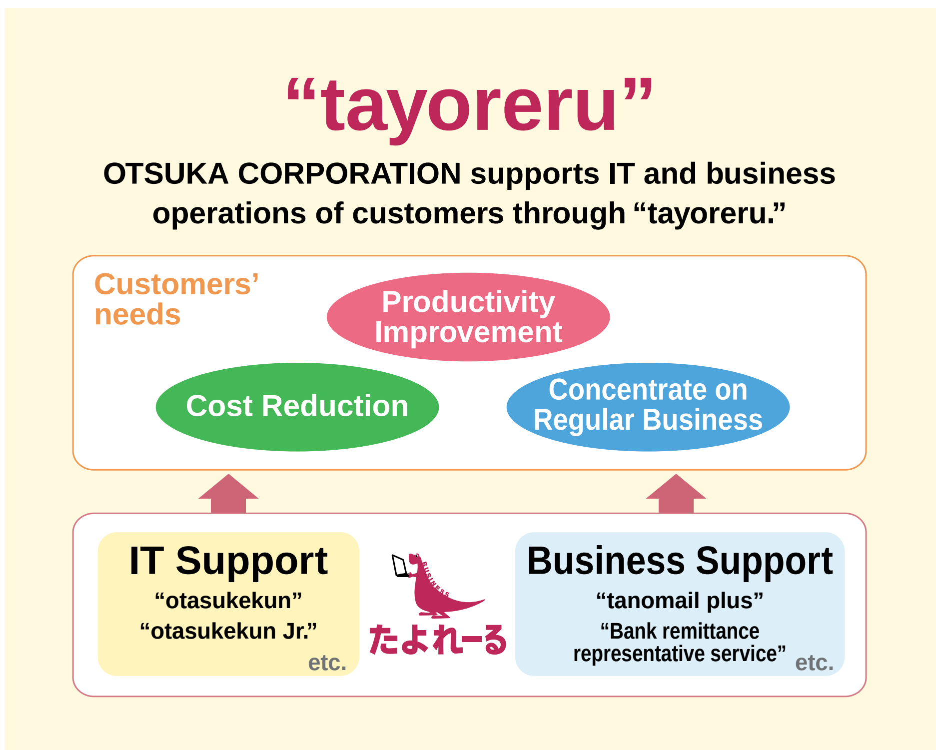
(Millions of yen)



たよれーる “tayoreru”

The “tayoreru” support service business supports customers’ IT and business operations.

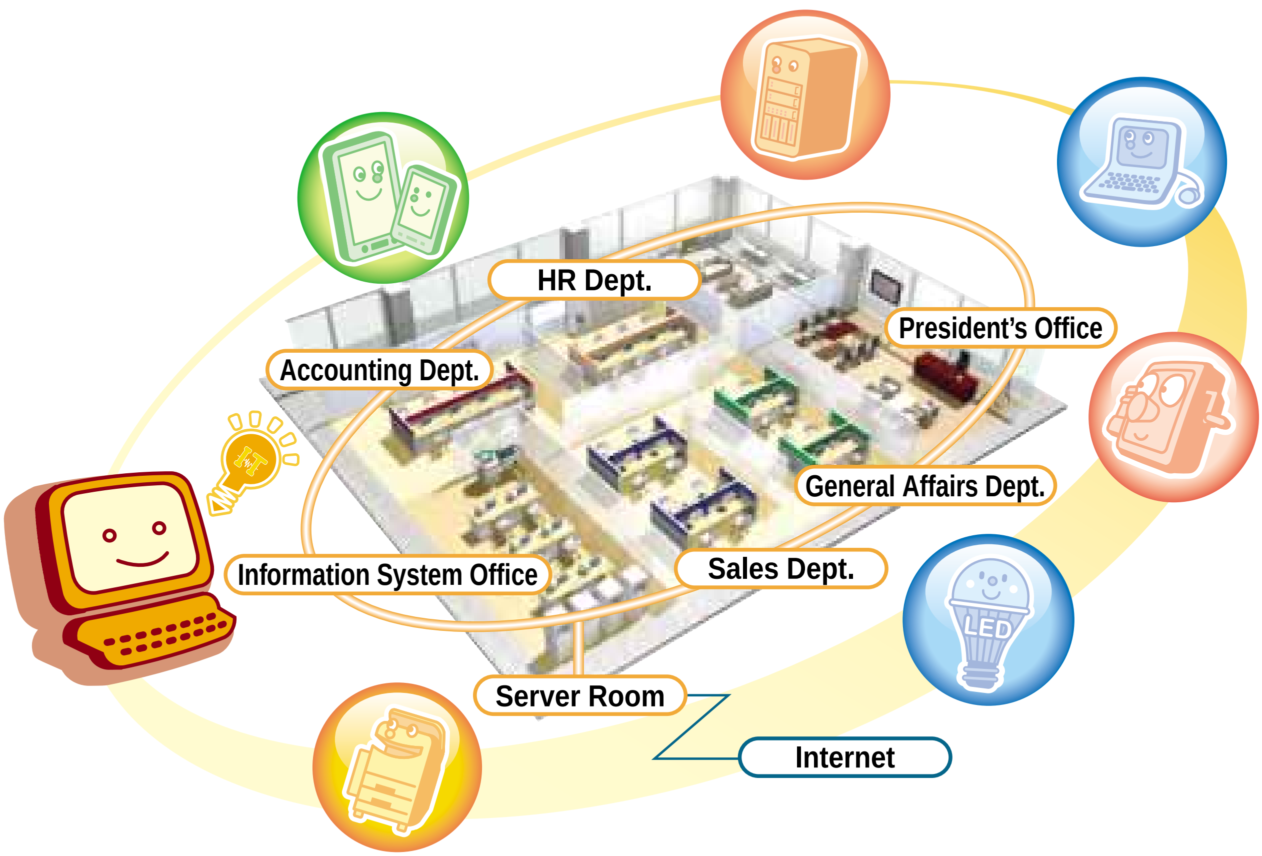
OTSUKA CORPORATION aims to be an indispensable presence in customers’ business infrastructure.



OTSUKA CORPORATION—A Partner to Our Customers

OTSUKA CORPORATION offers one-stop solutions and even one-stop support that integrates the various kinds of business equipment, information and telecommunication devices essential to corporate offices.

OTSUKA CORPORATION aims to be a partner that grows together with our customers

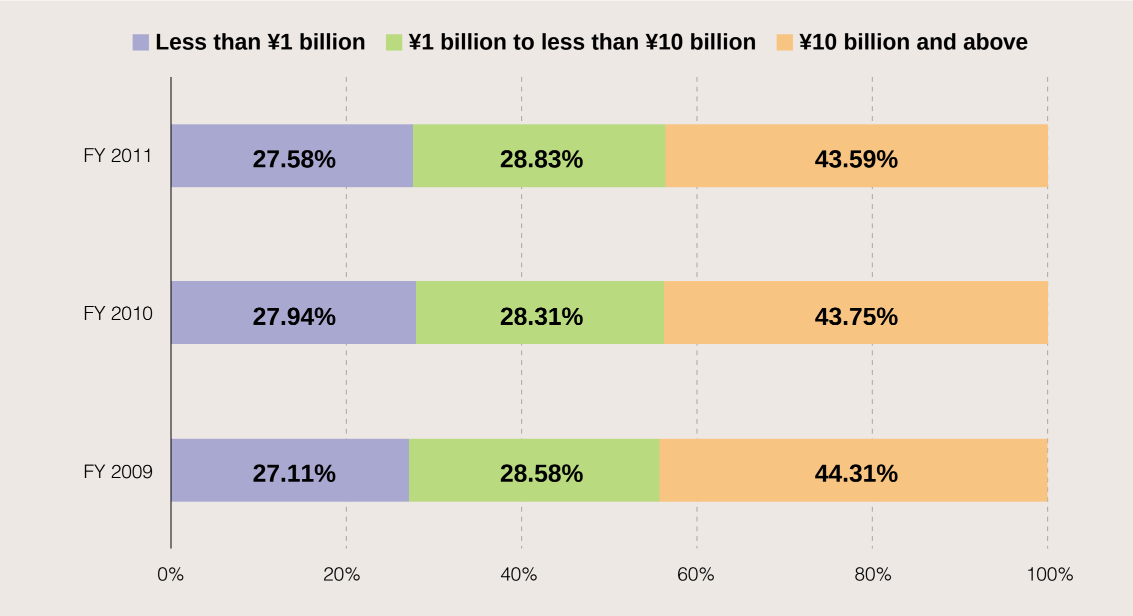


OTSUKA CORPORATION—Backed by a Diverse Range of Customers

OTSUKA CORPORATION maintains a well-balanced composition of customers, with the corporate scale of the Company's customers ranging from major enterprises to small- and medium-sized firms.

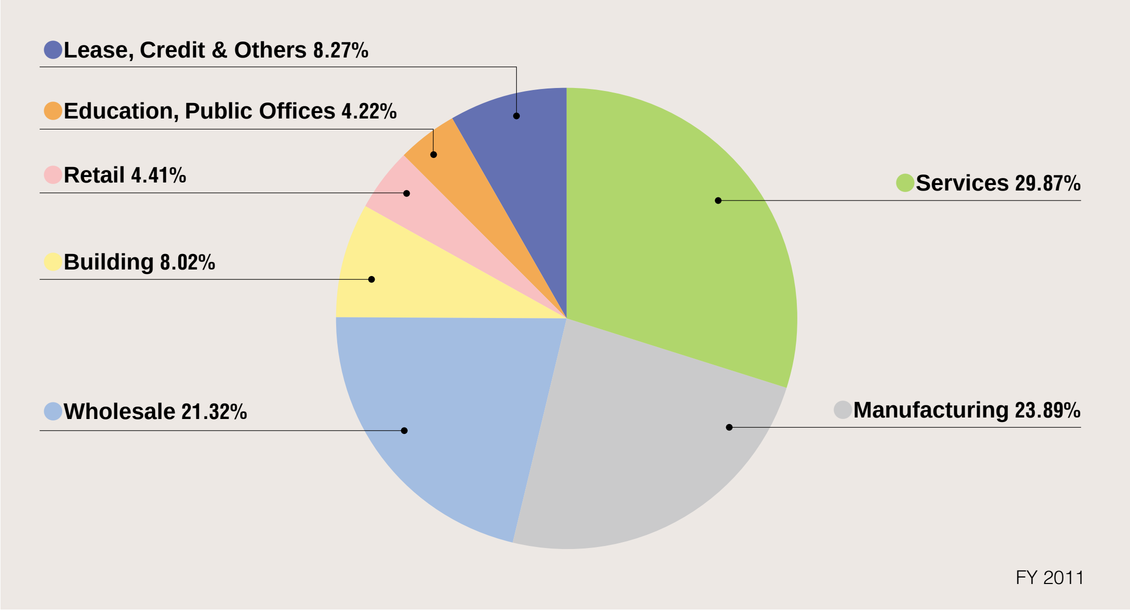
In terms of annual net sales, in fiscal 2011 the ratio of companies with annual net sales of ¥1 billion to less than ¥10 billion increased, while the ratio of companies with sales of less than ¥1 billion and companies with sales of ¥10 billion and above both decreased.

Net sales structure on Customers' total annual business scale (Non-consolidated)



We also have a well-balanced customer base that is not skewed toward any particular industry. In fiscal 2011, there was no major change in the sales breakdown of customers by type of industry.

Sales Breakdown by Customers' type of Industry (Non-consolidated)



Overview of Key Strategic Businesses (Non-consolidated)

<Amount> (Millions of yen)

	FY 2009	FY 2010		FY 2011	
	Amount	Amount	Change to Last Year	**Amount**	**Change to Last Year**
"tanomail"	92,990	100,980	+8.6%	**107,934**	**+6.9%**
SMILE	6,327	6,708	+6.0%	**7,774**	**+15.9%**
ODS21	33,073	38,778	+17.2%	**40,680**	**+4.9%**
OSM	40,826	43,887	+7.5%	**47,113**	**+7.4%**

<Reference: Number of units sold> (Units)

	Units	Units	Change to Last Year	**Units**	**Change to Last Year**
Copiers	24,240	27,003	+11.4%	**29,153**	**+8.0%**
(of which color copiers)	18,144	21,703	+19.6%	**24,296**	**+11.9%**
Servers	32,389	36,405	+12.4%	**37,582**	**+3.2%**
Personal computers	500,276	666,332	+33.2%	**697,057**	**+4.6%**

Key strategic businesses generally benefited from the overall trend toward a pickup in IT investment and recorded steady growth.
In 2011, PCs were able to absorb the impact of demand in 2010 associated with the establishment of ICT environments at schools and achieved further growth.

Color copiers accounted for 83.3% of copier sales.

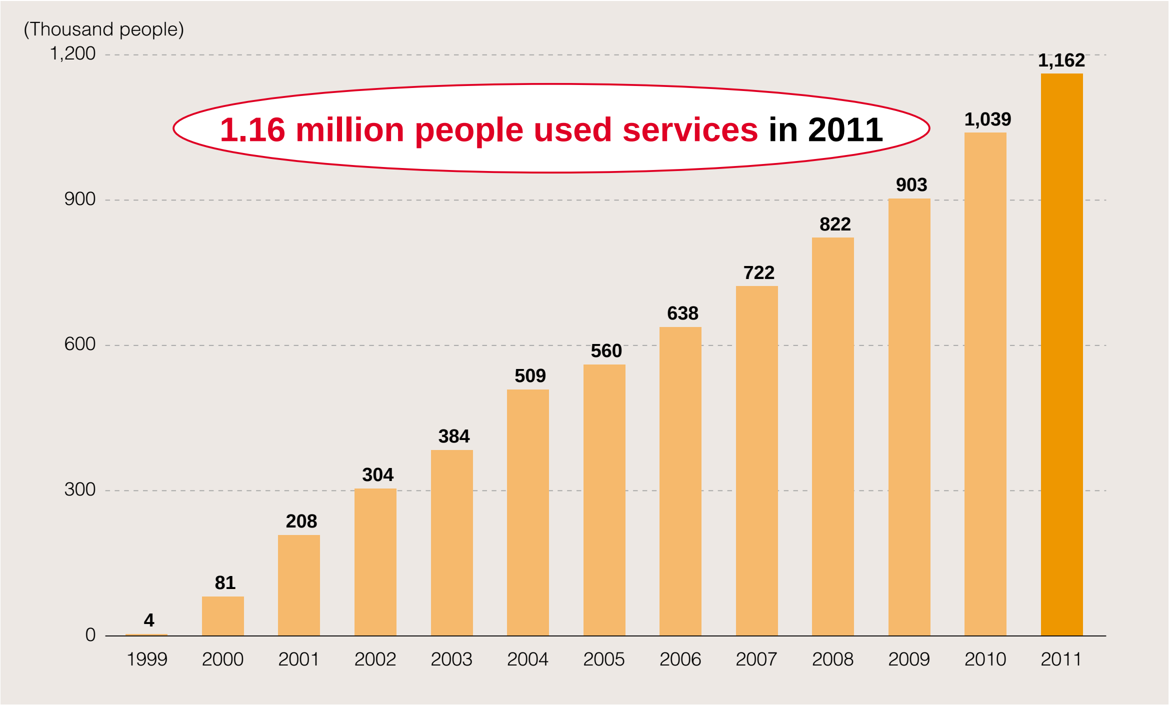
OTSUKA CORPORATION's Web Services (ASP)

Provision of services commenced in 1999. The number of users exceeded 1.16 million in 2011

OTSUKA CORPORATION has been providing "Alpha Mail" services, one of its main Web services, since 1999.

The number of users of Web services has been rising steadily, and in 2011, the number of persons using our main Web services reached 1.16 million.

Number of Users of OTSUKA CORPORATION's Main Web Services (ASP)



Outlook for Fiscal 2012

Despite a Cautious Stance, Corporate IT Investment Is Expected to Be Brisk

Looking at the outlook for the Japanese economy, following ongoing weaknesses in exports and production due to the impact of the economic slowdown in Europe and the strong yen, corporate capital investment is expected to recovery moderately in the latter half of the year due to earthquake recovery and reconstruction demand. The outlook for the global economy is unclear. Although there are hopes for recoveries in emerging country economies, there are also concerns over financial problems in Europe.

Under these economic conditions, despite a cautious investment stance, IT investment by companies is expected to become brisk. There is expected to be demand for replacing and upgrading IT, including a second round of demand for updating systems introduced in response to the Y2K problem and for responding to the implementation of the IPv6, as well as expectations that the IT market will be stimulated by the use of tablet terminals and that new markets will be created.

As in the previous year, there are continuing needs for reducing the volume of power consumption by introducing power-saving PCs and servers, integrating servers and introducing BEMS (building energy management systems) that utilize power-saving devices and LED lighting as well as a need for BCP countermeasures through the use of data centers, including ASPs and data backup services.

Strengthening Customer Contact

Given these economic conditions and outlook for company IT investment, in keeping with its fiscal 2012 slogan of "Live up to customers' trust from a customer viewpoint and vitalize office," under a strengthened community-based sales structure, the Group will strengthen customer contact by improving one-stop solutions and one-stop support, actively propose systems that raise productivity and that are highly effective in terms of cost effectiveness and reducing power consumption, and deploy the Group's overall strengths more than ever before.

At the same time, we will strengthen our product lineup by upgrading and expanding packaged products that combine multiple products and services; fortify our accumulated business, including developing appealing maintenance services; build stable and long-term business relationships with customers; and strengthen our earnings foundation.

Policies and Measures in 2012

Slogan

Live up to customers' trust from a customer viewpoint and vitalize office.

- **Strengthen customer contact by placing greater emphasis on one-stop solutions and one-stop support.**
- **Identify IT needs and needs for saving energy.**
- **Deepen ties with existing customers while cultivating new customers.**
- **Promote comprehensive proposals and combined system proposals.**
- **Strengthen accumulated business.**

Strategies by Segment

In the System Integration business, we will focus closely on company IT investment trends and IT utilization needs, while further promoting comprehensive proposals and combined system proposals that combine copiers, computers, telephones, facsimile machines and communication lines.

In the Service and Support business, the OTSUKA Group will strive to upgrade and expand our line of new products and enhance our lineup of “TANOSEE” private-brand products in our “tanomail” office supply mail-order service business. In our “tayoreru” support service business, we will work to take advantage of the recovery in the System Integration business to achieve an increase in maintenance and other service contracts, and in conjunction with these efforts, we will increase our services that are not reliant on hardware.

Forecast for Fiscal 2012

In fiscal 2012, the Company forecasts a 3.1% increase in consolidated net sales to ¥493,000 million, a 3.9% increase in operating income to ¥24,000 million, a 5.1% increase in ordinary income to ¥24,500 million and a 6.3% increase in net income to ¥13,550 million.

By segment, we forecast a 2.5% increase in net sales to ¥269,110 million in the System Integration business, a 3.9% increase to ¥222,990 million in the Service and Support business and a 20.4% decrease to ¥900 million in the Other Business.

Forecast for Consolidated Net Sales and Income (Millions of yen)

	Fiscal 2011	Fiscal 2012 (Forecast)	
	Amount	Amount	Change to Last Year
Net sales	478,215	493,000	+3.1%
Operating income	23,095	24,000	+3.9%
Ordinary income	23,315	24,500	+5.1%
Net income	12,744	13,550	+6.3%

Forecast for Consolidated Net Sales by Segment (Millions of yen)

	Fiscal 2011	Fiscal 2012 (Forecast)	
	Amount	Amount	Change to Last Year
System Integration business	262,508	269,110	+2.5%
Service and Support business	214,576	222,990	+3.9%
Other business	1,130	900	-20.4%

Social Contribution and Environmental Preservation Activities

Starting from our immediate surroundings, OTSUKA CORPORATION is participating in activities for contributing to society and helping to preserve the environment in a diverse range of fields. Some of the highlights for fiscal 2011 are introduced herein.

Donation of LED lights as an Undertaking to Commemorate the 50th Anniversary of Our Founding

We donated LED lights in various regions as an undertaking to commemorate the 50th anniversary of our founding.

In Hiroshima, we replaced halogen light bulbs with LED light bulbs in the railing lights on the Motoyasubashi bridge linking the Hiroshima Peace Memorial with Peace Memorial Park. The use of LED lighting has enabled an approximately 75% reduction in power consumption.

Implementation of “Earthquake Disaster Reconstruction Volunteer” Activities

In September and November, OTSUKA Corporation implemented “Earthquake Disaster Reconstruction Volunteer” activities as an initiative for supporting areas damaged by the Great East Japan Earthquake.

In September, a total of 133 Group employees participated in a two-night, three-day activity and engaged in the clearing of debris. The volunteers uncovered items buried under sand and then separated these into home electric appliances, metals, rubber products, wood and other combustible items.

In November, 90 persons participated in a two-night, three-day activity and engaged in restoration work in agricultural regions (weed cutting and debris removal).

Corporate Governance

Basic Stance Regarding Corporate Governance

Based on a corporate ethic and spirit of compliance spelled out in its Mission Statement, the OTSUKA Group aims to adapt nimbly to changes in the environment and augment its competitiveness by ensuring thorough compliance and raising both operational transparency and fairness.

1. Corporate Structure and Implementation Status of Internal Control Systems

Corporate Governance System and Reason for Employing System

OTSUKA CORPORATION consists of various statutory bodies such as the General Meeting of Shareholders, Directors and Board of Directors, Corporate Auditors and Board of Corporate Auditors and Independent Auditor.

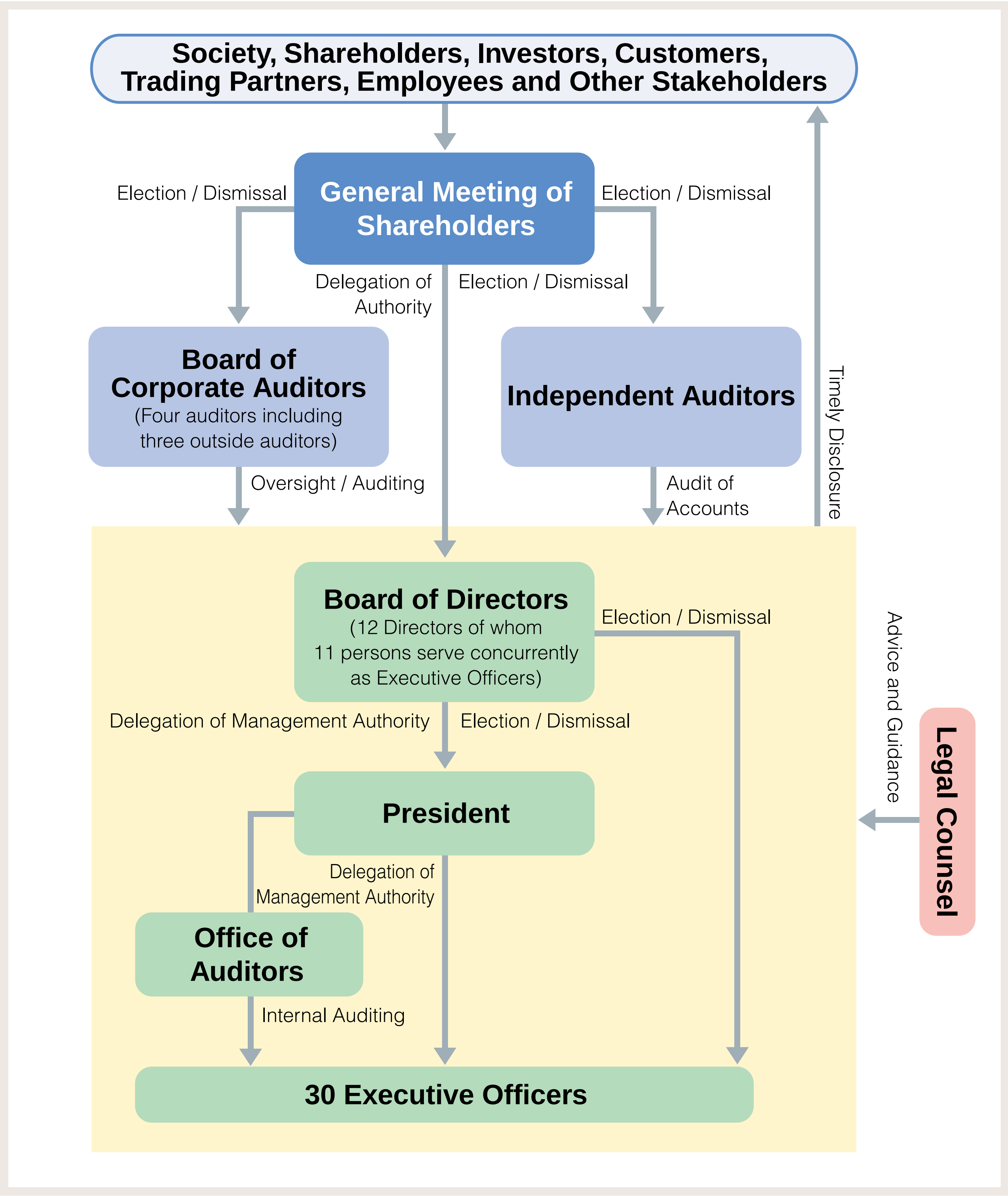
It has been deemed that a governance system led by outside directors would not be suitable due to the wide range of business domains of the Company and the importance of understanding these domains and being familiar with the IT industry. A Corporate Auditor System has therefore been adopted.

The Board of Directors meets regularly once a month to discuss and make decisions on critical management issues requiring resolution based on relevant laws and the Articles of Incorporation, and monitors the execution of duties by directors. The introduction of the Executive Officer System aims to separate the functions of business execution and supervision in order to realize more rapid decision-making on operational matters and strengthen the oversight of the Board of Directors. To this end, Executive Officers elected by the Board of Directors are responsible for the execution of business operations while the Board of Directors and Corporate Auditors handle the oversight of business execution.

The Board of Corporate Auditors is comprised of four auditors, including three outside auditors. The Corporate Auditors attend such important meetings as the Board of Directors meetings to provide appropriate recommendations and advice, monitor that suitable management is being carried out and closely audit the execution of duties by Directors.

Group Management Meetings comprising top management of all Group companies (Special Executive Officers) are also held to clarify operational conditions at each company and make progress in achieving profit targets in addition to working to strengthen corporate governance.

The structure for corporate management decision-making, business operations and oversight is as follows:



State of Internal Control Systems

Pursuant to Paragraph 5, Article 362 of the Companies Act, the Company has determined the following basic policies at a meeting of Board of Directors for systems that ensure the proper execution of business operations.

• Basic policies for internal control systems

1) System for ensuring compliance with laws and the Articles of Incorporation in the execution of duties by directors and employees

Directors shall take the lead and set an example in complying with and promoting the Mission Statement as the basis of our compliance structure.

Directors and employees shall strive to enhance the compliance system by taking such measures as improving awareness through continuous compliance education, improving business operations through internal audits, and properly applying the internal reporting system in working to ensure compliance with laws and the Articles of Incorporation in the execution of their duties.

2) System for storing and managing information concerning the execution of duties by directors

Information concerning the execution of duties by directors (paper or electronically recorded) as well as other important information shall be properly stored and managed in accordance with laws and internal regulations.

3) Regulations and other systems concerning management of risk of losses

Based on internal regulations, we shall establish a risk management system, identify, analyze and evaluate any risk that could affect business results, financial condition, or other areas and respond appropriately.

In the event of unexpected contingencies, we shall set up a task force, collect risk information and devise quick and appropriate countermeasures.

4) System for ensuring the efficient execution of duties by directors

The Board of Directors shall in principle convene once per month to discuss and decide important matters concerning management and supervise the state of execution of business duties.

Also, the Board of Directors shall clarify criteria for convening and bringing up matters for debate at council bodies set up to raise the suitability of decision-making, while specific details shall be stipulated in Duty Authority Regulations and Separation of Duty Regulations and efficiency shall be raised.

5) System for ensuring proper operations of the Group consisting of the Company and its subsidiaries

Group companies shall ensure the proper execution of business operations by the functioning of self-cleansing mechanisms through the execution of business operations that are in accordance with the Mission Statement. By convening the Group Management Meeting, we shall ascertain the state of management and the progress of profit plans at each Group company. Concurrently, we shall work to strengthen corporate governance at each Group company through the Special Executive Officer System.

6) Matters regarding employees assisting corporate auditors when requested and the independence of such employees from directors

In the event that an auditor requests the assistance of an employee, a proper system shall be established upon consultation with the corporate auditor. Concerning the determination of matters related to the delegation of authority over personnel matters to the relevant employee, the independence of such employees from directors shall be ensured by obtaining the prior consent of the corporate auditor

7) System for reporting to corporate auditors by directors and employees and other systems regarding reporting to corporate auditors

A system shall be established that enables corporate auditors to receive reports from directors and employees on the state of execution of duties. At the same time collaboration and coordination with internal departments carrying out audits shall be strengthened.

8) System for ensuring effective audits by corporate auditors

Representative directors shall exchange opinions with corporate auditors on a timely basis. The internal auditors office shall maintain close relations with the corporate auditors and undertake inspections in accordance with the requests of corporate auditors.

• Basic thinking on the elimination of antisocial forces and establishment of measures

1) Basic thinking

The Mission Statement and Compliance Regulations stipulate that the Company shall take a firm stance against and maintain no relations with antisocial forces that threaten the order and safety of society.

2) Establishment of measures

The Company shall express its Action Guidelines against antisocial forces in its Mission Statement and Compliance Manual while designating its Compliance Office and Human Resources and General Affairs Department as the department and office responsible for responding to antisocial forces. The Company shall collaborate with legal counsel and external organizations that include police departments and the Metropolitan Police Department Joint Association for the Prevention of Particular Violence.At the same time, employees shall be thoroughly familiarized with the Action Guidelines.

Status of Internal Audits and Audits by Corporate Auditors

The Office of Auditors under the direction of the President has been established to conduct periodic and on-demand internal audits of all operations across the Group and assess the adequacy of policies, plans and procedures, the effectiveness of their implementation and compliance with laws, as well as to offer concrete advice and recommendations for improving operations and raising awareness.

The Board of Corporate Auditors formulates auditing policies and assigns relevant duties regarding audits. Each Corporate Auditor complies with the standards set by the Board of Corporate Auditors when conducting audits and works to gather information and ensure smooth lines of communication with Directors and the Office of Auditors in order to create an effective environment for auditing. Corporate Auditors attend the Board of Directors meetings and other important meetings to hear reports from Directors and others on the status of execution of duties and to examine the condition of business operations and assets at Head Office and key business locations. Other functions include oversight and inspection of the status of internal control systems.

Corporate Auditors and staff from the Office of Auditors meet regularly once a month to exchange information regarding such matters as auditing plans as well as the condition of audit implementation and business execution, and take appropriate steps as required.

Corporate Auditors and the Independent Auditor meet on a timely basis to confirm auditing plans and the condition of audit implementation and progress on improvements to recommended areas, exchange information confirming the legality of actions taken by Directors, and take appropriate steps as required.

Corporate Audits

OTSUKA CORPORATION contracts Ernst & Young ShinNihon LLC to handle its accounting auditing.

The names of CPAs involved in auditing-related operations and composition of staff assisting in auditing-related operations for the fiscal year under review are as follows.

Ernst & Young ShinNihon LLC

Kenichi Akiyama, Designated Employee with Limited Liability and Managing Partner

Juntaka Sakata, Designated Employee with Limited Liability and Managing Partner

Makoto Mukai, Designated Employee with Limited Liability and Managing Partner

Number of Staff Assisting in Accounting-related Operations

CPAs	14
Other individuals	11

* Summarized, as all members have less than seven years of continuous auditing experience

Relationship with Outside Directors and Outside Auditors

OTSUKA CORPORATION views outside directors as important for strengthening management oversight from an objective and independent perspective. However, it has not appointed any outside directors at this time due to the wide range of business domains of the Company and the importance of understanding these domains and being familiar with the IT industry. The Company will continue seeking appropriate candidates going forward.

There were two outside auditors as of the end of the fiscal year, and the following three persons have been appointed as of March 28, 2012. Both attend the Board of Directors meetings to provide insight and impart opinions based on extensive experience. This facilitates the decision-making process of the Board of Directors.

Jiro Makino and Mikio Sugiyama have been appointed outside auditors to reflect their legal and accounting knowledge, respectively, to the management of the Company. They make reports to the Tokyo Stock Exchange (TSE) as the independent Directors or Auditors, as provided by the TSE.

Newly appointed auditor Kazuhiko Nakai has been appointed as an outside auditor because of his qualifications as a certified public accountant.

Mutual Collaboration between Surveillance or Audits by Outside Auditors and Internal Audits, Corporate Auditor Audits and Independent Audits, and Relations with Internal Control Department

The outside auditors receive on a regular basis auditing reports at the Board of Corporate Auditors, reports concerning the state of establishment and operation of internal controls from the Internal Control Committee and reports on internal audits from the Office of Auditors. This enables the outside auditors to understand the current state of the Group and pertinent issues, and when the need arises they express their opinions from a specialist standpoint at the Board of Directors. Additionally, outside auditors exchange information and opinions with independent auditors and internal auditing departments, beginning with the Office of Auditors, at their discretion and work to share auditing information.

2. Status of Implementation of Risk Management System

OTSUKA CORPORATION has established a Risk Management Committee as the body to promote and control business risk management as part of a risk management system.

The Risk Management Committee identifies and assesses all risk related to the Company and investigates respective measures for key risks. The Committee provides direction on the creation of a risk management system to ensure the ongoing and stable maintenance and management of risk in each division and department within its scope. At the same time, efforts are made to enhance crisis management by (1) preparing for such emergencies during ordinary times, (2) taking appropriate steps during a crisis and (3) formulating and managing a business continuity plan.

3. Remuneration of Directors and Corporate Auditors

Total Remuneration, Breakdown of Remuneration and Number of Applicable Officers by Classification

Class	Total Remuneration (Millions of yen)	Breakdown of Remuneration (Millions of yen)			Number of Officers (Persons)
		Base Pay	Bonus	Retirement Benefits	
Directors	381	248	60	72	15
Corporate Auditors(except outside auditors)	21	20	—	1	3
Outside Auditors	10	10	—	—	2

Notes:
1. The above includes two directors and one auditor who retired from their positions due to the expiration of their terms of office at the conclusion of the 50th Annual General Meeting of Shareholders convened on March 29, 2011 and one director who retired from office on April 30, 2010.
2. Remuneration to Directors does not include compensation for services rendered outside the realm of their directorships.
3. The amount of annual remuneration for Directors is up to ¥650 million as approved at the General Meeting of Shareholders on March 13, 1990 (although this does not include employee compensation).
4. The amount of annual remuneration for Corporate Auditors is up to ¥50 million as approved at the General Meeting of Shareholders on March 30, 2005.
5. The increase in allowance for retirement benefits for directors in the year under review is included in the above retirement benefits.

Total Consolidated Remuneration by Director and Corporate Auditor

Not disclosed since there are no Directors or Corporate Auditors that receive consolidated remuneration of ¥100 million or more.

Policy for Determination of Remuneration Policy and its Calculation Method for Directors and Corporate Auditors

Remuneration for Directors comprises basic pay, bonus and retirement benefits.The method of calculation for each follows. Basic pay refers to fixed remuneration determined based on the maximum annual income of the employee and the importance of their role in each position. It is set within the limit determined by resolution passed at the General Meeting of Shareholders. In order to link contribution to business performance, bonuses are determined based on target achievement for operating income and the degree of contribution of each Director. Remuneration for Corporate Auditors is determined based on deliberation by the Board of Corporate Auditors and set within the limit determined by resolution passed at the General Meeting of Shareholders. In principle, the Company sets an annual basic total amount for retirement benefits for each class of Standing Officer. Retirement benefits are paid at the time of retirement in an amount adjusted for company and individual performance. The Company does not employ a stock option system.

4. Principal Stockholdings by the Company

Investment shares held for any purpose other than pure investment

Number of securities	67
Total amount on balance sheet	¥2,121 million

Name, number, amount on balance sheet of investment shares held for any purpose other than pure investment and purpose for holding them

(Previous Fiscal Year)

Specified investment stocks

Name	Number of Shares	Amount on Balance Sheet (Millions of yen)	Purpose for Holding
Temp Holdings Co., Ltd.	1,000,000	753	To facilitate and maintain business relationship
Ricoh Company, Ltd.	192,916	229	As above
The Bank of Yokohama Ltd.	382,204	160	As above
Daiwa House Industry Co, Ltd.	100,000	99	As above
ThreePro Group Co., Ltd.	1,200	85	As above
Uchida Esco Co., Ltd.	180,000	73	As above
Credit Saison Co., Ltd.	50,000	66	As above
Billing System Corporation	500	57	As above
Meiko Network Japan Co., Ltd.	60,000	40	As above
The Keiyo Bank, Ltd.	50,000	20	As above

(Current Fiscal Year)
Specified investment stocks

Name	Number of Shares	Amount on Balance Sheet (Millions of yen)	Purpose for Holding
Temp Holdings Co., Ltd.	1,000,000	695	To facilitate and maintain business relationship
Ricoh Company, Ltd.	213,192	143	As above
The Bank of Yokohama Ltd.	382,204	139	As above
ThreePro Group Inc.	1,200	93	As above
Daiwa House Industry Co, Ltd.	100,000	91	As above
Credit Saison Co., Ltd.	50,000	77	As above
Uchida Esco Co., Ltd.	180,000	70	As above
Billing System Corporation	500	52	As above
Meiko Network Japan Co., Ltd.	60,000	41	As above
Daito Trust Construction Co., Ltd.	4,600	30	As above
The Keiyo Bank, Ltd.	50,000	19	As above
Zeon Corporation	26,230	17	As above
Mitsubishi Tanabe Pharma Corporation	13,300	16	As above
J ESCOM Holding, Inc.	150,000	13	As above
Nippon Kayaku Co., Ltd.	14,317	10	As above
NAMCO BANDAI Holdings Inc.	9,504	10	As above
Mitsubishi UFJ Financial Group, Inc.	29,110	9	As above
Iino Kaiun Kaisha, Ltd.	25,289	8	As above
Kyowa Hakko Kirin Co., Ltd.	8,000	7	As above
Iwabuchi Corporation	13,229	5	As above
Rengo Co., Ltd.	7,600	4	As above
The Dai-ichi Life Insurance Company, Limited	43	3	As above
HYPER Inc.	6,000	3	As above
Mizuho Financial Group, Inc.	21,520	2	As above
Morinaga & Co., Ltd.	11,860	2	As above
Autobacs Seven Co., Ltd.	500	1	As above
Daikyo Incorporated	9,400	1	As above
Maruzen Co., Ltd.	2,000	1	As above
Canon Marketing Japan Inc.	1,155	1	As above
Tsuchiya Holdings Co., Ltd.	6,906	0	As above

Investment stocks held for the purpose of pure investment

Not applicable.

5. Number of Directors

The Company's Articles of Incorporation stipulate that the number of Company Directors shall be 19 or fewer.

6. Outline of Contracts for Limitation of Liability

Not applicable.

7. Resolutions for Appointment and Dismissal of Director

The Company's Articles of Incorporation stipulate that a resolution for appointment of Director requires attendance by shareholders with more than one-third of the voting rights of shareholders capable of exercising such rights, and is decided by a majority of shareholders. In addition, a resolution for appointment of Director shall not be decided by cumulative voting.

8. Decision-Making Body for the Distribution of Retained Earnings

The regular General Meeting of Shareholders shall serve as the decision-making body for the distribution of retained earnings at year-end.

9. Interim Dividend

The Company's Articles of Incorporation stipulate that based on a resolution of the Board of Directors, the Company can pay interim dividends with the date of record being June 30 of each year. This is in order to allow the flexible return of profits to shareholders.

10. Purchase of Own Shares

The Company's Articles of Incorporation stipulate that the Company shall be able to purchase its own shares through market transactions based on a resolution of the Board of Directors as prescribed under Article 165, Paragraph 2 of the Companies Act to enable the execution of a flexible capital policy that responds to changes in economic conditions.

11. Exemption from Liability of Directors and Corporate Auditors

Not applicable.

12. Requirements for Special Resolution of the General Meeting of Shareholders

The Company's Articles of Incorporation stipulate that a special resolution of the General Meeting of Shareholders, pursuant to Article 309, Paragraph 2 of the Companies Act, shall be adopted when it is approved by a vote of two-thirds or more of the voting rights present at a General Meeting of Shareholders, a quorum for which shall be the presence of shareholders of one-third of the aggregate voting rights if the total shareholders capable of exercising such rights. This aim to facilitate efficient operation of the General Meeting of Shareholders through the moderation of special resolutions at the General Meeting of Shareholders.

Remuneration for Independent Auditor

1. Breakdown of Remuneration for Independent Auditor

Class	Previous Fiscal Year		Current Fiscal Year	
	For auditing and certification services (Millions of yen)	Non-auditing services (Millions of yen)	For auditing and certification services (Millions of yen)	Non-auditing services (Millions of yen)
Otsuka Corporation	77	—	74	3
Consolidated Subsidiaries	14	—	13	—
Total	91	—	87	3

2. Other Major Remuneration

Not applicable.

3. Non-Auditing Services by Independent Auditor for Consolidated Companies

(Previous Fiscal Year)

Not applicable.

(Current Fiscal Year)

The Company has commissioned consulting related to International Financial Reporting Standards (IFRS) to an auditing certified public accountant and others and pays compensation to these parties.

4. Audit Remuneration Policy

The Company determines an appropriate amount of audit remuneration based on a number of factors, including the number of days of auditing work, the nature of auditing duties and scale of work to ensure the Accounting Auditor can conduct auditing and certification services fairly and in good faith from an independent standpoint.

Board of Directors and Corporate Auditors (As of March 28, 2012)

President & Chief Executive Officer

Yuji Otsuka

Managing Director & Senior Executive Operating Officer

Kazuhide Hamada

Managing Director & Senior Executive Operating Officer

Kazuyuki Katakura

Managing Director & Senior Executive Operating Officer

Toshiyasu Takahashi

Managing Director & Executive Operating Officer

Kimio Shiokawa

Managing Director & Operating Officer

Katsuhiro Yano

Managing Director & Operating Officer

Hironobu Saito

Managing Director & Operating Officer

Yasuhiro Wakamatsu

Director & Senior Managing Officers

Koji Yama

Hironobu Tsurumi

Mitsuya Hirose

Minoru Sakurai

Standing Auditor

Kiyoshi Nakano

Auditors

Jiro Makino

Mikio Sugiyama

Kazuhiko Nakai

Business Risks

The most common risks that could potentially impact the Group's business performance results and financial condition are outlined below. While these are the most common risks, they do not represent all potential risks.

The items covered herein are possible future occurrences determined by the OTSUKA Group as of March 28, 2012.

Customer-related Risks

The OTSUKA Group's customers range from large enterprises to small firms that span a broad range in terms of company scale and industries. Consequently, its level of dependency on any specific customer is low.

However, the Group's operations could be impacted by convergent changes in IT investment trends by a large number of companies as a result of unexpected changes in the economic environment.

Supplier-related Risks

The OTSUKA Group is supplied with high-quality products, services and technologies (hereafter called "products") by numerous suppliers for respective segments in order to optimally resolve the problems of each customer. While working to deepen its relationship with suppliers to ensure stable supply of these "products," the Group is constantly working to acquire information on newer "products" as well.

However, the Group's operations could be impacted by the inability to supply "products" in the quantity demanded by customers because of insufficient supply of "products" due to issues at supplier sites, as well as by the Group's inability to obtain substitutes.

Information Leakage Risks

The OTSUKA Group possesses an abundance of individual and corporate information pertaining to operations that is handled carefully.

The Group received approval to use the Privacy Mark of the Japan Institute for Promotion of Digital Economy and Community, and its Internet Data Center acquired certification for Information Security Management Systems (ISMS).

As a concrete measure to manage data, the Group has released an internal and external Personal Information Protection Policy, as well as established regulations on personal information protection, confidentiality and information system security. The Group has its employees take a pledge of confidentiality as well as works to prevent information leakage outside of the Group and raises awareness of information management through its proprietary educational "CP (Compliance Program) License System" and other measures. Even with these measures, however, the Group's operations could be impacted by assuming liabilities for damage and loss of trust by society in the unlikely event that personal or corporate information is leaked outside the Group.

Financial Section

Three-year Financial Data

OTSUKA CORPORATION and Consolidated Subsidiaries
Years ended December 31, 2009, 2010 and 2011

	Millions of yen			Thousands of U.S. dollars
	2009	2010	**2011**	**2011**
Net sales	¥429,927	¥463,493	**¥478,215**	**$6,152,266**
System Integration business	226,688	253,541	**262,508**	**3,377,178**
Service and Support business	200,938	208,008	**214,576**	**2,760,540**
Other business	2,300	1,942	**1,130**	**14,546**
Operating income	16,094	19,013	**23,095**	**297,120**
Ordinary income	16,427	19,508	**23,315**	**299,954**
Income before income taxes and minority interests	16,237	18,687	**22,350**	**287,542**
Net income	8,782	10,631	**12,744**	**163,952**
Total assets	198,076	213,401	**229,610**	**2,953,951**
Interest-bearing debt	8,684	7,802	**8,415**	**108,266**
Equity	101,740	108,255	**116,633**	**1,500,500**
Net income per share (EPS) (Yen and U.S. dollars)	277.92	336.42	**403.28**	**5.19**
Dividends per share of common stock (Yen and U.S. dollars)	130.00	135.00	**155.00**	**1.99**
Cash flows from operating activities per share (Yen and U.S. dollars)	505.74	564.91	**732.82**	**9.42**
Operating income to Net sales ratio (%)	3.74	4.10	**4.83**	**—**
Net income to Net sales ratio (%)	2.04	2.29	**2.66**	**—**
Interest-bearing debt ratio (%)	4.38	3.66	**3.67**	**—**
Equity ratio (%)	51.36	50.73	**50.80**	**—**
Return on equity (ROE) (%)	8.84	10.13	**11.33**	**—**

Notes:
Equity = Total net assets - Share subscription rights - Minority interests
Figures for ROE are calculated using average equity.
U.S. dollar amounts are computed using the December 31, 2011 exchange rate of ¥77.73 = US$1.

Summary of Sales and Profits

				Millions of yen
	2010	**2011**	Difference to Last Year	% Change to Last Year
Net sales	¥463,493	**¥478,215**	+14,722	+3.2%
System Integration business	253,541	**262,508**	+8,966	+3.5
Service & Support business	208,008	**214,576**	+6,567	+3.2
Other business	1,942	**1,130**	-812	-41.8
Cost of sales	363,094	**371,828**	+8,733	+2.4
Gross profit	100,398	**106,387**	+5,988	+6.0
Selling, general and administrative expenses	81,385	**83,292**	+1,907	+2.3
Operating income	19,013	**23,095**	+4,081	+21.5
Ordinary income	19,508	**23,315**	+3,807	+19.5
Income before income taxes and minority interests	18,687	**22,350**	+3,663	+19.6
Income taxes				
Current	8,865	**9,629**	+763	+8.6
Deferred	-896	**-122**	+773	—
Net income	10,631	**12,744**	+2,112	+19.9

Sales Summary

In the fiscal year under review, the OTSUKA Group recorded consolidated net sales of ¥478,215 million, an increase of ¥14,722 million (3.2%) from the previous fiscal year.

System Integration Business

The System Integration business provides optimized system services ranging from consulting to system design and development, transport and installation work and network construction. Despite the impact of the Great East Japan Earthquake and the flood damage in Thailand, we seized demand for replacement and upgrade systems at companies and active corporate demand for IT investment. Accordingly, we achieved growth in unit sales, including for PCs, servers and copiers. Consequently, the System Integration business recorded sales growth, with net sales rising 3.5% to ¥262,508 million.

Service and Support Business

The Service and Support business provides customers with total service and support for their business operations and installed systems encompassing supplies, hardware and software maintenance, telephone support and outsourcing. Although some products and services were adversely affected by the rolling power blackouts and the mood of voluntary restraint following the earthquake, our "tanomail" office supply mail-order service business achieved steady growth in sales, while sales from maintenance and other support rose slightly. As a result, net sales in the Service and Support business rose 3.2% to ¥214,576 million.

Other Business

In the Other Business, net sales declined 41.8% from the previous fiscal year to ¥1,130 million.

Summary of Income and Expenses

Regarding profits, gross profit increased 6.0% to ¥106,387 million due to growth in net sales. Because the rise in gross profit exceeded the increase in selling, general and administrative (SG&A) expenses, operating income increased 21.5% to ¥23,095 million, ordinary income increased 19.5% to ¥23,315 million, and net income was up 19.9% to ¥12,744 million. Net income per share amounted to ¥403.28.

Financial Position

				Millions of yen
	2010	**2011**	Difference to Last Year	% Change to Last Year
Assets:	¥213,401	**¥229,610**	+16,209	+7.6%
Current assets	148,251	**166,068**	+17,817	+12.0
Fixed assets	65,150	**63,542**	-1,608	-2.5
Liabilities:	104,469	**112,224**	+7,754	+7.4
Current liabilities	101,111	**108,180**	+7,069	+7.0
Fixed liabilities	3,358	**4,043**	+685	+20.4
Net assets	108,931	**117,385**	+8,454	+7.8

Assets

Total assets at fiscal year-end increased ¥16,209 million from the previous fiscal year-end to ¥229,610 million. Current assets increased ¥17,817 million from the previous fiscal year-end to ¥166,068 million due to a rise in cash and time deposits. Fixed assets declined ¥1,608 million from the previous fiscal year-end to ¥63,542 million.

Liabilities

Total liabilities increased ¥7,754 million to ¥112,224 million. Current liabilities increased ¥7,069 million to ¥108,180 million due to an increase in accounts and notes payable. Fixed liabilities increased ¥685 million from the previous fiscal year-end to ¥4,043 million.

Net Assets

Total net assets increased ¥8,454 million from the previous fiscal year-end to ¥117,385 million owing to such factors as an increase in retained earnings. As a result, the equity ratio rose 0.1 percentage point to 50.8%.

The interest coverage ratio was 299.28 times; the interest-bearing debt ratio was 3.67%; return on equity (ROE) was 11.33%; and return on assets (ROA) was 10.33%.

	2010	**2011**
Interest coverage ratio (times)	207.26	**299.28**
Interest-bearing debt ratio (%)	3.66	**3.67**
ROE (%)	10.13	**11.33**
ROA (%)	9.29	**10.33**

Interest coverage ratio = Business profit / (Interest expenses + Interest payable on bonds)
ROA = Business profit / Total assets (average during the fiscal year)
Business profit = Operating income + Interest income + Interest on securities + Dividends income + Equity in net income (loss) of unconsolidated subsidiaries and affiliates

Cash flows

	2010	2011
	Millions of yen	
Cash flows from operating activities	¥17,851	**¥23,158**
Cash flows from investing activities	-7,527	**-4,604**
Cash flows from financing activities	-5,205	**-4,229**
Cash and cash equivalents at end of year	37,924	**52,320**

Cash Flows

Cash and cash equivalents at end of year totalled ¥52,320 million, an increase of ¥14,395 million (38.0%) from the end of the previous fiscal year. Factors relating to each cash flow category were as follows.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥23,158 million, an increase of ¥5,306 million from the previous fiscal year, due to an increase in income before income taxes and minority interests and a decrease in inventories.

Cash Flows from Investing Activities

Net cash used in investing activities decreased ¥2,923 million from the previous fiscal year to ¥4,604 million due to such factors as the completion of the rebuilding of the Yokohama Building.

Cash Flows from Financing Activities

Net cash used in financing activities decreased ¥976 million to ¥4,229 million.

As a result, free cash flows, the sum of cash flows from operating activities and cash flows from investing activities, increased ¥8,229 million to ¥18,553 million.

Forecast for Fiscal 2012

In fiscal 2012, the Company forecasts a 3.1% increase in consolidated net sales to ¥493,000 million, a 3.9% increase in operating income to ¥24,000 million, a 5.1% increase in ordinary income to ¥24,500 million and a 6.3% increase in net income to ¥13,550 million.

By segment, we forecast a 2.5% increase in net sales to ¥269,110 million in the System Integration business, a 3.9% increase to ¥222,990 million in the Service and Support business and a 20.4% decrease to ¥900 million in the Other business.

Consolidated Balance Sheets

OTSUKA CORPORATION and Consolidated Subsidiaries
As of December 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	**2011**	**2011**
ASSETS			
Current assets			
Cash, time deposits and other cash equivalents (Notes 10 and 15)	¥ 32,669	**¥ 45,600**	**$ 586,655**
Accounts and notes receivable:			
Trade	75,574	**80,606**	**1,037,011**
Unconsolidated subsidiaries and affiliates	1,350	**1,146**	**14,753**
Other	5,225	**4,658**	**59,930**
	82,149	**86,412**	**1,111,695**
Less: Allowance for doubtful accounts	(608)	**(455)**	**(5,865)**
	81,541	**85,956**	**1,105,830**
Short-term investments (Notes 4 and 10)	5,000	**5,000**	**64,325**
Inventories (Note 6)	19,537	**17,613**	**226,594**
Deferred tax assets (Note 9)	3,505	**3,723**	**47,905**
Other current assets (Note 10)	5,997	**8,174**	**105,169**
Total current assets	148,251	**166,068**	**2,136,480**
Investments and other assets			
Investments in securities (Note 4)	2,460	**2,311**	**29,732**
Investments in unconsolidated subsidiaries and affiliates	2,992	**2,607**	**33,549**
Guarantee deposits	3,049	**2,555**	**32,875**
Deferred tax assets non-current (Note 9)	1,358	**1,354**	**17,427**
Other investments	3,326	**3,841**	**49,422**
Less: Allowance for doubtful accounts	(997)	**(1,099)**	**(14,142)**
	12,191	**11,571**	**148,865**
Property and equipment			
Land (Note 14)	17,179	**17,291**	**222,455**
Buildings and structures	61,939	**65,059**	**836,993**
Other	16,671	**14,525**	**186,874**
	95,791	**96,876**	**1,246,323**
Less: Accumulated depreciation	(48,562)	**(50,262)**	**(646,622)**
Net property and equipment	47,228	**46,614**	**599,700**
Intangibles and deferred charges			
Software	5,544	**5,197**	**66,870**
Other	185	**158**	**2,034**
	5,730	**5,355**	**68,905**
Total assets	¥213,401	**¥229,610**	**$2,953,951**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	**2011**	**2011**
LIABILITIES AND NET ASSETS			
Current liabilities			
Short-term bank loans (Note 7)	¥ 7,300	**¥ 7,400**	**$ 95,201**
Current maturities of long-term debts (Note 7)	40	**10**	**128**
Accounts and notes payable (Note 15):			
Trade	59,028	**61,341**	**789,155**
Unconsolidated subsidiaries and affiliates	1,010	**1,044**	**13,437**
Other	12,973	**14,996**	**192,924**
	73,012	**77,381**	**995,517**
Income taxes payable (Note 9)	5,182	**5,377**	**69,181**
Other current liabilities (Note 9)	15,576	**18,011**	**231,721**
Total current liabilities	101,111	**108,180**	**1,391,750**
Long-term liabilities			
Long-term debt (Note 7)	10	**—**	**—**
Reserve for retirement benefits (Note 8)	2,343	**2,384**	**30,674**
Deferred tax liabilities non-current (Note 9)	93	**83**	**1,073**
Deferred tax liabilities on revaluation of land (Note 14)	216	**189**	**2,443**
Other long-term liabilities	694	**1,386**	**17,833**
Total fixed liabilities	3,358	**4,043**	**52,025**
Net assets			
Shareholders' equity (Note 13)			
Common stock:			
Authorized: 112,860,000 shares			
Outstanding: 31,667,020 shares as of December 31, 2010 and 2011	10,374	**10,374**	**133,472**
Capital surplus	16,254	**16,254**	**209,118**
Retained earnings	95,830	**104,308**	**1,341,929**
Treasury stock			
65,718 shares as of December 31, 2010 and			
65,855 shares as of December 31, 2011	(124)	**(125)**	**(1,615)**
Total shareholders' equity	122,335	**130,812**	**1,682,904**
Accumulated other comprehensive income			
Unrealized gains on available-for-sale securities	383	**291**	**3,746**
Revaluation differences on land (Note 14)	(14,331)	**(14,304)**	**(184,026)**
Foreign currency translation adjustments	(131)	**(165)**	**(2,123)**
Total accumulated other comprehensive income	(14,079)	**(14,178)**	**(182,403)**
Minority interests in consolidated subsidiaries	675	**752**	**9,674**
Total net assets	108,931	**117,385**	**1,510,175**
Total liabilities and net assets	¥213,401	**¥229,610**	**$2,953,951**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

OTSUKA CORPORATION and Consolidated Subsidiaries
For the years ended December 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	**2011**	**2011**
Net sales (Note 17)	¥463,493	**¥478,215**	**$6,152,266**
Cost of sales (Notes 16 and 17)	363,094	**371,828**	**4,783,585**
Gross profit	100,398	**106,387**	**1,368,680**
Selling, general and administrative expenses (Notes 16 and 17)	81,385	**83,292**	**1,071,560**
Operating income	19,013	**23,095**	**297,120**
Other income (expenses)			
Interest and dividend income	109	**108**	**1,401**
Interest expenses	(92)	**(76)**	**(983)**
Reversal of allowance for doubtful accounts	2	**91**	**1,179**
Provision for allowance for doubtful accounts	(202)	**(292)**	**(3,764)**
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	(4)	**(325)**	**(4,187)**
Loss on disposal of fixed assets	(330)	**(167)**	**(2,157)**
Impairment losses	(127)	**(19)**	**(256)**
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	**(510)**	**(6,564)**
Loss on devaluation of investments in securities	(4)	**(48)**	**(617)**
Loss on devaluation of stocks of subsidiaries and affiliates	(113)	**(0)**	**(0)**
Loss on liquidation of subsidiaries and affiliates	(37)	**—**	**—**
Gain (loss) on sales of investment securities	(8)	**3**	**48**
Other, net	481	**491**	**6,325**
	(326)	**(744)**	**(9,578)**
Income before income taxes and minority interests	18,687	**22,350**	**287,542**
Income taxes (Note 9)			
Current	8,865	**9,629**	**123,877**
Deferred	(896)	**(122)**	**(1,582)**
	7,968	**9,506**	**122,295**
Income before minority interests	10,718	**12,844**	**165,246**
Minority interests	86	**100**	**1,294**
Net income	¥ 10,631	**¥ 12,744**	**$ 163,952**

	yen		U.S. dollars (Note 3)
Net income and dividends per share (Note 2(14) and 11)			
Basic net income	¥336.42	**¥403.28**	**$5.19**
Diluted net income	336.28	**403.10**	**5.19**
Cash dividends	135.00	**155.00**	**1.99**

The accompanying notes are an integral part of these statements.

Consolidated Statement of Comprehensive Income

OTSUKA CORPORATION and Consolidated Subsidiaries
For the year ended December 31, 2011

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2011	**2011**
Income before minority interests	**¥12,844**	**$165,246**
Other comprehensive income		
Unrealized gains on available-for-sale securities	**(89)**	**(1,145)**
Revaluation difference on land	**26**	**346**
Share of other comprehensive income of unconsolidated subsidiaries and associates accounted for using equity method	**(37)**	**(482)**
Total other comprehensive income (Note 2(15))	**(99)**	**(1,280)**
Comprehensive income	**¥12,745**	**$163,965**
Comprehensive income attributable to (Note 2(15)):		
Shareholders of OTSUKA CORPORATION (owners of the parent)	**¥12,645**	**$162,681**
Minority interests	**99**	**1,284**

The accompanying notes are an integral part of this statement.

Consolidated Statements of Changes in Net Assets

OTSUKA CORPORATION and Consolidated Subsidiaries
For the years ended December 31, 2010 and 2011

Millions of yen

		Shareholders' equity				
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at December 31, 2009	31,667,020	¥10,374	¥16,254	¥ 89,307	¥(123)	¥115,813
Dividends				(4,108)		(4,108)
Net income				10,631		10,631
Purchase of treasury stock					(1)	(1)
Items other than changes in shareholders' equity						
Balance at December 31, 2010	31,667,020	10,374	16,254	95,830	(124)	122,335
Dividends				(4,266)		(4,266)
Net income				12,744		12,744
Purchase of treasury stock					(0)	(0)
Items other than changes in shareholders' equity						
Balance at December 31, 2011	31,667,020	¥10,374	¥16,254	¥104,308	¥(125)	¥130,812

Millions of yen

	Accumulated other comprehensive income					
	Unrealized gains on availabe-for-sale securities	Revaluation differences on land	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interest in consolidated subsidiaries	Total net assets
Balance at December 31, 2009	¥380	¥(14,331)	¥(122)	¥(14,073)	¥1,039	¥102,779
Dividends						(4,108)
Net income						10,631
Purchase of treasury stock						(1)
Items other than changes in shareholders' equity	3	—	(9)	(6)	(363)	(369)
Balance at December 31, 2010	383	(14,331)	(131)	(14,079)	675	108,931
Dividends						(4,266)
Net income						12,744
Purchase of treasury stock						(0)
Items other than changes in shareholders' equity	(92)	26	(33)	(98)	76	(22)
Balance at December 31, 2011	¥291	¥(14,304)	¥(165)	¥(14,178)	¥ 752	¥117,385

The accompanying notes are an integral part of these statements.

OTSUKA CORPORATION and Consolidated Subsidiaries
For the years ended December 31, 2010 and 2011

	Thousands of U.S. dollars (Note 3)					
		Shareholders' equity				
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at December 31, 2010	31,667,020	$133,472	$209,118	$1,232,861	$(1,605)	$1,573,846
Dividends				(54,884)		(54,884)
Net income				163,952		163,952
Purchase of treasury stock					(10)	(10)
Items other than changes in shareholders' equity						
Balance at December 31, 2011	31,667,020	$133,472	$209,118	$1,341,929	$(1,615)	$1,682,904

	Thousands of U.S. dollars (Note 3)					
	Accumulated other comprehensive income					
	Unrealized gains on availabe-for-sale securities	Revaluation differences on land	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interest in consolidated subsidiaries	Total net assets
Balance at December 31, 2010	$4,934	$(184,373)	$(1,693)	$(181,132)	$8,695	$1,401,409
Dividends						(54,884)
Net income						163,952
Purchase of treasury stock						(10)
Items other than changes in shareholders' equity	(1,187)	346	(430)	(1,271)	979	(291)
Balance at December 31, 2011	$3,746	$(184,026)	$(2,123)	$(182,403)	$9,674	$1,510,175

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

OTSUKA CORPORATION and Consolidated Subsidiaries
For the years ended December 31, 2010 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	**2011**	**2011**
Cash flows from operating activities:			
Income before income taxes and minority interests	¥18,687	**¥22,350**	**$287,542**
Depreciation and amortization	6,089	**5,944**	**76,479**
Equity in net income of unconsolidated subsidiaries and affiliates	4	**325**	**4,187**
Increase (decrease) in reserve for retirement benefits	202	**(20)**	**(257)**
Increase in allowance for doubtful accounts	108	**116**	**1,495**
Interest and dividend income	(95)	**(103)**	**(1,335)**
Interest income on securities	(13)	**(5)**	**(66)**
Interest expenses	92	**76**	**983**
Loss on retirement of noncurrent assets	210	**167**	**2,157**
Impairment losses	127	**19**	**256**
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	**510**	**6,564**
Loss (gain) on sales of investment securities	(0)	**(3)**	**(48)**
Loss on devaluation of investments in securities	4	**48**	**617**
Loss on devaluation of stocks of subsidiaries and affiliates	113	**0**	**0**
Loss on liquidation of subsidiaries and affiliates	37	**—**	**—**
Decrease (increase) in accounts and notes receivable	(4,803)	**(3,884)**	**(49,973)**
Decrease (increase) in inventories	(3,083)	**1,931**	**24,847**
Increase (decrease) in accounts and notes payable	4,077	**3,992**	**51,361**
Other	2,150	**1,069**	**13,756**
Subtotal	23,908	**32,535**	**418,568**
Interest and dividend income received	133	**144**	**1,862**
Interest expenses paid	(93)	**(77)**	**(996)**
Income taxes paid	(6,096)	**(9,444)**	**(121,504)**
Net cash provided by operating activities	17,851	**23,158**	**297,929**
Cash flows from investing activities:			
Payments for purchase of property and equipment	(4,421)	**(2,459)**	**(31,645)**
Proceeds from sales of property and equipment	—	**17**	**221**
Payments for software developed	(3,029)	**(2,522)**	**(32,453)**
Payments for purchase of investments in securities	(62)	**(110)**	**(1,419)**
Proceeds from sales of investments in securities	157	**8**	**108**
Purchase of investments in subsidiaries	(490)	**—**	**—**
Payments for long-term loans receivable	(308)	**(291)**	**(3,747)**
Proceeds from long-term loans receivable	149	**63**	**818**
Other	477	**690**	**8,880**
Net cash used in investing activities	(7,527)	**(4,604)**	**(59,236)**
Cash flows from financing activities:			
Increase (decrease) in short-term bank loans, net	(1,000)	**100**	**1,286**
Repayments for long-term debts	(40)	**(40)**	**(514)**
Cash dividends paid	(4,105)	**(4,264)**	**(54,868)**
Other	(60)	**(24)**	**(315)**
Net cash used in financing activities	(5,205)	**(4,229)**	**(54,411)**
Net increase in cash and cash equivalents	5,118	**14,324**	**184,281**
Cash and cash equivalents at beginning of year	32,806	**37,924**	**487,905**
Increase (decrease) in cash and cash equivalents resulting from merger of subsidiaries	—	**71**	**914**
Cash and cash equivalents at end of year (Note 10)	¥37,924	**¥52,320**	**$673,101**

The accompanying notes are an integral part of these statements.

1. Basis of Presentation of the Consolidated Financial Statements

Accounting Principles

The accompanying consolidated financial statements of OTSUKA CORPORATION (the "Company") and its subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements from International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Companies Act and the Financial Instruments and Exchange Law of Japan.

Certain items presented in the consolidated financial statements have been reclassified for the convenience of readers outside Japan.

Certain reclassifications have been made in the consolidated financial statements for the year ended December 31, 2010 to conform to the presentation for the year ended December 31, 2011.

2. Summary of Significant Accounting Policies

(1) Scope of consolidation

The Company had 14 subsidiaries (majority-owned companies) and 12 subsidiaries as at December 31, 2010 and 2011, respectively. The consolidated financial statements include the accounts of the Company and 8 subsidiaries for the years ended December 31, 2010 and 2011.

The 8 subsidiaries which were consolidated in the year ended December 31, 2011 are listed below:

	A ratio of voting rights held by the Company
OSK Co., LTD.	100.0%
Netplan Co., Ltd.	100.0%
Alpha Techno Co., LTD.	100.0%
Alpha System Co., LTD.	100.0%
Alpha Net Co., LTD.	100.0%
Otsuka Auto Service Co., LTD.	100.0%
Networld Corporation	81.5%
Otsuka Business Service Co., LTD.	65.0%

The Company and its consolidated subsidiaries are hereinafter referred to as the "Companies."

The consolidated subsidiaries listed above apply a fiscal year ending on December 31 of each year, which is the same as that of the Company.

The accounts of the remaining 6 unconsolidated subsidiaries and 4 unconsolidated subsidiaries as at December 31, 2010 and 2011, respectively, consisted of insignificant amounts in terms of total assets, net sales, net income and retained earnings, and have, therefore, been excluded from consolidation.

(2) Investments in unconsolidated subsidiaries and affiliates

The Company had 6 unconsolidated subsidiaries and 9 affiliates at December 31, 2010 and 4 unconsolidated subsidiaries and 10 affiliates at December 31,2011.

The Company had 3 investments in affiliate for the equity method at December 31, 2010 and 2011. Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method were carried at cost, since they did not have a material impact on consolidated net income and retained earnings in the consolidated financial statements.

The 3 investments in affiliate by the equity method at December 31, 2011, are listed below:

	A ratio of voting rights held by the Company
SIOS Technology, Inc.	47.0%
Otsuka Information Technology Corp.	38.2%
LION OFFICE PRODUCTS CORP.	40.4%

(3) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash in hand, bank deposits which can be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuation in value.

(4) Inventories

Inventories are stated at cost (the book value of inventories on the balance sheet is stated by writing down based on their decrease in profitability).

Merchandise	Primarily, moving-average method
Work in process	Specific identification method
Raw materials and supplies	Primarily, moving-average method

(5) Financial instruments

(a) Securities

Securities held by the Companies are classified into two categories:

• Held-to-maturity debt securities

Held-to-maturity debt securities are stated using amortized cost method on a straight-line basis.

• Available-for-sale securities

Securities with market quotations are stated at fair value, based on market prices at the balance sheet date. (Unrealized gains/losses from valuation of marketable securities are charged directly to net assets at a net-of-tax amount, while cost of sale is determined by the moving-average method.)

Securities without market quotations are stated at cost, determined by the moving-average method. Regarding investments in limited partnerships and similar investments, an amount equivalent to the Company's partnership investment gain or loss under the equity method, with such a gain or loss being based on the latest available financial statements of the corresponding limited partnerships, was recognized in the consolidated statement of income.

(b) Derivatives

All derivatives are stated at fair value, with changes in fair value included in the consolidated statement of income for the period in which they arise.

(6) Property and equipment (excluding lease assets)

Depreciation is computed using the declining-balance method, at rates based on the estimated useful lives of assets. Depreciation of buildings newly acquired after April 1, 1998 has been provided based on the straight-line method.

Estimated useful lives of assets are principally as follows:

Building and structures — 15 to 50 years

Other — 4 to 6 years

Normal repairs and maintenance, including minor renewals and improvements, are charged to income as incurred.

(7) Software and other intangible assets(excluding lease assets)

Development costs of computer software to be sold are amortized based on the estimated sales revenue with the minimum amortization amount calculated based on a useful life with in 3 years.

Software developed for internal use is amortized on a straight-line basis over the estimated useful life of the asset, which is mainly 5 years.

Other intangible assets with finite useful lives are amortized using the straight-line method over the estimated useful lives.

(8) Leases

Depreciation of finance lease assets, which do not transfer ownership of the assets at the end of the lease term,is calculated by the straight-line method over the lease periods, which are deemed as the useful lives, assuming no residual value.

However, finance lease transactions entered before December 31, 2008, which do not substantially transfer ownership of the assets, are continuously accounted for as operating leases.

(9) Accounting for income taxes

Income taxes of the Companies consist of corporate income taxes, local inhabitant taxes and enterprise taxes.

The Companies have adopted the deferred tax accounting method. Income taxes were determined using the asset and liability approach, whereby deferred tax assets and liabilities were recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the consolidated financial statements.

(10) Allowance for doubtful accounts

An allowance for doubtful accounts is provided at an amount of potential losses from uncollectable receivables based on the historical rate of losses from bad debts for ordinary receivables, and on the estimated collectability of receivables from companies in financial difficulty.

(11) Reserve for retirement benefits

(a) Retirement benefits for employees

The reserve for retirement benefits represents the estimated present value of projected benefit obligations in excess of the fair value of the plan assets, the unrecognized actuarial differences are amortized on a straight-line basis over a period of mainly 12 years from the year following the year in which they arise, and the unrecognized prior service cost is amortized on a straight-line basis over a period of 12 years.

(b) Retirement benefits for directors

The Company and 7 consolidated subsidiaries have retirement benefits for directors.

Retirement benefits for directors at the balance sheet date are based on an estimate of the amounts to be paid as retirement allowance by the Company and certain of its consolidated subsidiaries for services rendered by directors by that date.

(12) The revenue recognition basis regarding the make-to-order software

Revenues and costs of the make-to-order software contacts of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The completed-contract method continues to be applied for contracts for which the percentage of completion cannot be reliably estimated.

(13) Accounting standard for asset retirement obligations

Effective from the current fiscal year, the Companies applied “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008). As a result of this change, operating income increased by 46 million yen (595 thousand U.S. dollars), and income before income taxes decreased by 463 million yen (5,968 thousand U.S.dollars), in the current fiscal year.

(14) Net income and dividends per share

Net income per common share is based upon the weighted average number of common shares outstanding during each year. Cash dividends per share shown for each year in the consolidated statements of income represent dividends declared as applicable to the respective year.

Diluted net income per common share assumes full exercise of outstanding stock options which have a dilutive effect.

(15) Other Comprehensive Income

The following table presents components of other comprehensive income for the year ended December 31, 2010:

For the year ended	December 31, 2010 (Millions of yen)
Unrealized gains on available-for-sale securities	¥ 3
Share of other comprehensive income of unconsolidated subsidiaries and associates accounted for using equity method	(9)
Total other comprehensive income	(6)

Comprehensive income attributable to:

Shareholders of OTSUKA CORPORATION (owners of the parent)	¥10,625
Minority interests	86

(16) Accounting for the consumption tax

The Japanese Consumption Tax Law generally imposes consumption tax at a flat rate on all domestic consumption of goods and services. The consumption tax withheld upon sale is not included in the amount of “Net sales” in the accompanying consolidated statements of income but is recorded as a liability. Consumption tax, which is paid by the Companies on purchases of goods and services, is not included in the amounts of costs/expenses in the consolidated statements of income, but is offset against the balance withheld, and the net balance is included in "Other current liabilities" in the consolidated balance sheets.

(17) Rounding of amounts

Amounts of less than a million yen have been omitted.

3. U.S. Dollar Amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥77.73=US$1, the rate of exchange on December 31, 2011, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized of settled in U.S. dollars at this.

4. Investments in Securities

At December 31, 2010 and 2011 investments in securities were as follows:

(1) Available-for-sale securities with fair value

	Millions of yen						Thousands of U.S. dollars		
	2010			**2011**			**2011**		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceed their acquisition costs									
Stocks	¥ 855	¥1,581	¥725	**¥ 694**	**¥1,297**	**¥ 603**	**$ 8,929**	**$16,693**	**$ 7,763**
Bonds	—	—	—	**—**	**—**	**—**	**—**	**—**	**—**
Other securities	—	—	—	**—**	**—**	**—**	**—**	**—**	**—**
	¥ 855	¥1,581	¥725	**¥ 694**	**¥1,297**	**¥ 603**	**$ 8,929**	**$16,693**	**$ 7,763**
Securities whose carrying value does not exceed their acquisition costs									
Stocks	¥ 183	¥ 148	¥ (34)	**¥ 372**	**¥ 277**	**¥ (95)**	**$ 4,794**	**$ 3,570**	**$(1,223)**
Bonds	—	—	—	**—**	**—**	**—**	**—**	**—**	**—**
Other securities	92	70	(21)	**92**	**60**	**(31)**	**1,187**	**778**	**(408)**
	¥ 275	¥ 219	¥ (56)	**¥ 464**	**¥ 338**	**¥(126)**	**$ 5,981**	**$ 4,349**	**$(1,631)**
Total	¥1,131	¥1,800	¥668	**¥1,159**	**¥1,635**	**¥ 476**	**$14,911**	**$21,042**	**$ 6,131**

(2) Available-for-sale securities sold in 2010 and 2011 (for the years ended December 31, 2010 and 2011)

	Millions of yen						Thousands of U.S. dollars		
	2010			**2011**			**2011**		
	Sales proceeds	Aggregate gains	Aggregate losses	Sales proceeds	Aggregate gains	Aggregate losses	Sales proceeds	Aggregate gains	Aggregate losses
	¥157	¥0	¥8	**¥8**	**¥3**	**—**	**$102**	**$43**	**—**

(3) Carrying value of major securities whose fair value is not available

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
	Carrying value	Carrying value	Carrying value
Held-to-maturity debt securities			
Negotiable certificates of deposit	¥5,000	**¥5,000**	**$64,325**
Available-for-sale securities			
Unlisted stocks	576	**593**	**7,641**
Investment in limited liability partnerships	84	**81**	**1,048**

(4) The redemption schedule for securities classified as available-for-sale and held-to-maturity were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2010		**2011**		**2011**	
	Within one year	More than one year	Within one year	More than one year	Within one year	More than one year
Held-to-maturity debt securities						
Negotiable certificates of deposit	¥5,000	—	**¥5,000**	**—**	**$64,325**	**—**
Commercial paper	—	—	**—**	**—**	**—**	**—**
Total	¥5,000	—	**¥5,000**	**—**	**$64,325**	**—**

5. Derivative Information

The Companies utilize derivative transactions for the purpose of hedging their exposure to fluctuation in foreign exchange rates on payables denominated in foreign currencies, however, do not enter into transactions involving derivatives for speculative purposes.

The derivatives designated as hedging instruments by the Companies are forward foreign exchange contracts. The related hedged items are accounts payable denominated in foreign currencies.

That remains the risk of foreign currency exchange fluctuations on currency transactions. As the Companies enter into derivative transactions only with financial institutions which have high credit ratings, we believe that a credit risk is insignificant.

All risk hedge operations and management are carried out pursuant to the Companies' rules which stipulate management policies of derivative transactions, limitation of a hedging position and so forth by treasury department with an appropriate approval.

At December 31, 2010 and 2011, derivatives were as follows:
Currency-related transactions

	Millions of yen			
	2010			
	Contractual value or notional principal amount			
	Total	Over one year	Fair value	Valuation gain (loss)
Forward foreign exchange contracts purchased in U.S.dollar	¥57	—	¥(0)	¥(0)

	Millions of yen			
	2011			
	Contractual value or notional principal amount			
	Total	Over one year	Fair value	Valuation gain (loss)
Forward foreign exchange contracts purchased in U.S.dollar	**¥46**	**—**	**¥(0)**	**¥(0)**

	Thousands of U.S. dollars			
	2011			
	Contractual value or notional principal amount			
	Total	Over one year	Fair value	Valuation gain (loss)
Forward foreign exchange contracts purchased in U.S.dollar	**$601**	**—**	**$(1)**	**$(1)**

6. Inventories

Inventories at December 31, 2010 and 2011 comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Merchandise	¥17,858	**¥15,833**	**$203,699**
Work in process	625	**818**	**10,529**
Raw materials and supplies	1,053	**961**	**12,365**
	¥19,537	**¥17,613**	**$226,594**

7. Short-term Bank Loans and Long-term Debt

The annual average interest rates applicable to short-term bank loans at December 31, 2010 and 2011 were 1.02% and 0.99%, respectively.

Long-term debt at December 31, 2010 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Long-term loans from banks with annual interest rates:			
1.63%	¥50	**¥10**	**$128**
	50	**10**	**128**
Less : Current maturities of long-term debts	(40)	**(10)**	**(128)**
	¥10	**—**	**—**

Aggregate annual maturities of long-term debt subsequent to December 31, 2011 are as follows:

Year ending December 31	Millions of yen	Thousands of U.S. dollars
2012	¥10	$128
2013	—	—
2014	—	—
2015	—	—
	¥10	$128

8. Reserve for Retirement Benefits

(1) Retirement benefit plan

The Company and certain its subsidiaries have a defined contribution pension plan, an agreement type corporate pension plan and a termination allowance plan as defined-benefit pension plans.

(2) The reserve for retirement benefits as of December 31, 2010 and 2011 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Projected benefit obligations	¥(33,687)	**¥(33,944)**	**$(436,699)**
Plan assets	32,586	**33,305**	**428,476**
	(1,100)	**(639)**	**(8,223)**
Unrecognized actuarial gain or loss	4,176	**4,231**	**54,434**
Unrecognized prior service cost	(3,626)	**(4,122)**	**(53,032)**
	(550)	**(530)**	**(6,821)**
Prepaid pension cost	1,233	**1,371**	**17,648**
Reserve for retirement benefits	¥ (1,783)	**¥ (1,902)**	**$ (24,469)**

The balance of the reserve for retirement benefits in the accompanying consolidated balance sheets at December 31, 2010 and 2011 included retirement benefits for directors in the amounts of 559 million yen and 482 million yen (6,205 thousand U.S. dollars), respectively.

(3) Pension expense related to the retirement benefits for the years ended December 31, 2010 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Service cost	¥2,304	**¥2,213**	**$28,478**
Interest cost	480	**476**	**6,125**
Expected return on plan assets	(155)	**(162)**	**(2,096)**
Amortization of the unrecognized prior service cost	(690)	**(793)**	**(10,213)**
Amortization of the unrecognized actuarial gain or loss	621	**553**	**7,124**
Payments for defined contribution pension plan	788	**798**	**10,267**
Additional benefits for employees' early retirement	239	**234**	**3,012**
Net periodic pension cost	¥3,587	**¥3,319**	**$42,699**

Service cost includes the pension costs of subsidiaries under the simplified method.

(4) Computation basis of pension liabilities

As of December 31, 2010 and 2011

	2010	**2011**
Discount rate	1.5%	**1.5%**
Expected rate of return on plan assets	0.5%	**0.5%**
Periodic allocation principle for projected benefit obligation	Straight line basis	**Straight line basis**
Amortization of unrecognized prior service cost	12 years	**12 years**
Amortization of unrecognized actuarial gain or loss	mainly12 years from the fiscal year following occurrence	**mainly 12 years from the fiscal year following occurrence**

9. Income Taxes

(Fiscal year 2010)

The statutory tax rate used for calculating deferred tax assets and liabilities at December 31, 2010 was 40.7%.

Since the difference between the statutory tax rate and the effective tax rate (42.6%) for the fiscal year ended December 31, 2010 is less than 5%, a reconciliation of two rates is not presented.

(Fiscal year 2011)

The statutory tax rate used for calculating deferred tax assets and liabilities at December 31, 2011 was 40.7%.

Since the difference between the statutory tax rate and the effective tax rate (42.5%) for the fiscal year ended December 31, 2011 is less than 5%, a reconciliation of two rates is not presented.

At December 31, 2010 and 2011, significant components of the deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Deferred tax assets:			
Allowance for doubtful accounts	¥ 421	**¥ 351**	**$ 4,528**
Enterprise taxes	520	**537**	**6,911**
Accrued bonuses	1,087	**1,152**	**14,829**
Retirement benefits for employees	727	**688**	**8,859**
Retirement benefits for directors	228	**173**	**2,229**
Impairment losses	1,110	**950**	**12,232**
Software cost	1,529	**1,444**	**18,578**
Eliminated unrealized profits	320	**280**	**3,605**
Other	1,945	**1,768**	**22,751**
Total deferred tax assets	7,893	**7,347**	**94,527**
Less: Valuation allowance	(2,181)	**(1,624)**	**(20,893)**
Net deferred tax assets	5,711	**5,723**	**73,633**
Deferred tax liabilities:			
Reserve for computer program	112	**—**	**—**
Prepaid pension cost	503	**495**	**6,379**
Unrealized gains on available-for-sale securities	271	**164**	**2,115**
Other	65	**71**	**919**
Total deferred tax liabilities	952	**731**	**9,414**
Net deferred tax assets	¥4,759	**¥4,991**	**$64,219**

(Fiscal year 2011)

Adjustment of deferred tax assets and liabilities due to change in the statutory tax rates

The “Reform bill for partial revision of income tax law, etc. in response to the changing economic structure” and the “Special measures for secure the funds to realize the restoration of the damages following the Great East Japan Earthquake” were promulgated on December 2, 2011 and the statutory tax rates will be changed for the fiscal years beginning on or after April 1, 2012. The Company and its domestic subsidiaries changed the statutory tax rate used to measure defferd tax assets and liabilities from 40.7% to 38.0% for temporary differences expected to be settled on realized in the fiscal years beginning on or after January 1, 2013, and from 40.7% to 35.6% for temporary differences expected to be settled on realized in the fiscal years beginning on or after January 1, 2016.

As a result of this change, the net amount of deferred tax assets (net of deferred tax liabilities) as of December 31, 2011 decreased by 109million yen (1,408 thousand U.S. dollars), and deferred income taxes and unrealized gains on available-for-sale securities recognized for fiscal year 2011 increased by 132million yen (1,704 thousand U.S. dollars) and 23 million yen (296 thousand U.S. dollars), respectively.

10. Supplementary Cash Flow Information

Cash and cash equivalents consisted of:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Cash, time deposits and other cash equivalents	¥32,669	**¥45,600**	**$586,655**
Time deposits with deposit terms of more than three months	(555)	**(55)**	**(707)**
Short-term investments with maturity or redemption dates within three months from acquisition date	5,000	**5,000**	**64,325**
Trust beneficiary interests included in other current assets with investment terms with three months or less	809	**1,774**	**22,827**
Cash and cash equivalents at end of year	¥37,924	**¥52,320**	**$673,101**

11. Dividends

The following appropriation of the Company's retained earnings in respect of the year ended December 31, 2011 was as proposed by the Board of Directors and approved by the shareholders at the annual general meeting held on March 28, 2012:

Appropriation	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥155.00 per share)	¥4,898	$63,015

12. Lease Transactions

With regard to finance leases that do not transfer ownership of the leased assets to the lessee commencing on or before December 31, 2008, they will continue to be accounted for by a method corresponding to that used for operating leases.

The proforma information of acquisition costs, accumulated depreciation and net book values of leased assets at December 31, 2010 is summarized as follows:

Such information for the year ended December 31, 2011 is not disclosed because that is immaterial.

	Millions of yen
	2010
Acquisition cost	¥2,147
Accumulated depreciation	(1,557)
Net book value	¥ 589

Future minimum lease payments under finance leases at December 31, 2010 is summarized as follows:

	Millions of yen
	2010
Due within one year	¥366
Due after one year	248
	¥614

Lease expenses, depreciation and interest expenses for the years ended December 31, 2010 is summarized as follows:

	Millions of yen
	2010
Lease expenses	¥638
Depreciation	604
Interest expenses	21

Depreciation is calculated using the straight-line method, with the lease period as the useful life and a residual value of zero.

The amounts of future lease payments on operating leases at December 31, 2010 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Due within one year	¥ 256	**¥ 692**	**$8,906**
Due after one year	1,162	**1,782**	**22,933**
	¥1,419	**¥2,474**	**$31,839**

13. Shareholders' Equity

The Companies Act of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

14. Land Revaluation

Pursuant to the Law Concerning Land Revaluation, the Company revalued land used for business activities on December 31, 2001. The excess of the revalued carrying amount over the book value before revaluation was recorded as "Revaluation difference on land", net assets in the accompanying consolidated balance sheets. The land prices used for the revaluation were determined based on the prices in the official notice published by the Commissioner of the National Tax Agency in accordance with Article 2, Paragraphs 3 and 4 of the Enforcement Ordinance Concerning Land Revaluation, after making reasonable adjustments. Revaluation is permitted for one time only. The excess of the book value after revaluation over the fair value are 748 million yen and 734 million yen (9,448 thousand U.S. dollars) at December 31, 2010 and 2011, respectively.

15. Pledged Assets

At December 31, 2010 and 2011, assets pledged as collateral for accounts and notes payable were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Time deposits	¥5	**¥5**	**$64**
	¥5	**¥5**	**$64**

16. Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended December 31, 2010 and 2011 amounted to 187 million yen and 217 million yen (2,803 thousand U.S. dollars), respectively.

17. Segment Information

Effective the fiscal year ended December 31, 2011, the Company has adopted new accounting standards for disclosures about segments of an enterprise and related information. Segment information for the year ended December 31, 2010 has been restated in accordance with such accounting standards for comparative purposes.

(1) Overview of reportable segments

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

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

Therefore, the Companies are 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) Basis of measurement for reportable segment profit or loss, segment assets and other material items

The accounting treatment method for the Companies' reported business segments is generally described in the same as "2. Summary of Significant Accounting Policies". Also, segment income is based on operating income. The prices of inter-segment transactions is determined by price after taking market conditions into account.

(3) Information about reportable segment profit or loss, segment assets and other items

Segment information as of and for the fiscal years ended December 31, 2010 and 2011 were as follows:

Millions of yen

	Reportable segments						2010
	System Integration business	Service and Support business	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
Net sales to：							
Third parties	¥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 or loss	¥ 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
Capital expenditure in property and equipment and intangible assets	4,059	3,085	7,145	71	7,216	233	7,450

	Reportable segments						Millions of yen
							2011
	System Integration business	Service and Support business	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
Net sales to：							
Third parties	**¥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 or loss	**¥ 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**
Capital expenditure in property and equipment and intangible assets	**2,936**	**2,168**	**5,104**	**26**	**5,131**	**191**	**5,322**

	Reportable segments						Thousands of U.S. dollars
							2011
	System Integration business	Service and Support business	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
Net sales to：							
Third parties	**$3,377,178**	**$2,760,540**	**$6,137,719**	**$14,546**	**$6,152,266**	**$ —**	**$6,152,266**
Inter-segment sales/transfers	**1,347**	**6,285**	**7,632**	**26,350**	**33,983**	**(33,983)**	**—**
Total	**$3,378,525**	**$2,766,826**	**$6,145,351**	**$40,897**	**$6,186,249**	**$ (33,983)**	**$6,152,266**
Segment profit or loss	**$ 292,255**	**$ 96,301**	**$ 388,557**	**$ 1,250**	**$ 389,807**	**$ (92,687)**	**$ 297,120**
Segment assets	**$1,148,083**	**$1,017,886**	**$2,165,970**	**$23,849**	**$2,189,819**	**$764,132**	**$2,953,951**
Other items							
Depreciation and amortization	**$ 40,626**	**$ 28,288**	**$ 68,915**	**$ 609**	**$ 69,524**	**$ 6,954**	**$ 76,479**
Investments in associates accounted for using equity method	**16,979**	**12,134**	**29,113**	**—**	**29,113**	**—**	**29,113**
Capital expenditure in property and equipment and intangible assets	**37,773**	**27,895**	**65,668**	**342**	**66,010**	**2,462**	**68,473**

Notes:1. "Other" includes businesses not included in the reportable segments. These include Administrative of buildings, Repair of automobiles, Insurance, Direct mail, Management of information , etc.

Notes:2. Below is a description of adjustment.

(1) The companywide expenses (not allocated to the reportable segments) included in the "Segment profit" adjustment line as of December 31, 2010 and 2011 were 7,171 million yen and 7,234 million yen and (93,075 thousand U.S. dollars), consisting mainly of expenses related to administrative operations.

(2) The companywide assets (not allocated to the reportable segments) included in the "Segment assets" adjustment line as of December 31, 2010 and 2011were 49,139 million yen and 61,024 million yen and (785,087 thousand U.S. dollars), consisting mainly of assets not belonging to the reportable segments (cash and time deposits, investments in securities, etc.) and assets related to administrative operations.

(3) The "Depreciation and amortization" adjustment refers to depreciation expenses related to companywide assets. The "Capital expenditure in property and equipment and intangible assets refers to capital expenditure related to companywide assets.

Notes:3. The "Segment profit or loss" is adjusted for "Operating income" in Consolidated Statements of Income.

18. Subsequent Event

Not Applicable.

Report of Independent Auditors

Report of Independent Auditors

The Board of Directors
OTSUKA CORPORATION

We have audited the accompanying consolidated balance sheets of OTSUKA CORPORATION and consolidated subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended December 31, 2011, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of OTSUKA CORPORATION and consolidated subsidiaries at December 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

Ernst & Young ShinNihon LLC

March 28, 2012

Principal Group Companies (As of December 31, 2011)

The OTSUKA Group (OTSUKA CORPORATION and its subsidiaries) consists of 12 subsidiaries, including 8 consolidated subsidiaries as well as 10 affiliated companies, including 3 affiliates accounted for by the equity method that carry out the System Integration business, Service and Support business and Other business. The 8 consolidated subsidiaries are listed below.

Company Name	Established	Capital (¥ million)	A ratio of voting rights	Scope of Business
System Integration business				
OSK Co., LTD.	1984	300	100.0%	• Development and sale of packaged software
Netplan Co., Ltd.	1964	499	100.0%	• Electronic communications construction and interior construction
Alpha System Co., LTD.	1967	80	100.0%	• Consigned software development, packaged software development and ERP consulting business
Networld Corporation	1990	585	81.5%	• Sales and technical support for network related equipment
Service and Support business				
Alpha Techno Co., LTD.	1996	50	100.0%	• Emergency repair of PCs and peripheral equipment, and data recovery service
Alpha Net Co., LTD.	1997	400	100.0%	• Comprehensive service and support for network systems
Other business				
Otsuka Auto Service Co., LTD.	1987	50	100.0%	• Maintenance and body work for automobiles, and commissioned sales of insurance
Otsuka Business Service Co., LTD.	1992	50	65.0%	• Creation and commissioned shipment of direct mail materials, data management and processing as well as commissioned creation of Websites

Corporate Data (As of December 31, 2011)

Name	OTSUKA CORPORATION
Founded	July 17, 1961 (registered as joint-stock company on December 13, 1961)
Paid-in Capital	¥10,374,851,000
Number of Employees	6,684 (with consolidated subsidiaries: 8,185)
Business	**System Integration Business:**
	Sales of computers, copiers, communication equipment and software, and software development of consigned software, other activities
	Service and Support Business:
	Supplies, maintenance, and educational support, other activities
Main Banks	The Bank of Yokohama, Ltd.
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
	Mizuho Bank, Ltd.

Base (As of December 31, 2011)

Head Office	2-18-4 Iidabashi, Chiyoda-ku, Tokyo 102-8573
	TEL 03-3264-7111
Kansai Office	6-14-1 Fukushima, Fukushima-ku, Osaka-shi, Osaka 553-8558
	TEL 06-6456-2711
Local Area Sales Groups	Chuo Sales Group 1, Chuo Sales Group 2, Kanagawa Sales Group
	Josai Sales Group, Tama Sales Group, Johoku Sales Group
	Northern Kanto Sales Group, Keiyo Sales Group, Osaka Northern Sales Group
	Osaka Southern Sales Group
Regional Offices	Sapporo Branch, Sendai Branch, Utsunomiya Branch
	Chubu Branch, Kyoto Branch, Kobe Branch
	Hiroshima Branch, Kyushu Branch

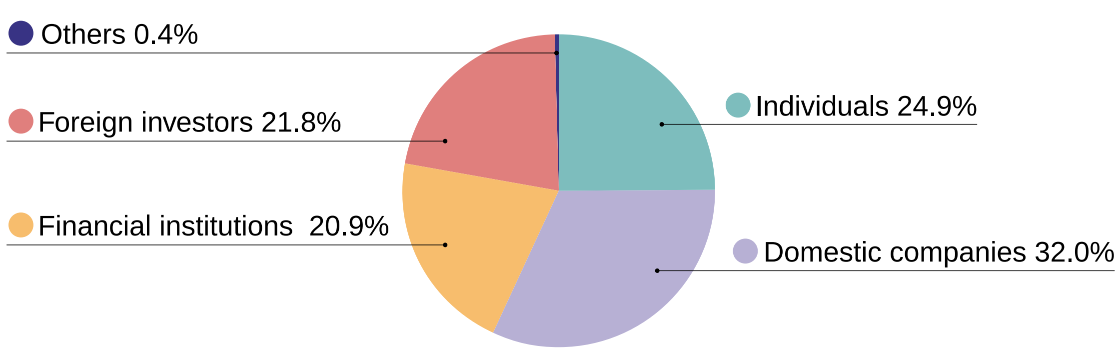
Stock Information (As of December 31, 2011)

Authorized Common Stock	**112,860,000 shares**
Issued Common Stock	**31,667,020 shares**
Number of Shares of Unit Stock	**100 shares**
Number of Shareholders	**4,907**

Major Shareholders

Name	Investment in OTSUKA CORPORATION		Investment in Major Shareholders by OTSUKA CORPORATION	
	Number of Shares Held	Equity Ownership (%)	Number of Shares Held	Equity Ownership (%)
Otsuka Sobi Co., Ltd.	9,788,330	30.91	—	—
Japan Trustee Services Bank, Ltd. (Trust Account)	1,633,300	5.15	—	—
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,231,700	3.88	—	—
OTSUKA CORPORATION Employee Stock-Sharing Plan	1,138,820	3.59	—	—
Yuji Otsuka	946,980	2.99	—	—
Atsushi Otsuka	945,950	2.98	—	—
Minoru Otsuka	945,490	2.98	—	—
Terue Otsuka	645,500	2.03	—	—
SAJAP	533,000	1.68	—	—
CBNY – ORBIS SICAV	354,900	1.12	—	—

Breakdown of Shareholders (Based on total shares)



OTSUKA CORPORATION WEBSITE

http://www.otsuka-shokai.co.jp

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