Financial Section

Three-year Financial Data

OTSUKA CORPORATION and Consolidated Subsidiaries
Years ended December 31, 2012, 2013 and 2014

	Millions of yen			Thousands of U.S. dollars
	2012	2013	**2014**	**2014**
Net sales	¥515,771	¥564,595	**¥605,766**	**$5,025,853**
System Integration business	289,840	332,067	**362,068**	**3,003,967**
Service and Support business	225,298	231,868	**243,316**	**2,018,719**
Other business	632	658	**381**	**3,166**
Operating income	28,251	33,901	**37,097**	**307,790**
Ordinary income	29,079	33,505	**38,144**	**316,471**
Income before income taxes and minority interests	28,399	33,049	**37,910**	**314,528**
Net income	16,277	20,271	**23,455**	**194,599**
Total assets	253,158	279,589	**305,513**	**2,534,749**
Interest-bearing debt	9,367	9,070	**9,584**	**79,517**
Equity	128,471	144,150	**163,277**	**1,354,661**
Net income per share (EPS) (Yen and U.S. dollars)	171.70	213.83	**247.41**	**2.05**
Dividends per share of common stock (Yen and U.S. dollars)	66.66	78.33	**90.00**	**0.75**
Cash flows from operating activities per share (Yen and U.S. dollars)	272.98	198.10	**360.02**	**2.99**
Operating income to Net sales ratio (%)	5.48	6.00	**6.12**	**—**
Net income to Net sales ratio (%)	3.16	3.59	**3.87**	**—**
Interest-bearing debt ratio (%)	3.70	3.24	**3.14**	**—**
Equity ratio (%)	50.75	51.56	**53.44**	**—**
Return on equity (ROE) (%)	13.28	14.87	**15.26**	**—**

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, 2014 exchange rate of ¥120.53 = US$1.
The Company conducted a 3-for-1 stock split for shares of common stock of the Company with July 1, 2014 as the effective date. Accordingly, the amount of Per Share Data is calculated based on the assumption that the share split was conducted at the beginning of the fiscal year 2012.

Management's Analysis of Operating Results and Financial Position

Summary of Sales and Profits

Millions of yen

	2013	**2014**	Difference to Last Year	% Change to Last Year
Net sales	¥564,595	**¥605,766**	+41,170	+7.3%
System Integration business	332,067	**362,068**	+30,000	+9.0
Service & Support business	231,868	**243,316**	+11,447	+4.9
Other business	658	**381**	-277	-42.1
Cost of sales	440,825	**474,176**	+33,350	+7.6
Gross profit	123,769	**131,589**	+7,820	+6.3
Selling, general and administrative expenses	89,868	**94,492**	+4,623	+5.1
Operating income	33,901	**37,097**	+3,196	+9.4
Ordinary income	33,505	**38,144**	+4,639	+13.8
Income before income taxes and minority interests	33,049	**37,910**	+4,860	+14.7
Income taxes				
Current	12,767	**13,886**	+1,119	+8.8
Deferred	-147	**359**	+507	–
Net income	20,271	**23,455**	+3,183	+15.7

Sales Summary

In the fiscal year under review, the OTSUKA Group recorded consolidated net sales of ¥605,766 million increase of ¥41,170 million (7.3%) 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. We firmly seized demand for system upgrades along with demand for replacement purchases for Windows XP, mainly in the January-March quarter. Despite a subsequent falloff in special demand for Windows XP replacement purchases, we recorded growth in unit sales of PCs and servers as well as robust unit sales of copiers. Consequently, net sales for the fiscal year in the System Integration business rose 9.0% to ¥362,068 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 our "tanomail" office supply mail-order service business was partially affected before and after the consumption tax increase in April, this business subsequently recorded solid results. For the fiscal year, "tanomail" and sales for maintenance and other support rose from the previous fiscal year. As a result, net sales in the Service and Support business rose 4.9% in the fiscal year to ¥243,316 million.

Other Business

In the Other Business, net sales decreased 42.1% from the previous fiscal year to ¥381 million.

Summary of Income and Expenses

Regarding profits, gross profit increased 6.3% to ¥131,589 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 9.4% to ¥37,097 million, ordinary income increased 13.8% to ¥38,144 million, and net income was up 15.7% to ¥23,455 million. Net income per share amounted to ¥247.41.

*The Company conducted a 3-for-1 stock split for shares of common stock of the Company with July 1, 2014 as the effective date. Accordingly, the amount of net income per share is calculated based on the assumption that the share split was conducted at the beginning of the fiscal year 2014. The net income per share, calculated without considering the share split, are 742.23 yen for the fiscal year 2014.

Financial Position

				Millions of yen
	2013	**2014**	Difference to Last Year	% Change to Last Year
Assets:	¥279,589	**¥305,513**	+25,924	+9.3%
Current assets	215,940	**234,931**	+18,991	+8.8
Non-current assets	63,648	**70,581**	+6,932	+10.9
Liabilities:	134,522	**141,165**	+6,642	+4.9
Current liabilities	128,903	**133,282**	+4,378	+3.4
Non-current liabilities	5,618	**7,882**	+2,263	+40.3
Net assets	145,066	**164,347**	+19,281	+13.3

Assets

Total assets at fiscal year-end increased ¥25,924 million from the previous fiscal year-end ¥305,513 million. Current assets increased ¥18,991 million from the previous fiscal year-end to ¥234,931 million due to an increase in cash and deposits. Non-current assets increased ¥6,932 million from the previous fiscal year-end to ¥70,581 million.

Liabilities

Total liabilities increased ¥6,642 million to ¥141,165 million. Despite a decrease in Notes and accounts payable-trade, current liabilities increased ¥4,378 million to ¥133,282 million due to an increase in other current liabilities. Non-current liabilities increased ¥2,263 million from the previous fiscal year-end to ¥7,882 million.

Net Assets

Total net assets increased ¥19,281 million from the previous fiscal year-end to ¥164,347 million owing to such factors as an increase in retained earnings. As a result, the equity ratio rose 1.8 percentage points to 53.4%.

The interest coverage ratio was 596.52 times; the interest-bearing debt ratio was 3.14%; return on equity (ROE) was 15.26%; and return on assets (ROA) was 12.78%.

	2013	**2014**
Interest coverage ratio (times)	520.92	**596.52**
Interest-bearing debt ratio (%)	3.24	**3.14**
ROE (%)	14.87	**15.26**
ROA (%)	12.75	**12.78**

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

	Millions of yen	
	2013	**2014**
Cash flows from operating activities	¥18,780	**¥34,130**
Cash flows from investing activities	-3,468	**-5,410**
Cash flows from financing activities	-6,561	**-7,580**
Cash and cash equivalents at end of year	76,863	**97,943**

Cash and cash equivalents at end of year totalled ¥97,943 million, an increase of ¥21,079 million 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 ¥34,130 million, a increase of ¥15,350 million from the previous fiscal year, due to an increase in income before income taxes and minority interests from the previous fiscal year.

Cash Flows from Investing Activities

Net cash used in investing activities increased ¥1,941 million from the previous fiscal year to ¥5,410 million due to an increase in purchase of software.

Cash Flows from Financing Activities

Net cash used in financing activities increased ¥1,019 million to ¥7,580 million due to an increase in cash dividends paid.

As a result, free cash flows, the sum of cash flows from operating activities and cash flows from investing activities, increased ¥13,409 million to ¥28,720 million.

Forecast for Fiscal 2015

In fiscal 2015, the Company forecasts a 2.0% increase in consolidated net sales to ¥618,000 million, a 1.4% increase in operating income to ¥37,600 million, a 0.4% increase in ordinary income to ¥38,300 million and a 0.6% increase in net income to ¥23,600 million.

By segment, we forecast a 0.2% increase in net sales to ¥362,660 million in the System Integration business, a 4.8% increase to ¥255,010 million in the Service and Support business and a 13.5% decrease to ¥330 million in the Other Business.

Consolidated Balance Sheets

OTSUKA CORPORATION and Consolidated Subsidiaries
As of December 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
ASSETS			
Current assets			
Cash and deposits (Note 2)	¥ 69,347	**¥ 90,234**	**$ 748,645**
Notes and accounts receivable - trade (Note 4)	99,664	**98,066**	**813,624**
Securities	5,700	**5,900**	**48,950**
Merchandise	18,864	**17,822**	**147,866**
Work in process	934	**993**	**8,239**
Raw materials and supplies	843	**810**	**6,722**
Deferred tax assets	3,521	**2,969**	**24,637**
Other	17,225	**18,282**	**151,682**
Allowance for doubtful accounts	(160)	**(146)**	**(1,212)**
Total current assets	215,940	**234,931**	**1,949,156**
Non-current assets			
Property, plant and equipment			
Buildings and structures	65,862	**63,351**	**525,610**
Accumulated depreciation and impairment loss	(42,090)	**(41,080)**	**(340,836)**
Buildings and structures, net	23,772	**22,270**	**184,774**
Land (Note 3)	17,244	**16,832**	**139,656**
Other	13,786	**13,553**	**112,452**
Accumulated depreciation and impairment loss	(10,829)	**(10,294)**	**(85,408)**
Other, net	2,957	**3,259**	**27,043**
Total property, plant and equipment	43,974	**42,363**	**351,474**
Intangible assets			
Software	5,112	**8,133**	**67,477**
Other	59	**59**	**496**
Total intangible assets	5,172	**8,192**	**67,973**
Investments and other assets			
Investment securities (Note 1)	7,584	**8,671**	**71,945**
Guarantee deposits	2,437	**2,553**	**21,183**
Long-term prepaid expenses	1,719	**291**	**2,421**
Deferred tax assets	1,394	**1,338**	**11,101**
Net defined benefit asset	—	**5,389**	**44,718**
Other	2,866	**1,977**	**16,406**
Allowance for doubtful accounts	(1,501)	**(196)**	**(1,631)**
Total investments and other assets	14,502	**20,025**	**166,145**
Total non-current assets	63,648	**70,581**	**585,593**
Total assets	¥279,589	**¥305,513**	**$2,534,749**

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Liabilities			
Current liabilities			
Notes and accounts payable – trade (Notes 2,4)	¥ 70,509	**¥ 67,066**	**$ 556,433**
Electronically recorded obligations - operating	14,546	**15,389**	**127,684**
Short-term loans payable	6,950	**6,850**	**56,832**
Lease obligations	708	**960**	**7,965**
Income taxes payable	7,034	**8,007**	**66,433**
Advances received	9,990	**10,845**	**89,978**
Provision for bonuses	3,097	**3,126**	**25,943**
Other	16,066	**21,036**	**174,532**
Total current liabilities	128,903	**133,282**	**1,105,804**
Non-current liabilities			
Lease obligations	1,412	**1,774**	**14,718**
Deferred tax liabilities	499	**2,059**	**17,087**
Deferred tax liabilities for land revaluation (Note 3)	189	**142**	**1,184**
Provision for retirement benefits	2,288	**—**	**—**
Provision for directors' retirement benefits	535	**582**	**4,830**
Net defined benefit liability	—	**2,533**	**21,018**
Asset retirement obligations	227	**215**	**1,789**
Other	465	**575**	**4,772**
Total non-current liabilities	5,618	**7,882**	**65,400**
Total liabilities	134,522	**141,165**	**1,171,205**
Net assets			
Shareholders' equity			
Capital stock	10,374	**10,374**	**86,076**
Capital surplus	16,254	**16,254**	**134,860**
Retained earnings	129,640	**145,326**	**1,205,732**
Treasury shares	(127)	**(135)**	**(1,126)**
Total shareholders' equity	156,142	**171,820**	**1,425,544**
Accumulated other comprehensive income			
Unrealized holding gain in securities	2,314	**2,974**	**24,677**
Revaluation reserve for land (Note 3)	(14,304)	**(14,069)**	**(116,729)**
Foreign currency translation adjustment	(0)	**52**	**433**
Remeasurements of defined benefit plans	—	**2,499**	**20,735**
Total accumulated other comprehensive income	(11,991)	**(8,543)**	**(70,882)**
Minority interests	915	**1,070**	**8,883**
Total net assets	145,066	**164,347**	**1,363,544**
Total liabilities and net assets	¥279,589	**¥305,513**	**$2,534,749**

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, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Net sales	¥564,595	**¥605,766**	**$5,025,853**
Cost of sales	440,825	**474,176**	**3,934,092**
Gross profit	123,769	**131,589**	**1,091,760**
Selling, general and administrative expenses			
Salaries, allowances and bonuses	38,863	**40,069**	**332,444**
Directors' compensations	614	**580**	**4,819**
Welfare expenses	5,984	**6,278**	**52,087**
Rent expenses	5,504	**6,047**	**50,175**
Transportation and warehousing expenses	14,116	**15,570**	**129,179**
Provision for bonuses	2,018	**2,055**	**17,053**
Retirement benefit expenses	2,143	**1,962**	**16,278**
Provision for directors' retirement benefits	80	**72**	**605**
Provision of allowance for doubtful accounts	13	**25**	**213**
Depreciation	3,344	**3,562**	**29,557**
Other	17,183	**18,267**	**151,556**
Total Selling, general and administrative expenses (Note 1)	89,868	**94,492**	**783,970**
Operating income	33,901	**37,097**	**307,790**
Non-operating income			
Interest income	47	**42**	**356**
Dividend income	76	**78**	**647**
House rent income	234	**238**	**1,979**
Income from recycling	104	**212**	**1,766**
Gain on Equity in earnings of affiliated companies	—	**174**	**1,451**
Foreign exchange gains	45	**140**	**1,169**
Other	291	**223**	**1,857**
Total non-operating income	799	**1,112**	**9,228**
Non-operating expenses			
Interest expenses	65	**62**	**520**
Provision of allowance for doubtful accounts	1,058	**—**	**—**
Loss on Equity in earnings of affiliated companies	55	**—**	**—**
Other	16	**3**	**26**
Total non-operating expenses	1,195	**65**	**546**
Ordinary income	33,505	**38,144**	**316,471**
Extraordinary income			
Gain on sales of Property, plant and equipment (Note 2)	—	**56**	**471**
Gain on liquidation of subsidiaries and affiliates	—	**223**	**1,858**
Gain on sales of investment securities	105	**29**	**246**
Compensation income	32	**52**	**438**
Other	0	**—**	**—**
Total extraordinary income	138	**363**	**3,014**
Extraordinary losses			
Loss on sales of Property, plant and equipment (Note 3)	—	**393**	**3,267**
Loss on disposal of Property, plant and equipment and Intangible assets (Note 4)	166	**118**	**981**
Impairment loss	259	**6**	**54**
Loss on valuation of investment securities	54	**77**	**647**
Provision of allowance for doubtful accounts (Note 5)	94	**—**	**—**
Other	18	**0**	**5**
Total extraordinary losses	594	**597**	**4,956**
Income before income taxes and minority interests	33,049	**37,910**	**314,528**
Income taxes-current	12,767	**13,886**	**115,213**
Income taxes-deferred	(147)	**359**	**2,984**
Total income taxes	12,619	**14,246**	**118,197**
Income before minority interests	20,429	**23,663**	**196,331**
Minority interests in income	157	**208**	**1,731**
Net income	¥ 20,271	**¥ 23,455**	**$ 194,599**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

OTSUKA CORPORATION and Consolidated Subsidiaries
For the years ended December 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Income before minority interests	¥20,429	**¥23,663**	**$196,331**
Other comprehensive income			
Unrealized holding gain in securities	1,628	**662**	**5,495**
Share of other comprehensive income of entities accounted for using equity method	99	**51**	**424**
Revaluation reserve for land	—	**235**	**1,949**
Total other comprehensive income (Note 1)	1,728	**948**	**7,869**
Comprehensive income	¥22,158	**¥24,612**	**$204,200**
Comprehensive income attributable to :			
Comprehensive income attributable to owners of parent	¥22,000	**¥24,403**	**$202,468**
Comprehensive income attributable to minority interests	157	**208**	**1,731**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

OTSUKA CORPORATION and Consolidated Subsidiaries
For the year ended December 31, 2013

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at January 1, 2013	¥10,374	¥16,254	¥115,688	¥(126)	¥142,191
Dividends of surplus			(6,320)		(6,320)
Net income			20,271		20,271
Purchase of treasury shares				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	13,951	(1)	13,950
Balance as of December 31, 2013	¥10,374	¥16,254	¥129,640	¥(127)	¥156,142

Millions of yen

	Accumulated other comprehensive income						
	Unrealized holding gain in securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at January 1, 2013	¥ 678	¥(14,304)	¥(93)	—	¥(13,719)	¥796	¥129,268
Dividends of surplus							(6,320)
Net income							20,271
Purchase of treasury shares							(1)
Net changes of items other than shareholders' equity	1,635	—	92	—	1,728	118	1,847
Total changes of items during the period	1,635	—	92	—	1,728	118	15,797
Balance as of December 31, 2013	¥2,314	¥(14,304)	¥ (0)	—	¥(11,991)	¥915	¥145,066

OTSUKA CORPORATION and Consolidated Subsidiaries
For the year ended December 31, 2014

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at January 1, 2014	**¥10,374**	**¥16,254**	**¥129,640**	**¥(127)**	**¥156,142**
Dividends of surplus			**(7,426)**		**(7,426)**
Net income			**23,455**		**23,455**
Change in the scope of consolidation			**(107)**		**(107)**
Transfer from Revaluation Reserve for Land			**(235)**		**(235)**
Purchase of treasury shares				**(8)**	**(8)**
Net changes of items other than shareholders' equity					
Total changes of items during the period	**—**	**—**	**15,686**	**(8)**	**15,678**
Balance as of December 31, 2014	**¥10,374**	**¥16,254**	**¥145,326**	**¥(135)**	**¥171,820**

	Accumulated other comprehensive income						Millions of yen
	Unrealized holding gain in securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at January 1, 2014	¥2,314	¥(14,304)	¥ (0)	—	¥(11,991)	¥ 915	¥145,066
Dividends of surplus							(7,426)
Net income							23,455
Change in the scope of consolidation							(107)
Transfer from Revaluation Reserve for Land							(235)
Purchase of treasury shares							(8)
Net changes of items other than shareholders' equity	660	235	53	2,499	3,447	155	3,602
Total changes of items during the period	660	235	53	2,499	3,447	155	19,281
Balance as of December 31, 2014	¥2,974	¥(14,069)	¥52	¥2,499	¥ (8,543)	¥1,070	¥164,347

OTSUKA CORPORATION and Consolidated Subsidiaries
For the year ended December 31, 2014

	Shareholders' equity				Thousands of U.S. dollars
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at January 1, 2014	$86,076	$134,860	$1,075,584	$(1,059)	$1,295,462
Dividends of surplus			(61,613)		(61,613)
Net income			194,599		194,599
Change in the scope of consolidation			(888)		(888)
Transfer from Revaluation Reserve for Land			(1,949)		(1,949)
Purchase of treasury shares				(67)	(67)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	130,148	(67)	130,081
Balance as of December 31, 2014	$86,076	$134,860	$1,205,732	$(1,126)	$1,425,544

	Accumulated other comprehensive income						Thousands of U.S. dollars
	Unrealized holding gain in securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at January 1, 2014	$19,199	$(118,679)	$ (7)	—	$(99,487)	$7,595	$1,203,570
Dividends of surplus							(61,613)
Net income							194,599
Change in the scope of consolidation							(888)
Transfer from Revaluation Reserve for Land							(1,949)
Purchase of treasury shares							(67)
Net changes of items other than shareholders' equity	5,478	1,949	440	20,735	28,604	1,287	29,892
Total changes of items during the period	5,478	1,949	440	20,735	28,604	1,287	159,973
Balance as of December 31, 2014	$24,677	$(116,729)	$433	$20,735	$(70,882)	$8,883	$1,363,544

The accompanying notes are an integral part of these statement.

Consolidated Statements of Cash Flows

OTSUKA CORPORATION and Consolidated Subsidiaries
For the years ended December 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Cash flows from operating activities:			
Income before income taxes and minority interests	¥33,049	**¥37,910**	**$314,528**
Depreciation	5,454	**5,286**	**43,860**
Impairment loss	259	**6**	**54**
Increase (decrease) in allowance for doubtful accounts	756	**(253)**	**(2,104)**
Interest and dividend income	(123)	**(121)**	**(1,004)**
Interest expenses	65	**62**	**520**
Loss (gain) on Equity in earnings of affiliated companies	55	**(174)**	**(1,451)**
(Gain) on liquidation of subsidiaries and affiliates	—	**(223)**	**(1,858)**
Compensation income	(32)	**(52)**	**(438)**
Loss on disposal of Property, plant and equipment and Intangible assets	166	**118**	**981**
Loss (gain) on sales of Property, plant and equipment	—	**337**	**2,796**
Decrease (increase) in notes and accounts receivable - trade	(12,377)	**1,664**	**13,811**
Decrease (increase) in inventories	(4,148)	**1,002**	**8,316**
Increase (decrease) in notes and accounts payable - trade	8,078	**(2,558)**	**(21,223)**
Loss (gain) on sales of investment securities	(105)	**(29)**	**(246)**
Loss (gain) on valuation of investment securities	54	**77**	**647**
Other, net	1,152	**3,827**	**31,756**
Subtotal	32,305	**46,879**	**388,948**
Interest and dividend income received	171	**190**	**1,581**
Interest expenses paid	(65)	**(63)**	**(524)**
Proceeds from compensation	32	**52**	**438**
Income taxes paid	(13,663)	**(12,929)**	**(107,273)**
Net cash provided by (used in) operating activities	18,780	**34,130**	**283,171**
Cash flows from investing activities:			
Purchase of property, plant and equipment	(1,562)	**(1,907)**	**(15,822)**
Proceeds from sales of property, plant and equipment	—	**494**	**4,100**
Purchase of software	(3,014)	**(5,180)**	**(42,984)**
Purchase of investment securities	(166)	**(22)**	**(182)**
Proceeds from sales of investment securities	120	**30**	**252**
Proceeds from redemption of investment securities	1,000	**—**	**—**
Proceeds from liquidation of subsidiaries	—	**1,273**	**10,565**
Payments of long-term loans receivable	(219)	**(7)**	**(65)**
Collection of long-term loans receivable	81	**26**	**223**
Other, net	291	**(117)**	**(971)**
Net cash provided by (used in) investing activities	(3,468)	**(5,410)**	**(44,885)**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(200)	**(100)**	**(829)**
Cash dividends paid	(6,320)	**(7,425)**	**(61,604)**
Other, net	(40)	**(55)**	**(459)**
Net cash provided by (used in) financing activities	(6,561)	**(7,580)**	**(62,893)**
Net increase (decrease) in cash and cash equivalents	8,750	**21,140**	**175,392**
Cash and cash equivalents at beginning of year	68,113	**76,863**	**637,715**
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	**(60)**	**(500)**
Cash and cash equivalents at end of year (Note 1)	¥76,863	**¥97,943**	**$812,608**

The accompanying notes are an integral part of these statements.

(FRAMEWORK FOR PREPARING CONSOLIDATED FINANCIAL 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.

2. Summary of Significant Accounting Policies

(1) Scope of consolidation

As of December 31, 2013 and 2014 subsidiaries and consolidated subsidiaries were as follows:

	2013	2014
Subsidiaries	10	9
(Consolidated subsidiaries)	(7)	(6)

The 6 subsidiaries which were consolidated in the year ended December 31, 2014 are listed below:

	A ratio of voting rights held by the Company
OSK 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%

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 unconsolidated subsidiaries consisted of insignificant amounts in terms of total assets, net sales, net income and retained earnings, and have, therefore, been excluded from consolidation.
Netplan Co.,LTD. was excluded from the scope of consolidation due to its decreased significance by business reduction.

(2) Investments in unconsolidated subsidiaries and affiliates

As of December 31, 2013 and 2014 unconsolidated subsidiaries and affiliates were as follows:

	2013	2014
Unconsolidated subsidiaries	3	3
Affiliates	9	8
(Affiliates by the equity method)	(2)	(2)

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 2 investments in affiliate by the equity method as of December 31, 2014 are listed below:

	A ratio of voting rights held by the Company
Otsuka Information Technology Corp.	37.8%
LION OFFICE PRODUCTS CORP.	40.4%

As for LION OFFICE PRODUCTS CORP. whose fiscal year-end is different from the Company's fiscal year-end, the Company uses its interim financial statements whose fiscal year-end is most recent on the Company's , with reasonable adjustments that would have been made to conform to financial statements as of the Company's fiscal year-end and for the year then ended, for equity accounting purposes.

(3) 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.

(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) 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 (excluding facilities attached to 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:

Buildings and structures — 15 to 50 years

Other — 4 to 10 years

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

(6) Software (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 within 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.

(7) 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.

(8) 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.

(9) Provision for bonuses

The Companies provide accrued bonuses for employees based on the estimated amounts to be paid in respect of the fiscal year.

(10) Provision for directors' retirement benefits

The Companies 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.

(11) Accounting methods for retirement benefits

(a)The method to attribute expected benefit to periods of service

The retirement benefit obligation for employee is attributed to each period by the straight-line method over the estimated years of service of the eligible employees.

(b)The method of recording of actuarial gains and losses and prior service costs

Prior service cost is being amortized as incurred by the straight-line method over periods (12 years), which are shorter than the average remaining years of service of the employees.

Actuarial gain or loss is amortized in the following the year in which the gain or loss is recognized primarily by the straight-line method over periods (12 years), which are shorter than the average remaining years of service of the employees.

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

Revenues and costs of the make-to-order software contracts 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) 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.

(14) 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.

(15) 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" in current liabilities in the consolidated balance sheets.

(16) Changes in accounting policies

<Application of the accounting standard for retirement benefits>

The Company and its domestic subsidiaries adopted the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, on 17th May 2012; hereinafter "retirement benefits' accounting standard") and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, on 17th May 2012; hereinafter "retirement benefits' guidance") at the end of the current fiscal year (except for certain provisions described in the main clause of Paragraph 35 of the standard and in the main clause of Paragraph 67 of the guidance).

These accounting standards require entities to apply a revised method for recording the retirement benefit obligation, after deducting pension plan assets as a liability for retirement benefit. In addition, unrecognized actuarial differences and unrecognized prior service costs are recorded as a liability for retirement benefits.

Regarding the application of the accounting standard for retirement benefit, based on the provisional treatment set out in Paragraph 37 of the standard, at the end of the current fiscal year, the effects of such changes in the current fiscal year have been recorded in retirement benefits liability adjustments through accumulated other comprehensive income.

As a result of this change, at the end of the current fiscal year, "Net defined benefit asset" of ¥5,389 million ($44,718 thousand) and "Net defined benefit liability" of ¥2,533 million ($21,018 thousand) were recorded and "Accumulated other comprehensive income" increased by ¥2,499 million ($20,735 thousand).

In addition, the financial impact on "Net assets per share" is described in the relevant part.

(17) Accounting standards issued but not yet adopted

(a) Accounting standards for business combinations

— Accounting Standards for Business Combinations (ASBJ Statement No. 21 on 13th September, 2013)
— Accounting Standards for Consolidated Financial Statements (ASBJ Statement No. 22 on 13th September, 2013)
— Accounting Standard for Business Divestitures (ASBJ Statement No. 7, on 13th September, 2013)
— Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, on 13th September, 2013)
— Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, on 13th September, 2013)
— Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, on 13th September, 2013)

(1) Outline
Under these revised accounting standards, the following were mainly amended.
①The accounting treatment for changes in a parents' ownership interest in a subsidiary when the parent retains control over the subsidiary in the additional acquisition of shares in a subsidiary
②The accounting treatment of acquisition related costs
③Change in presentation of net income and changes of the presentation to "non-controlling interests" from minority interests
④Transitional provisions for accounting treatments

(2) Expected adoption date
The revised accounting standard and guidance will be adopted from the beginning of the fiscal period ending 31st December 2016. The provisional accounting treatments will apply to corporate business combinations performed on or after the beginning of the fiscal period ending 31st December 2016.

(3) Effect of application of the standards
The financial impact of the application of these accounting standards on the consolidated financial statements is currently being evaluated.

(b) Accounting Standard for Retirement Benefits

— Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, 17th May 2012)
— Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, 17th May 2012)

(1) Outline
Based on the viewpoint of improving financial reporting and international movement, amendments were made with a focus on the methods of processing unrecognized actuarial differences and unrecognized prior service costs, the methods of calculating retirement benefit obligations and service costs, and the expansion of disclosure.

(2) Expected adoption date
The revised methods of calculating the retirement benefit obligations and service costs will be adopted from the beginning of the fiscal period ending 31st December 2015.

(3) Effect of application of the standards
The financial impact of the application of these accounting standards on the consolidated financial statements is currently being evaluated.

(18) Change in accounting classification

<Consolidated Statements of Income>
Up until the prior fiscal year ended December 31, 2013, the Company had recorded foreign exchange gains as other under non-operating income. However, they have decided to record such gain and loss due to its increased significance by exceeded 10% of the total amount of Non-operating income.
In order to reflect this change, the companies rearranged Consolidated Financial Statements of the previous fiscal year.
As a result of this change, ¥337 million ($2,797 thousand) in "Other" under "Non-operating income" is separated as ¥45 million ($380 thousand) in the "Foreign exchange gains" and ¥291million ($2,416 thousand) in "Other".

(19) 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 ¥120.53=US$1, the rate of exchange on December 31, 2014, 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 or settled in U.S. dollars at this rate.

(CONSOLIDATED BALANCE SHEETS)

*1. Investment securities

As of December 31, 2013 and 2014, principal items related to unconsolidated subsidiaries and affiliates were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Investment securities (stocks)	¥2,163	**¥2,314**	**$19,206**
Investment securities (capital)	217	**217**	**1,801**

*2. Pledged Assets

As of December 31, 2013 and 2014, assets pledged as collateral for notes and accounts payable-trade were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Time deposits	¥5	**¥5**	**$41**

*3. 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.

As of December 31, 2013 and 2014, the excess of the book value after revaluation over the fair value were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
	¥(738)	**¥(637)**	**$(5,285)**

*4. Notes maturing on December 31

December 31, 2013 and 2014 were a bank holiday, and notes matured on December 31 are accounted for as if they were settled on the maturity dates.

As of December 31, 2013 and 2014, notes matured on December 31 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Notes receivable	¥356	**¥586**	**$4,866**
Notes payable	1	**2**	**20**

CONSOLIDATED STATEMENTS OF INCOME

*1. Research and development expenses

As of December 31, 2013 and 2014, Research and development expenses included in general and administrative expenses and manufacturing costs were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Research and development expenses	¥335	**¥503**	**$4,173**

*2. Gain on sales of Property, plant and equipment

As of December 31, 2013 and 2014, Gain on sales of Property, plant and equipment were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Land	—	**¥56**	**$471**

*3. Loss on sales of Property, plant and equipment

As of December 31, 2013 and 2014, Loss on sales of Property, plant and equipment were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Buildings and structures	—	**¥289**	**$2,401**
Land	—	**104**	**866**
Loss on sales of Property, plant and equipment	—	**¥393**	**$3,267**

*4. Loss on disposal of Property, plant and equipment and Intangible assets

As of December 31, 2013 and 2014, Loss on disposal of Property, plant and equipment and Intangible assets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Buildings and structures	¥ 48	**¥ 64**	**$531**
Property, plant and equipment, etc.	65	**34**	**286**
Software	2	**19**	**164**
Intangible assets, etc.	50	**—**	**—**
Loss on disposal of Property, plant and equipment and Intangible assets	¥166	**¥118**	**$981**

*5. Provision of allowance for doubtful accounts

Provision of allowance for doubtful accounts included in Extraordinary loss were added up for affiliates.

(CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME)

*1. Other comprehensive income

As of December 31, 2013 and 2014, reclassification adjustments and tax effects related to other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Unrealized holding gain in securities			
Amount arising during the year	¥2,466	**¥1,029**	**$8,538**
Reclassification adjustments	54	**(0)**	**(0)**
Amount before tax effect	2,520	**1,029**	**8,538**
Tax effect	(891)	**(366)**	**(3,042)**
Unrealized holding gain in securities	1,628	**662**	**5,495**
Share of other comprehensive income of associates accounted for using equity method			
Amount arising during the year	99	**51**	**424**
Reclassification adjustments	—	**—**	**—**
Share of other comprehensive income of associates accounted for using equity method	99	**51**	**424**
Revaluation reserve for land			
Amount arising during the year	—	**187**	**1,558**
Reclassification adjustments	—	**—**	**—**
Amount before tax effects	—	**187**	**1,558**
Tax effects	—	**47**	**391**
Revaluation reserve for land	—	**235**	**1,949**
Total other comprehensive income	¥1,728	**¥ 948**	**$7,869**

(CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS)

1. 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.

2. Dividends from surplus, etc

(1) Number of shares issued

	Thousands of shares	
	2013	**2014**
Number of shares at beginning of the fiscal year	31,667	**31,667**
Increase	—	(*) **63,334**
Decrease	—	**—**
Number of shares at the end of the fiscal year	31,667	**95,001**

Type of all shares issued is Common Stock.

* The Company decided to split its shares on three for one basis with the effective date of July 1, 2014.
Increase in number of shares issued of common stock is due to this stock split for shares.

(2) Number of treasury stock shares

	Thousands of shares	
	2013	**2014**
Number of shares at beginning of the fiscal year	65	**66**
Increase	(*1) 0	(*2) **133**
Decrease	—	**—**
Number of shares at the end of the fiscal year	66	**199**

Type of all shares issued is Common Stock.

*1 The 0 thousands of shares increase of treasury stock, which is common stock shares, is due to purchase of shares of less than standard unit.

*2 The Company decided to split its shares on three for one basis with the effective date of July 1, 2014.
The 133 thousands of shares increase in the number of treasury stock shares consists of increases of 132 thousands of shares as a result of the this stock split and of 1 thousand of shares from the purchase of shares of less than standard unit.

(3) Items related to subscription rights to shares and own share option

None.

(4) Items related to dividends

Dividends paid is resolved by General meeting of shareholders as follows:

Resolution date	Dividends paid		Dividend per share		Record date	Effective date
	(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
27-Mar-13	¥6,320	—	¥200.00	—	31-Dec-12	28-Mar-13
27-Mar-14	**¥7,426**	**$61,613**	**¥235.00**	**$1.95**	31-Dec-13	28-Mar-14
27-Mar-15	**¥8,532**	**$70,788**	**(*) ¥ 90.00**	**$0.75**	31-Dec-14	30-Mar-15

Type of all shares issued is Common Stock.

Source of dividends is Retained earnings.

* The Company decided to split its shares on three for one basis with the effective date of July 1, 2014.
The dividends per share have been adjusted for the fiscal year 2014 presented to reflect the effect of the stock split.
The year-end dividends per share, calculated without the effect of share split, are ¥270 ($2.24) for the fiscal year 2014.

(CONSOLIDATED STATEMENTS OF CASH FLOWS)

*1. Supplementary Cash Flow Information

Cash and cash equivalents as of December 31, 2013 and 2014 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Cash and deposits	¥69,347	**¥90,234**	**$748,645**
Time deposits with deposit terms of more than three months	(55)	**(55)**	**(458)**
Short-term investments with maturity or redemption dates within three months from acquisition date	5,700	**5,900**	**48,950**
Trust beneficiary interests included in other current assets with investment terms with three months or less	1,871	**1,864**	**15,471**
Cash and cash equivalents	¥76,863	**¥97,943**	**$812,608**

(LEASE TRANSACTIONS)

*1. Operating Lease Transactions

The amounts of future lease payments on operating leases as of December 31, 2013 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Due within one year	¥ 547	**¥ 628**	**$ 5,213**
Due after one year	815	**719**	**5,969**
Total	¥1,363	**¥1,347**	**$11,182**

(FINANCIAL INSTRUMENTS)

1. Financial Instruments

(1) Policy for financial instruments

The Companies manage surplus funds through low-risk financial instruments, and raise short-term funds through bank loans.

(2) Types of financial instruments, related risk and risk management

Trade receivables -trade notes and accounts receivable- are exposed to customers' credit risk.

The Companies try to reduce credit risk by monitoring and analyzing the creditworthiness of each customer, as well as managing due dates and balances.

Investment securities are comprised of mainly held-to-maturity debt securities and the securities of the companies with which the Companies have operational relationships.

Although debt securities and listed securities are exposed to the risk arising from fluctuations in the market, the Companies monitor and analyze market value and the issuers' financial status periodically to reduce these risks.

Trade payables - trade notes and accounts payable, electronically recorded obligations- have payment due date within three months.

Bank loans are raised mainly in connection with business activities.

The Companies reduce liquidity risk relating to these payables by developing a cash flow plan.

Derivative transactions are foreign exchange contracts, entered into by the consolidated subsidiary.

Conducting and managing derivative transactions are in accordance with the internal policies, which set forth delegation of authority.

2. Estimated fair value of financial instruments

Carrying value of financial instruments on the consolidated balance sheet as of December 31, 2013 and 2014 and estimated fair value were as follows:

	Millions of yen		
	2013		
	Carrying value	Fair value	Difference
Assets			
1) Cash and deposits	¥ 69,347	¥ 69,347	¥ —
2) Notes and accounts receivable - trade	99,664	99,664	—
3) Investment securities			
Held-to-maturity debt securities	5,700	5,700	—
Other securities	4,818	4,818	—
Investment in affiliates	1,017	4,585	3,568
Total assets	¥180,547	¥184,115	¥ 3,568
Liabilities			
4) Notes and accounts payable – trade	¥ 70,509	¥ 70,509	—
5) Electronically recorded obligations	14,546	14,546	—
6) Short-term loans payable	6,950	6,950	—
7) Income taxes payable	7,034	7,034	—
Total liabilities	¥ 99,041	¥ 99,041	—
Derivative transaction (*)	¥ 45	¥ 45	—

* The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing net liability position.

	Millions of yen		
	2014		
	Carrying value	Fair value	Difference
Assets			
1) Cash and deposits	¥ 90,234	¥ 90,234	¥ —
2) Notes and accounts receivable - trade	98,066	98,066	—
3) Investment securities			
Held-to-maturity debt securities	5,900	5,900	—
Other securities	5,868	5,868	—
Investment in affiliates	1,105	3,337	2,231
Total assets	¥201,175	¥203,406	¥ 2,231
Liabilities			
4) Notes and accounts payable – trade	¥ 67,066	¥ 67,066	—
5) Electronically recorded obligations	15,389	15,389	—
6) Short-term loans payable	6,850	6,850	—
7) Income taxes payable	8,007	8,007	—
Total liabilities	¥ 97,313	¥ 97,313	—
Derivative transaction (*)	¥ 123	¥ 123	—

* The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing net liability position.

	Thousands of U.S. dollars		
	2014		
	Carrying value	Fair value	Difference
Assets			
1) Cash and deposits	$ 748,645	$ 748,645	$ —
2) Notes and accounts receivable - trade	813,624	813,624	—
3) Investment securities			
Held-to-maturity debt securities	48,950	48,950	—
Other securities	48,693	48,693	—
Investment in affiliates	9,175	27,688	18,512
Total assets	$1,669,089	$1,687,602	$ 18,512
Liabilities			
4) Notes and accounts payable – trade	$ 556,433	$ 556,433	—
5) Electronically recorded obligations	127,684	127,684	—
6) Short-term loans payable	56,832	56,832	—
7) Income taxes payable	66,433	66,433	—
Total liabilities	$ 807,384	$ 807,384	—
Derivative transaction (*)	$ 1,020	$ 1,020	—

* The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing net liability position.

Notes:

1 Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions.

Assets

1) Cash and deposits 2) Notes and accounts receivable - trade

Since these items are settled in a short period of time, their carrying value approximates fair value.

3) Investment securities

The fair value of stocks is based on quoted market prices. Since debt securities are settled in a short period of time, the carrying value of debt securities approximates fair value.

Liabilities

4) Notes and accounts payable - trade 5) Electronically recorded obligations 6) Short-term loans payable 7) Income taxes payable

Since these items are settled in a short period of time, their carrying value approximates fair value.

Derivative transaction

Please refer to DERIVATIVES, of Notes to Consolidated Financial Statements.

2 As of December 31, 2013 and 2014 financial instruments for which it is extremely difficult to determine the fair value were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Unlisted stocks	¥1,690	**¥1,675**	**$13,904**
Investments in investment business limited partnerships	57	**20**	**172**

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the above table.

3 Redemption schedule for receivables and marketable securities with maturities as of December 31, 2013 and 2014 are as follows:

	Millions of yen 2013			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 69,347	—	—	—
Notes and accounts receivable - trade	99,664	—	—	—
Investment securities				
Held-to-maturity debt securities	5,700	—	—	—
Total	¥174,711	—	—	—

	Millions of yen **2014**			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	**¥ 90,234**	**—**	**—**	**—**
Notes and accounts receivable - trade	**98,066**	**—**	**—**	**—**
Investment securities				
Held-to-maturity debt securities	**5,900**	**—**	**—**	**—**
Total	**¥194,200**	**—**	**—**	**—**

	Thousands of U.S. dollars **2014**			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	**$ 748,645**	**—**	**—**	**—**
Notes and accounts receivable - trade	**813,624**	**—**	**—**	**—**
Investment securities				
Held-to-maturity debt securities	**48,950**	**—**	**—**	**—**
Total	**$1,611,220**	**—**	**—**	**—**

4 Repayment schedule for bonds, long-term loans payable and lease obligations as of December 31, 2013 and 2014 are as follows:

	Millions of yen			
	2013			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Short-term loans payable	¥6,950	—	—	—

	Millions of yen			
	2014			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Short-term loans payable	**¥6,850**	**—**	**—**	**—**

	Thousands of U.S. dollars			
	2014			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Short-term loans payable	**$56,832**	**—**	**—**	**—**

(SECURITIES)

As of December 31, 2013 and 2014 investments in securities were as follows:

(1) Held-to-maturity debt securities

	Millions of yen						Thousands of U.S. dollars		
	2013			**2014**			**2014**		
	Carrying value	Fair value	Unrealized gain (loss)	Carrying value	Fair value	Unrealized gain (loss)	Carrying value	Fair value	Unrealized gain (loss)
Securities whose carrying value exceed their acquisition costs									
Negotiable certificates of deposit	—	—	—	**—**	**—**	**—**	**—**	**—**	**—**
	—	—	—	**—**	**—**	**—**	**—**	**—**	**—**
Securities whose carrying value does not exceed their acquisition costs									
Negotiable certificates of deposit	¥5,700	¥5,700	—	**¥5,900**	**¥5,900**	**—**	**$48,950**	**$48,950**	**—**
	¥5,700	¥5,700	—	**¥5,900**	**¥5,900**	**—**	**$48,950**	**$48,950**	**—**
Total	¥5,700	¥5,700	—	**¥5,900**	**¥5,900**	**—**	**$48,950**	**$48,950**	**—**

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

	Millions of yen						Thousands of U.S. dollars		
	2013			**2014**			**2014**		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceed their acquisition costs									
Stocks	¥4,673	¥1,147	¥3,525	**¥5,714**	**¥1,164**	**¥4,550**	**$47,412**	**$9,661**	**$37,751**
Bonds	—	—	—	**—**	**—**	**—**	**—**	**—**	**—**
Other securities	126	73	52	**130**	**73**	**57**	**1,082**	**608**	**473**
	¥4,799	¥1,221	¥3,578	**¥5,845**	**¥1,237**	**¥4,607**	**$48,494**	**$10,270**	**$38,224**
Securities whose carrying value does not exceed their acquisition costs									
Stocks	¥ 18	¥ 21	¥ (2)	**¥ 23**	**¥ 26**	**¥ (2)**	**$ 198**	**$ 221**	**$ (22)**
Bonds	—	—	—	**—**	**—**	**—**	**—**	**—**	**—**
Other securities	—	—	—	**—**	**—**	**—**	**—**	**—**	**—**
	¥ 18	¥ 21	¥ (2)	**¥ 23**	**¥ 26**	**¥ (2)**	**$ 198**	**$ 221**	**$ (22)**
Total	¥4,818	¥1,242	¥3,575	**¥5,868**	**¥1,264**	**¥4,604**	**$48,693**	**$10,491**	**$38,201**

Note. The following other securities are not included in the above table because these were no quoted market price available and they are extremely difficult to determine the fair value:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
	Carrying value	Carrying value	Carrying value
Available-for-sale securities			
Unlisted stocks	¥328	**¥249**	**$2,072**
Investment in limited liability partnerships	57	**20**	**172**

(3) Available-for-sale securities sold in 2013 and 2014 (for the years ended December 31, 2013 and 2014)

	Millions of yen						Thousands of U.S. dollars		
	2013			**2014**			**2014**		
	Sales proceeds	Aggregate gains	Aggregate losses	Sales proceeds	Aggregate gains	Aggregate losses	Sales proceeds	Aggregate gains	Aggregate losses
Stocks	¥120	¥105	—	**¥30**	**¥29**	**—**	**$252**	**$246**	**—**

(4) Securities impairment losses are recognized in 2013 and 2014 (for the years ended December 31, 2013 and 2014)

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Stocks	¥54	**¥77**	**$647**

Note. As for securities whose fair value at the year end are less than 50% of the acquisition costs, or are more than 50% but less than 70% and deemed to be unrecoverable, the impairment losses are recognized.

(DERIVATIVES)

As of December 31, 2013 and 2014, derivatives for which hedge accounting have not been applied, were as follows:

Currency-related transactions

	Millions of yen			
	2013			
	Contractual value or notional principal amount			
	Total	Over one year	Fair value	Valuation gain (loss)
Forward foreign exchange contracts purchasing U.S. dollar	¥1,213	—	¥45	¥45

	Millions of yen			
	2014			
	Contractual value or notional principal amount			
	Total	Over one year	Fair value	Valuation gain (loss)
Forward foreign exchange contracts purchasing U.S. dollar	**¥2,245**	**—**	**¥123**	**¥123**

	Thousands of U.S. dollars			
	2014			
	Contractual value or notional principal amount			
	Total	Over one year	Fair value	Valuation gain (loss)
Forward foreign exchange contracts purchasing U.S. dollar	**$18,629**	**—**	**$1,020**	**$1,020**

Note. Fair value calculation: Fair value is estimated on the basis of mainly prices quoted from counterparty financial institutions.

(RETIREMENT BENEFITS)

■ Fiscal year ended 31st December 2013 ■

(1) Retirement benefit plan

The Company and its consolidated subsidiaries have defined contribution pension plans, agreement type corporate pension plans and lump-sum plans as defined-benefit pension plans.

7 subsidiaries have enrolled in defined contribution pension plans, 4 subsidiaries in agreement type corporate pension plans and 5 subsidiaries in lump-sum plans.

1 consolidated subsidiaries has enrolled in Multi-employer fund.

The company may pay premium benefits for employees on early retirement.

(2) The reserve for retirement benefits

	Millions of yen
	2013
Retirement benefit obligations	¥(36,011)
Plan assets	39,372
	3,360
Unrecognized actuarial gain or loss	(1,480)
Unrecognized prior service cost	(2,508)
	(628)
Prepaid pension cost	1,660
Reserve for retirement benefits	¥ (2,288)

Note. The Company and 2 consolidated subsidiaries use simplified methods for calculating retirement benefit obligations.

(3) Retirement benefit expense related to the retirement benefits

	Millions of yen
	2013
Service cost	¥2,287
Interest cost	522
Expected return on plan assets	(182)
Amortization of the unrecognized prior service cost	(812)
Amortization of the unrecognized actuarial gain or loss	444
Payments for defined contribution pension plan	800
Additional benefits for employees' early retirement	239
Retirement benefit expense	¥3,298

Note. Service cost included the retirement benefit of subsidiaries under the simplified method.

(4) Computation basis of reserve for retirement benefits

	2013
Discount rate	1.5%
Expected rate of return on plan assets	0.5%
Periodic allocation principle for retirement benefit obligation	Straight line basis
Amortization of the unrecognized prior service cost	12years
Amortization of the unrecognized actuarial gain or loss	mainly 12 years from the following fiscal year of occurrence

■ Fiscal year ended 31st December 2014 ■

(1) Retirement benefit plan

The Company and certain of its subsidiaries have defined contribution pension plans, agreement type corporate pension plans and lump-sum plans as retirement benefit plans.
6 subsidiaries have enrolled in defined contribution pension plans, 3 subsidiaries in agreement type corporate pension plans and 5 subsidiaries in lump-sum plans.
The Company and some its consolidated subsidiaries that have lump-sum plans calculate net benefit liabilities and retirement benefit expenses using the simplified method.
1 consolidated subsidiaries has multi-employer welfare pension funds.
Because the plans can not reasonably calculate the amount of plan assets attributed to the company's contribution accounted as the defined contribution plan.
The company may pay premium benefits for employees' early retirement.

(2) Defined benefit plans

(a) Changes in retirement benefit obligations (excluding plans that apply the simplified method)

	Millions of yen	Thousands of U.S. dollars
	2014	**2014**
Balance at the beginning of the year	**¥35,078**	**$291,036**
Service costs	**2,037**	**16,905**
Interest costs	**526**	**4,365**
Actuarial loss (gain)	**(178)**	**(1,477)**
Retirement benefits paid	**(942)**	**(7,817)**
Balance as of the end of the year	**¥36,522**	**$303,011**

(b) Changes in plan assets

	Millions of yen	Thousands of U.S. dollars
	2014	**2014**
Balance at the beginning of the year	**¥39,372**	**$326,657**
Expected return on plan assets	**196**	**1,633**
Actuarial loss (gain)	**473**	**3,928**
Contribution paid by the employer	**1,225**	**10,170**
Retirement benefits paid	**(897)**	**(7,446)**
Balance as of the end of the year	**¥40,370**	**$334,943**

(c) Changes in Net defined benefit liability of the plans that apply the simplified method

	Millions of yen	Thousands of U.S. dollars
	2014	**2014**
Balance at the beginning of the year	**¥932**	**$7,739**
Retirement benefit expenses	**112**	**929**
Retirement benefits paid	**(52)**	**(437)**
Balance as of the end of the year	**¥992**	**$8,230**

(d) Reconciliation between the funded status of the plans and the amounts recognized in the consolidated balance sheets (net defined liabilities and net defined benefit assets) as of current fiscal year

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded retirement benefit obligations	¥34,980	$290,224
Plan assets	(40,370)	(334,943)
	(5,389)	(44,718)
Unfunded retirement benefit obligations	2,533	21,018
Total net defined benefit liability and asset	(2,856)	(23,700)
Net defined benefit liability	2,533	21,018
Net defined benefit asset	(5,389)	(44,718)
Total net defined benefit liability and asset	¥ (2,856)	$ (23,700)

Note: Plans to which simplified methods are applied are included.

(e) Components of retirement benefit expenses

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service costs	¥2,037	$16,908
Interest costs	526	4,365
Expected return on plan assets	(196)	(1,633)
Amortization of actuarial differences	60	503
Amortization of prior service costs	(792)	(6,571)
Retirement benefit expenses calculated by simplified methods	112	929
Additional benefits for employees' early retirement	328	2,726
Retirement benefit expenses	¥2,076	$17,228

(f) Accumulated adjustments of defined benefit plans
Components of items (before tax) is as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unrecognized prior service costs	¥(1,716)	$(14,242)
Unrecognized actuarial differences	(2,192)	(18,190)
Total	¥(3,909)	$(32,433)

(g) Items for plan assets
①Components of the major plan assets
The ratios of the major types of assets to the total plan assets were as follows:

	2014
Bonds	37%
Cash and deposits	63%
Total	100%

②Method of determining the long-term expected rate of return on plan assets
Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return on plan assets.

(h) Items related to actuarial assumptions

The major actuarial assumptions at the end of the current fiscal year

	2014
Discount rate	1.5%
Long-term expected rate of return on plan assets	0.5%

(3) Defined contribution plan

Required contributions to defined contribution pension plans of the Company and its certain consolidated subsidiaries amounted to ¥798 million ($6,621 thousand).

(4) Multi-employer welfare pension funds

The contribution required to the employees' pension fund plan of the multi-employer welfare pension funds which was treated the same as the defined contribution plan was ¥53 million ($444 thousand).

(a) The most recent funded status related to multi-employer pension plans as of March 31, 2014

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Plan assets	¥252,293	$2,093,203
Benefit obligations calculated under pension financing	227,330	1,886,093
Unfunded obligations	¥ 24,963	$ 207,110

(b) The contribution ratio of the Companies to the multi-employer pension plans as of March 31, 2014.

0.4%

(c) Supplementary information

The main factor of the unfunded obligations shown in above (a) was ¥19,332 million ($160,398 thousand) in General reserve and ¥5,630 million ($46,712 thousand) in this fiscal year's surplus.

The ratio in above (b) have not presented the actual ratio of the Companies.

(DEFERRED TAX)

(1) Significant components of the Company's deferred tax assets and liabilities

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Deferred tax assets:			
Allowance for doubtful accounts	¥ 362	**¥ 84**	**$ 699**
Accrued enterprise taxes	704	**685**	**5,690**
Provision for bonuses	1,178	**1,115**	**9,257**
Provision for retirement benefits	824	**—**	**—**
Net defined benefit liability	—	**910**	**7,551**
Provision for directors' retirement benefits	191	**208**	**1,731**
Impairment loss	1,028	**891**	**7,396**
Software development cost	1,407	**1,263**	**10,484**
Unrealized profit from non-current assets	299	**297**	**2,465**
Other	1,960	**1,827**	**15,162**
Subtotal	7,958	**7,284**	**60,439**
Less: Valuation allowance	(1,604)	**(1,389)**	**(11,532)**
Total deferred tax assets	6,354	**5,894**	**48,906**
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(1,255)	**(1,622)**	**(13,458)**
Prepaid pension cost	(592)	**—**	**—**
Net defined benefit asset	—	**(1,922)**	**(15,948)**
Other	(91)	**(103)**	**(857)**
Total deferred tax liabilities	(1,939)	**(3,647)**	**(30,264)**
Net deferred tax assets	¥4,415	**¥2,246**	**$18,642**

Net deferred tax assets is included in the following items of Consolidated Balance Sheets.

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Current assets - Deferred tax assets	¥3,521	**¥2,969**	**$24,637**
Noncurrent assets - Deferred tax assets	1,394	**1,338**	**11,101**
Current liabilities - Other	(1)	**(1)**	**(8)**
Noncurrent liabilities - Deferred tax liabilities	(499)	**(2,059)**	**(17,087)**

(2) A reconciliation of the differences between the normal effective statutory tax rate and the effective tax rate reflected in the accompanying consolidated statements of income

The statutory tax rate used for calculating deferred tax assets and liabilities at December 31, both 2013 and 2014 were 38.0%, respectively.

Since the difference between the statutory tax rates and the effective tax rates for the fiscal year ended December 31, 2013 (38.2%) and 2014 (37.6%) are less than 5%, respectively, a reconciliation of two rates is not presented.

(3) Amendments to the amount of deferred tax assets and liabilities due to changes to the effective tax rate

Under the "Act for Partial Amendment of the Income Tax Act" enacted on 31st March, 2014, and the special corporate tax for reconstruction was not imposed from the consolidated fiscal years beginning on or after 1st April, 2014.

As a result, the effective statutory tax rate used to measure the Company's and its domestic consolidated subsidiaries' deferred tax assets and liabilities was changed from 38.0% to 35.6% for the temporary differences expected to be realized or settled from fiscal years beginning January 1st 2015.

The financial impact from this change for this current fiscal year is not material.

(SEGMENT INFORMATION)

(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 netsales, segment profit or loss, segment assets and other items

The accounting method for the Companies' reported business segments is substantially the same as "FRAMEWORK FOR PREPARING CONSOLIDATED FINANCIAL STATEMENTS".

Also, segment profit or loss is evaluated 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 sales, segment profit or loss, segment assets and other items

Millions of yen

	Reportable segments						2013
	System integration business	Service and Support business	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
Sales							
Net sales to third parties	¥332,067	¥231,868	¥563,936	¥ 658	¥564,595	¥ —	¥564,595
Inter-segment sales/transfers	69	478	547	1,555	2,103	(2,103)	—
Total	¥332,137	¥232,347	¥564,484	¥2,214	¥566,698	¥ (2,103)	¥564,595
Segment profit or loss	¥ 31,599	¥ 10,000	¥ 41,599	¥ 59	¥ 41,659	¥ (7,758)	¥ 33,901
Segment assets	¥111,802	¥ 82,063	¥193,866	¥1,402	¥195,268	¥84,320	¥279,589
Other items							
Depreciation and amortization (Note 4)	¥ 2,937	¥ 1,898	¥ 4,836	¥ 14	¥ 4,850	¥ 603	¥ 5,454
Investments in associates accounted for using equity method	623	1,037	1,661	—	1,661	—	1,661
Capital expenditure in property and equipment and intangible assets (Note 4)	2,427	1,441	3,869	—	3,869	707	4,576

	Reportable segments						Millions of yen
							2014
	System integration business	Service and Support business	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
Sales							
Net sales to third parties	¥362,068	¥243,316	¥605,384	¥381	¥605,766	¥ —	¥605,766
Inter-segment sales/transfers	97	398	496	140	637	(637)	—
Total	¥362,166	¥243,714	¥605,880	¥522	¥606,403	¥ (637)	¥605,766
Segment profit or loss	¥ 34,284	¥ 10,387	¥ 44,672	¥ 57	¥ 44,729	¥ (7,631)	¥ 37,097
Segment assets	¥111,392	¥ 88,461	¥199,853	¥784	¥200,638	¥104,874	¥305,513
Other items							
Depreciation and amortization (Note 4)	¥ 2,732	¥ 1,989	¥ 4,722	¥ 13	¥ 4,736	¥ 550	¥ 5,286
Investments in associates accounted for using equity method	711	1,101	1,812	—	1,812	—	1,812
Capital expenditure in property and equipment and intangible assets (Note 4)	3,710	2,834	6,545	5	6,550	537	7,088

	Reportable segments						Thousands of U.S. dollars
							2014
	System integration business	Service and Support business	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	Consolidated total (Note 3)
Sales							
Net sales to third parties	$3,003,967	$2,018,719	$5,022,686	$3,166	$5,025,853	$ —	$5,025,853
Inter-segment sales/transfers	811	3,306	4,117	1,167	5,285	(5,285)	—
Total	$3,004,778	$2,022,025	$5,026,804	$4,333	$5,031,138	$ (5,285)	$5,025,853
Segment profit or loss	$ 284,450	$ 86,179	$ 370,629	$ 474	$ 371,103	$ (63,313)	$ 307,790
Segment assets	$ 924,190	$ 733,934	$1,658,125	$6,510	$1,664,635	$870,114	$2,534,749
Other items							
Depreciation and amortization (Note 4)	$ 22,672	$ 16,508	$ 39,181	$ 111	$ 39,293	$ 4,567	$ 43,860
Investments in associates accounted for using equity method	5,904	9,135	15,040	—	15,040	—	15,040
Capital expenditure in property and equipment and intangible assets (Note 4)	30,788	23,516	54,304	42	54,346	4,460	58,807

Notes 1. “Other” includes businesses not included in the reportable segments, and includes businesses as follows.
2013 : Administrative of buildings, repair of automobiles, insurance
2014 : Repair of automobiles, insurance
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, 2013 and 2014 were ¥△7,783 million and ¥△7,647 million ($ 63,446 thousand), 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, 2013 and 2014 were ¥85,570 million and ¥104,924 million ($870,522 thousand), consisting mainly of assets not belonging to the reportable segments (cash on hands and in bank, 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.
3. The “Segment profit or loss” is reconciled with “Operating income” in Consolidated Statements of Income.
4. Depreciation and amortization and Capital expenditure in property and equipment and intangible assets include relevant amount of Long-term prepaid expenses.

(PER SHARE INFORMATION)

Net assets per share as of December 31, 2013 and 2014 and net income per share for the years ended December 31, 2013 and 2014 were summarized as follows:

	Yen		U.S. dollars
	2013	**2014**	**2014**
Net assets per share	¥1,520.53	**¥1,722.31**	**$14.29**
Net income per share	213.83	**247.41**	**2.05**

Notes 1. Diluted net income per share for the years ended December 31, 2013 and 2014 are omitted, because the Companies have no dilutive shares.

2. The Company decided to split its shares on three for one basis with the effective date of July 1, 2014.
The computations of net income per share have been adjusted retroactively for all periods presented to reflect the effect of the stock split.

3. As shown in “(FRAMEWORK FOR PREPARING CONSOLIDATED FINANCIAL STATEMENTS) 2. Summary of Significant Accounting Policies (16) Changes in accounting policies,” the “Accounting Standard for Retirement Benefits” is being applied, as per the past treatment stipulated in Article 37.
This resulted in a ¥26.36 ($0.22) increase in the amount of net assets per share for the fiscal year under review.

4. Basis for calculation of net assets per share as of December 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Numerator:			
Net assets	¥145,066	**¥164,347**	**$1,363,544**
Minority interests in consolidated subsidiaries	(915)	**(1,070)**	**(8,883)**
Net assets attributable to common stock	¥144,150	**¥163,277**	**$1,354,661**

	Thousands of shares	
Denominator:		
Number of shares of common stock outstanding	94,802	**94,801**

5. Basis for caluculation of net income per share for the years ended December 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Numerator:			
Net income	¥20,271	**¥23,455**	**$194,599**
Net income not attributable to common shareholders	—	**—**	**—**
Net income attributable to common shareholders	¥20,271	**¥23,455**	**$194,599**

	Thousands of shares	
Denominator:		
Weighted-average number of shares of common stock outstanding	94,802	**94,801**

Net income per common share is based upon the weighted average number of common shares outstanding during each year.

(NOTES - SIGNIFICANT EVENTS AFTER REPORTING PERIOD)

None.

(CONSOLIDATED SUPPLEMENTARY STATEMENTS)

(ANNEXED CONSOLIDATED DETAILED SCHEDULE OF BORROWINGS)

Long-term debt as of December 31, 2014 consisted of the following:

	Millions of yen	
	2014	
	Balance at the beginning of the year	Balance at the end of the year
Short-term loans payable	¥6,950	¥6,850
Current portion of long-term loans payable	—	—
Current portion of lease obligations	708	960
Long-term loans payable(excluding current portion)	—	—
Lease obligations(excluding current portion)	1,412	1,774
Other interest-bearing debt	—	—
Total	¥9,070	¥9,584

	Thousands of U.S. dollars	
	2014	
	Balance at the beginning of the year	Balance at the end of the year
Short-term loans payable	$57,661	$56,832
Current portion of long-term loans payable	—	—
Current portion of lease obligations	5,875	7,965
Long-term loans payable(excluding current portion)	—	—
Lease obligations(excluding current portion)	11,716	14,718
Other interest-bearing debt	—	—
Total	$75,253	$79,517

Notes 1. The annual weighted-average interest rate applicable to short-term bank loans as of December 31, 2014 was 0.79%.
The annual average interest rate is the weighted average of the interest rate on loans calculated by using the balance of outstanding loans payable at the end of the current fiscal year.

2. The annual average interest rate is not shown for lease obligations because the amounts in the consolidated balance sheets include the amounts corresponding to interest paid from total lease payment.

3. The annual maturities of lease obligations except for current portion as of December 31, 2014 were as follows:

	Millions of yen			
	2014			
	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Lease obligations	¥808	¥529	¥330	¥102

	Thousands of U.S. dollars			
	2014			
	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Lease obligations	$6,706	$4,389	$2,744	$854

Independent Auditor's Report

The Board of Directors
OTSUKA CORPORATION

We have audited the accompanying consolidated financial statements of OTSUKA CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheets as at December 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of OTSUKA CORPORATION and its consolidated subsidiaries as at December 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

March 27, 2015
Tokyo, Japan

Ernst & Young ShinNihon LLC