

Financial Report for the Fiscal Year Ended December 31, 2010 (Consolidated) <under Japanese GAAP>

OTSUKA CORPORATION (URL: <http://www.otsuka-shokai.co.jp/>)

Listing: The First Section of Tokyo Stock Exchange, Code 4768

Representative: Yuji Otsuka, President & Chief Executive Officer

Contact: Youichi Harada, Managing Director & Senior Executive Operating Officer

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Scheduled date of Ordinary General Meeting of Shareholders: March 29, 2011

Scheduled date to commence dividend payments: March 30, 2011

Scheduled date to file Securities Report: March 29, 2011

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

1. Financial Results for the Fiscal Year 2010 (From January 1, 2010 to December 31, 2010)

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year 2010	463,493	7.8	19,013	18.1	19,508	18.8	10,631	21.1
Fiscal Year 2009	429,927	(8.0)	16,094	(40.6)	16,427	(40.5)	8,782	(38.9)

	Net income per share	Diluted net income per share	Net income to equity	Ordinary income to total assets	Operating income to net sales
	yen	yen	%	%	%
Fiscal Year 2010	336.42	336.28	10.1	9.5	4.1
Fiscal Year 2009	277.92	277.82	8.8	8.3	3.7

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

Fiscal Year 2010: (4) million yen; Fiscal Year 2009: 1 million yen

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
As of December 31, 2010	213,401	108,931	50.7	3,425.67
December 31, 2009	198,076	102,779	51.4	3,219.46

Reference) Equity:

As of December 31, 2010: 108,255 million yen; As of December 31, 2009: 101,740 million yen

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal Year 2010	17,851	(7,527)	(5,205)	37,924
Fiscal Year 2009	15,982	(4,927)	(5,417)	32,806

2. Dividends

	Dividends per share					Total dividend payments (total)	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Total			
	yen	yen	yen	yen	yen	Millions of yen	%	%
Fiscal Year 2009	–	0.00	–	130.00	130.00	4,108	46.8	4.1
Fiscal Year 2010	–	0.00	–	135.00	135.00	4,266	40.1	4.1
Fiscal Year 2011 (forecast)	–	0.00	–	140.00	140.00		41.3	

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

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Six months ending June 30, 2011	254,500	4.2	13,000	6.4	13,260	5.8	6,650	(5.8)	210.43
Full-Year	486,000	4.9	21,000	10.4	21,500	10.2	10,720	0.8	339.23

Note) The above forecasts are based on the information available as of the date on which these materials were released.

Actual results are subject to change due to various future events and may differ from these figures.

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, procedures, and methods of presentation for preparing the consolidated financial statements (changes described in the section indicating changes in significant matters forming the basis of preparing the consolidated financial statements)

1) Changes due to revisions to accounting standards and other regulations: Yes

2) Changes due to other reasons: No

(3) Number of shares issued (common stock)

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

As of December 31, 2010:	31,667,020 shares
As of December 31, 2009:	31,667,020 shares

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

As of December 31, 2010:	65,718 shares
As of December 31, 2009:	65,425 shares

* This financial report is an abridged translation from the Japanese "Kessan Tanshin," which has been prepared in accordance with accounting principles generally accepted in Japan, for reference purpose only.

Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2009	As of December 31, 2010
Assets		
Current assets		
Cash and deposits	27,716	32,669
Notes and accounts receivable-trade	70,540	75,428
Short-term investment securities	4,998	5,000
Merchandise	14,191	17,858
Work in process	1,179	625
Raw materials and supplies	1,065	1,053
Deferred tax assets	2,740	3,505
Other	11,757	12,718
Allowance for doubtful accounts	(459)	(608)
Total current assets	133,729	148,251
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	62,121	61,939
Accumulated depreciation and impairment loss	(36,721)	(37,578)
Buildings and structures, net	25,399	24,360
Land	17,193	17,179
Construction in progress	90	2,302
Other	14,197	14,369
Accumulated depreciation and impairment loss	(10,616)	(10,983)
Other, net	3,580	3,385
Total property, plant and equipment	46,264	47,228
Intangible assets		
Software	5,486	5,544
Other	118	185
Total intangible assets	5,604	5,730
Investments and other assets		
Investment securities	5,824	5,453
Guarantee deposits	3,281	3,049
Long-term prepaid expenses	1,307	1,242
Deferred tax assets	1,227	1,358
Other	1,910	2,084
Allowance for doubtful accounts	(1,037)	(997)
Allowance for investment loss	(34)	—
Total investments and other assets	12,478	12,191
Total noncurrent assets	64,347	65,150
Total assets	198,076	213,401

(Millions of yen)

	As of December 31, 2009	As of December 31, 2010
Liabilities		
Current liabilities		
Notes and accounts payable-trade	63,490	67,498
Short-term loans payable	8,340	7,340
Lease obligations	67	127
Income taxes payable	2,516	5,182
Advances received	4,812	5,762
Provision for bonuses	2,398	2,652
Other	10,667	12,549
Total current liabilities	92,293	101,111
Noncurrent liabilities		
Long-term loans payable	50	10
Lease obligations	226	325
Deferred tax liabilities	93	93
Deferred tax liabilities for land revaluation	216	216
Provision for retirement benefits	1,641	1,783
Provision for directors' retirement benefits	483	559
Other	291	369
Total noncurrent liabilities	3,004	3,358
Total liabilities	95,297	104,469
Net assets		
Shareholders' equity		
Capital stock	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	89,307	95,830
Treasury stock	(123)	(124)
Total shareholders' equity	115,813	122,335
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	380	383
Revaluation reserve for land	(14,331)	(14,331)
Foreign currency translation adjustment	(122)	(131)
Total valuation and translation adjustments	(14,073)	(14,079)
Minority interests	1,039	675
Total net assets	102,779	108,931
Total liabilities and net assets	198,076	213,401

Consolidated Statements of Income

(Millions of yen)

	Fiscal Year 2009 (Year ended December 31, 2009)	Fiscal Year 2010 (Year ended December 31, 2010)
Net sales	429,927	463,493
Cost of sales	335,436	363,094
Gross profit	94,490	100,398
Selling, general and administrative expenses	78,396	81,385
Operating income	16,094	19,013
Non-operating income		
Interest income	41	41
Interest on securities	27	13
Dividends income	82	53
House rent income	215	218
Equity in earnings of affiliates	1	-
Foreign exchange gains	27	34
Other	204	254
Total non-operating income	599	617
Non-operating expenses		
Interest expenses	120	92
Loss on investments in partnership	61	21
Equity in losses of affiliates	-	4
Provision of allowance for doubtful accounts	82	-
Other	2	4
Total non-operating expenses	266	122
Ordinary income	16,427	19,508
Extraordinary income		
Gain on sales of investment securities	415	0
Reversal of allowance for doubtful accounts	0	2
Gain on change in equity	5	-
Other	0	-
Total extraordinary income	422	2
Extraordinary loss		
Loss on sales of noncurrent assets	43	-
Loss on retirement of noncurrent assets	87	330
Impairment loss	292	127
Loss on valuation of investment securities	81	4
Loss on valuation of stocks of subsidiaries and affiliates	-	113
Loss on liquidation of subsidiaries and affiliates	-	37
Provision of allowance for doubtful accounts	70	202
Provision of allowance for investment loss	34	-
Other	2	8
Total extraordinary losses	611	824

(Millions of yen)

	Fiscal Year 2009 (Year ended December 31, 2009)	Fiscal Year 2010 (Year ended December 31, 2010)
Income before income taxes and minority interests	16,237	18,687
Income taxes-current	7,861	8,865
Income taxes-deferred	(602)	(896)
Total income taxes	7,259	7,968
Minority interests in income	195	86
Net income	8,782	10,631

Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Fiscal Year 2009 (Year ended December 31, 2009)	Fiscal Year 2010 (Year ended December 31, 2010)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	10,374	10,374
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	10,374	10,374
Capital surplus		
Balance at the end of previous period	16,254	16,254
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	16,254	16,254
Retained earnings		
Balance at the end of previous period	85,652	89,307
Changes of items during the period		
Dividends from surplus	(4,108)	(4,108)
Net income	8,782	10,631
Reversal of revaluation reserve for land	(1,019)	–
Total changes of items during the period	3,654	6,523
Balance at the end of current period	89,307	95,830
Treasury stock		
Balance at the end of previous period	(122)	(123)
Changes of items during the period		
Purchase of treasury stock	(0)	(1)
Total changes of items during the period	(0)	(1)
Balance at the end of current period	(123)	(124)
Total shareholders' equity		
Balance at the end of previous period	112,159	115,813
Changes of items during the period		
Dividends from surplus	(4,108)	(4,108)
Net income	8,782	10,631
Reversal of revaluation reserve for land	(1,019)	–
Purchase of treasury stock	(0)	(1)
Total changes of items during the period	3,654	6,521
Balance at the end of current period	115,813	122,335

(Millions of yen)

	Fiscal Year 2009 (Year ended December 31, 2009)	Fiscal Year 2010 (Year ended December 31, 2010)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	429	380
Changes of items during the period		
Net changes of items other than shareholders' equity	(48)	3
Total changes of items during the period	(48)	3
Balance at the end of current period	380	383
Revaluation reserve for land		
Balance at the end of previous period	(15,574)	(14,331)
Changes of items during the period		
Net changes of items other than shareholders' equity	1,243	-
Total changes of items during the period	1,243	-
Balance at the end of current period	(14,331)	(14,331)
Foreign currency translation adjustment		
Balance at the end of previous period	(137)	(122)
Changes of items during the period		
Net changes of items other than shareholders' equity	15	(9)
Total changes of items during the period	15	(9)
Balance at the end of current period	(122)	(131)
Total valuation and translation adjustments		
Balance at the end of previous period	(15,282)	(14,073)
Changes of items during the period		
Net changes of items other than shareholders' equity	1,209	(6)
Total changes of items during the period	1,209	(6)
Balance at the end of current period	(14,073)	(14,079)
Minority interests		
Balance at the end of previous period	913	1,039
Changes of items during the period		
Net changes of items other than shareholders' equity	125	(363)
Total changes of items during the period	125	(363)
Balance at the end of current period	1,039	675

(Millions of yen)

	Fiscal Year 2009 (Year ended December 31, 2009)	Fiscal Year 2010 (Year ended December 31, 2010)
Total net assets		
Balance at the end of previous period	97,790	102,779
Changes of items during the period		
Dividends from surplus	(4,108)	(4,108)
Net income	8,782	10,631
Reversal of revaluation reserve for land	(1,019)	–
Purchase of treasury stock	(0)	(1)
Net changes of items other than shareholders' equity	1,334	(369)
Total changes of items during the period	4,989	6,152
Balance at the end of current period	102,779	108,931

Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal Year 2009 (Year ended December 31, 2009)	Fiscal Year 2010 (Year ended December 31, 2010)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	16,237	18,687
Depreciation and amortization	5,939	6,089
Impairment loss	292	127
Increase (decrease) in allowance for doubtful accounts	293	108
Interest and dividends income	(123)	(95)
Interest income on securities	(27)	(13)
Interest expenses	120	92
Equity in (earnings) losses of affiliates	(1)	4
Loss (gain) on sales of noncurrent assets	43	-
Loss on retirement of noncurrent assets	84	210
Decrease (increase) in notes and accounts receivable-trade	1,247	(4,803)
Decrease (increase) in inventories	73	(3,083)
Increase (decrease) in notes and accounts payable-trade	944	4,077
Loss (gain) on sales of investment securities	(415)	(0)
Loss (gain) on valuation of investment securities	81	4
Loss on valuation of stocks of subsidiaries and affiliates	-	113
Loss on liquidation of subsidiaries and affiliates	-	37
Increase (decrease) in allowance for investment loss	34	-
Loss (gain) on change in equity	(5)	-
Increase (decrease) in provision for retirement benefits	1,235	202
Other, net	438	2,150
Subtotal	26,492	23,908
Interest and dividends income received	179	133
Interest expenses paid	(122)	(93)
Income taxes paid	(10,567)	(6,096)
Net cash provided by (used in) operating activities	15,982	17,851

(Millions of yen)

	Fiscal Year 2009 (Year ended December 31, 2009)	Fiscal Year 2010 (Year ended December 31, 2010)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(2,278)	(4,421)
Proceeds from sales of property, plant and equipment	11	–
Purchase of software	(3,167)	(3,029)
Purchase of investment securities	(104)	(62)
Proceeds from sales of investment securities	841	157
Purchase of investments in subsidiaries	–	(490)
Payments of long-term loans receivable	(124)	(308)
Collection of long-term loans receivable	166	149
Other, net	(271)	477
Net cash provided by (used in) investing activities	(4,927)	(7,527)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(1,200)	(1,000)
Repayment of long-term loans payable	(40)	(40)
Cash dividends paid	(4,107)	(4,105)
Other, net	(70)	(60)
Net cash provided by (used in) financing activities	(5,417)	(5,205)
Effect of exchange rate change on cash and cash equivalents	0	–
Net increase (decrease) in cash and cash equivalents	5,636	5,118
Cash and cash equivalents at beginning of period	27,169	32,806
Cash and cash equivalents at end of period	32,806	37,924

Segment Information

Information by Business Segment

Fiscal Year 2009 (Year ended December 31, 2009)

(Millions of yen)

	System Integration business	Service and Support business	Other business	Total	Elimination or corporate	Consolidated total
Net sales						
(1) Outside customers	226,688	200,938	2,300	429,927	–	429,927
(2) Inter-segment sales/transfers	190	278	1,838	2,308	(2,308)	–
Total	226,879	201,216	4,139	432,235	(2,308)	429,927
Costs and expenses	210,943	194,089	4,020	409,053	4,779	413,833
Operating income (loss)	15,935	7,127	119	23,181	(7,087)	16,094
Assets	78,262	74,671	2,625	155,559	42,516	198,076
Depreciation and amortization	2,789	2,270	25	5,085	854	5,939
Impairment loss	29	61	–	90	201	292
Capital expenditure	3,091	1,733	452	5,278	167	5,445

Fiscal Year 2010 (Year ended December 31, 2010)

(Millions of yen)

	System Integration business	Service and Support business	Other business	Total	Elimination or corporate	Consolidated total
Net sales						
(1) Outside customers	253,541	208,008	1,942	463,493	–	463,493
(2) Inter-segment sales/transfers	254	317	2,047	2,618	(2,618)	–
Total	253,795	208,326	3,990	466,112	(2,618)	463,493
Costs and expenses	234,977	201,143	3,834	439,954	4,524	444,479
Operating income (loss)	18,818	7,182	155	26,157	(7,143)	19,013
Assets	86,202	77,591	2,218	166,012	47,388	213,401
Depreciation and amortization	3,037	2,238	35	5,310	779	6,089
Impairment loss	21	105	–	127	–	127
Capital expenditure	4,059	3,085	71	7,216	233	7,450

- Notes) 1. Business segments are defined in consideration of the operations of the Group.
 2. The Group operates principally in three segments: system integration business, service and support business, and other business.

Segment	Major products and services
System Integration business	Research, analysis, design, and introduction for comprehensive information system Transport and installation Network construction Introduction for packaged software Customized development of software Other related services
Service and Support business	Supplies for comprehensive information system Telephone support Maintenance Consigned system operation Data recovery IT education Guidance for operation of packaged software Hotel business
Other business	Construction Repair, sale of automobiles Insurance Printing

3. Significant amounts and contents of "Elimination or corporate" column are as described below.

(Millions of yen)

	Fiscal Year 2009	Fiscal Year 2010	Major contents
Amount of unallocated operating costs and expenses included in "Elimination or corporate" column	7,170	7,171	Expenses relating to administrative departments of parent company
Amount of corporate assets included in "Elimination or corporate" column	44,293	49,139	Cash and deposits and investment securities of parent company, and assets relating to administrative departments of parent company

4. "Depreciation and amortization" and "Capital expenditure" include amortization and increase of long-term prepaid expenses.