



ANNUAL REPORT 2014

For the fiscal year ended December 31, 2014

Otsuka Corporation

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Mission Statement

Mission

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

Goals

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

Principles

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

Otsuka Corporation

Forward-looking Statements

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

Consolidated Financial Highlights

OTSUKA CORPORATION and Consolidated Subsidiaries Years ended December 31, 2012, 2013 and 2014			Millions of yen	Thousands of U.S. dollars	%
	2012	2013	2014	2014	Change
Net sales	¥515,771	¥564,595	¥605,766	\$5,025,853	+7.3
System Integration business	289,840	332,067	362,068	3,003,967	+9.0
Service and Support business	225,298	231,868	243,316	2,018,719	+4.9
Other business	632	658	381	3,166	-42.1
Operating income	28,251	33,901	37,097	307,790	+9.4
Ordinary income	29,079	33,505	38,144	316,471	+13.8
Income before income taxes and minority interests	28,399	33,049	37,910	314,528	+14.7
Net income	16,277	20,271	23,455	194,599	+15.7
Total assets	253,158	279,589	305,513	2,534,749	+9.3
Interest-bearing debt	9,367	9,070	9,584	79,517	+5.7
Equity	128,471	144,150	163,277	1,354,661	+13.3
Net income per share (EPS) (Yen and U.S. dollars)	171.70	213.83	247.41	2.05	+15.7
Dividends per share of common stock (Yen and U.S. dollars)	66.66	78.33	90.00	0.75	+14.9
Cash flows from operating activities per share (Yen and U.S. dollars)	272.98	198.10	360.02	2.99	+81.7
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

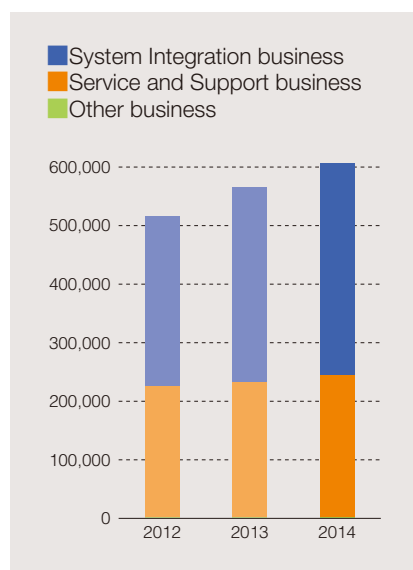
Figures for ROE are calculated using average equity.

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.

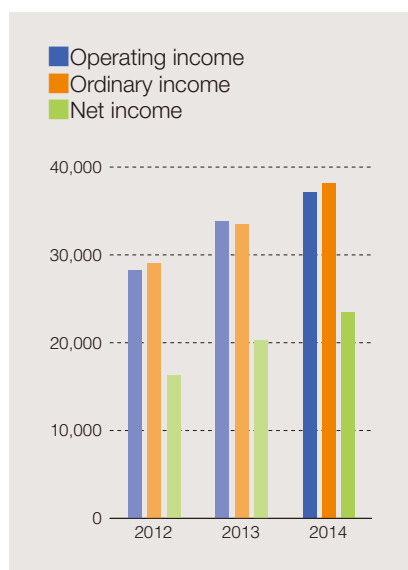
Net sales

(Millions of yen)



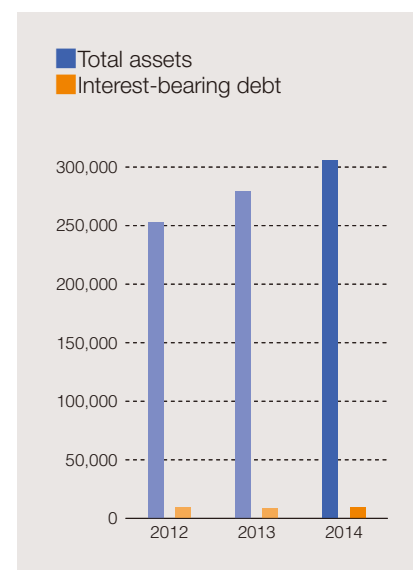
Operating income, Ordinary income, Net income

(Millions of yen)



Total assets, Interest-bearing debt

(Millions of yen)



Note:

Sums of less than a million yen are rounded down.

To Our Shareholders and Investors



I am pleased to announce the results for the fiscal year ended December 31, 2014 and to thank our shareholders and investors for their loyal support.

During the fiscal year under review, the Japanese economy sustained a moderate recovery as corporate IT investments remained brisk. The OTSUKA Group focused on making combined system proposals and comprehensive proposals and offered proposals for improving productivity, achieving cost reductions and realizing power savings. As a result of these measures, net sales rose 7.3% from the previous fiscal year to ¥605,766 million, marking the first time that net sales have exceeded ¥600,000 million.

At the earnings level, due to an increase in gross profit and the curbing of selling, general and administrative (SG&A) expenses, operating income increased 9.4% to ¥37,097 million, ordinary income rose 13.8% to ¥38,144 million and net income increased 15.7% to ¥23,455 million. These figures represent record highs for income.

Management has resolved to pay year-end dividends per share of ¥90 in line with our efforts to return profits to shareholders, who have given us their support.

In the coming fiscal year, corporate IT investments are expected to remain stable. Within this environment, we will further strengthen our contact with customers and strive to identify customers' IT utilization needs and their power saving needs.

In working to realize our Mission Statement, the OTSUKA Group will continue to pursue management reforms to ensure the trust of all stakeholders. Your ongoing support is greatly appreciated as we move forward with these endeavors.

Yuji Otsuka, President & Chief Executive Officer

March 2015

Overview of Consolidated Operations

■ Economy Sustains a Moderate Recovery

During the fiscal year under review (January 1, 2014 to December 31, 2014), despite a surge in demand preceding an increase in the consumption tax and a subsequent reactionary decline, the Japanese economy sustained a moderate recovery.

Under these economic conditions, IT investments by domestic companies trended favorably during the January-March period as upgrades accompanying demand for replacement purchases for Windows XP and last-minute demand prior to the consumption tax increase peaked. Subsequently, IT investments trended firmly overall despite some visible weaknesses such as an ongoing year-on-year decline in domestic shipments of PCs resulting from a reactionary falloff in demand for replacement purchases for Windows XP.

■ Attaining the Forecast Revised Upward in April

Within this environment, based on our fiscal 2014 slogan “Live up to customer trust from a customer viewpoint and vitalize office with comprehensive strengths,” we secured inventories of PCs and office supplies and made responses in preparation for the peak in demand up to March. Moreover, we began operating a large-scale logistics center for the purpose of responding to an expansion in the volume of orders and commenced a business application server migration support service toward the termination of support for Windows Server 2003. We also made unprecedented efforts focused on combined system proposals and comprehensive proposals as well as proposed systems for strengthening competitiveness by reducing costs and improving productivity, as well as effective power saving countermeasures.

Additionally, efforts aimed at strengthening the accumulated business included augmenting our line of appealing office supplies and developing a lineup of maintenance services that support improvements in productivity of corporate activities and reduce burdens. We were therefore able to attain our revised forecast announced in April and recorded increases in sales and profits.

**Economy recovering modestly
IT investments trending firmly**

**Combined system proposals and
comprehensive proposals
Proposals for cost reductions and
productivity improvement**

■ Net Sales Surpass ¥600,000 Million and Profits Reach an All-Time High

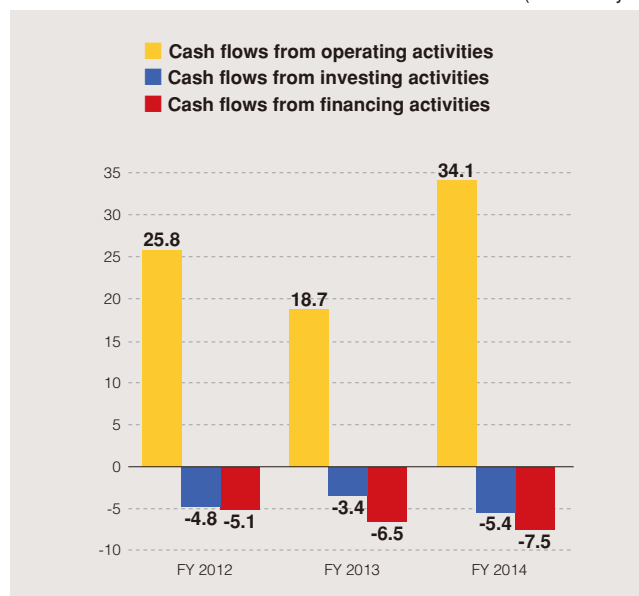
As a result of these measures, net sales rose 7.3% from the previous fiscal year to ¥605,766 million. At the profit level, operating income rose 9.4% to ¥37,097 million due to the increase in gross profit accompanying the rise in sales. Ordinary income increased 13.8% to ¥38,144 million and net income was up 15.7% to ¥23,455 million.

(Millions of yen)

	FY 2013	FY 2014	
	Amount	Amount	Change to Last Year
Net sales	564,595	605,766	+7.3%
Operating income	33,901	37,097	+9.4%
Ordinary income	33,505	38,144	+13.8%
Net income	20,271	23,455	+15.7%

■ Cash Flows

(Billions of yen)



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.

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

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

Overview of Results by Quarter

Net Sales

Net sales rose sharply in the first quarter (January-March) of 2014 and also increased in the second quarter (April-June) and the third quarter (July-September), but declined in the fourth quarter (October-December).

Net sales in the third quarter (July-September) of 2014 amounted to ¥130,799 million, a 1.2% increase from the previous third quarter. Net sales in the fourth quarter (October-December) of 2014 amounted to ¥142,555 million, a decrease of 5.4% over the previous fourth quarter.

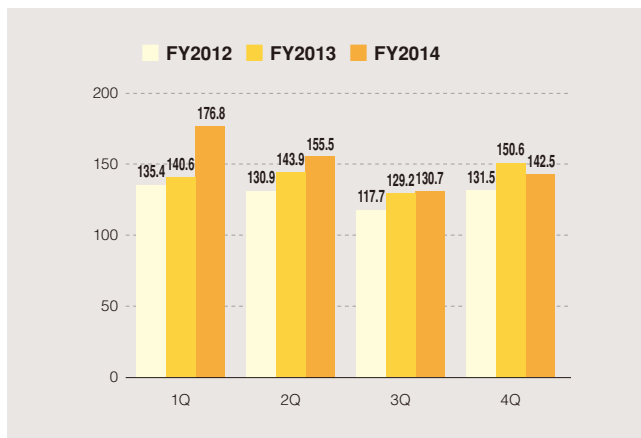
Ordinary Income

Ordinary income increased sharply in the first quarter (January-March) and rose in the second quarter (April-June), but declined from the third quarter (July-September) onward.

Ordinary income in the third quarter (July-September) of 2014 amounted to ¥4,529 million, a decrease of 13.3% from the previous third quarter. Ordinary income in the fourth quarter (October-December) of 2014 amounted to ¥8,818 million, down 8.4% from the previous fourth quarter.

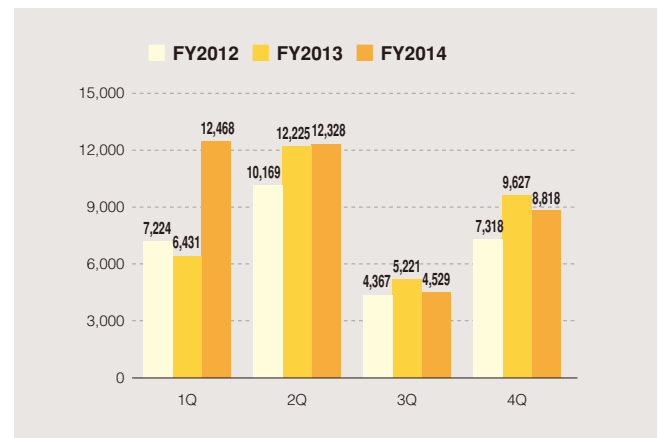
Quarterly Net Sales

(Billions of yen)



Quarterly Ordinary Income

(Millions of yen)



Overview of Business Segments

■ System Integration Business

The System Integration business provides optimized system services ranging from consulting to system design and development, transport and installation work and network construction. 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

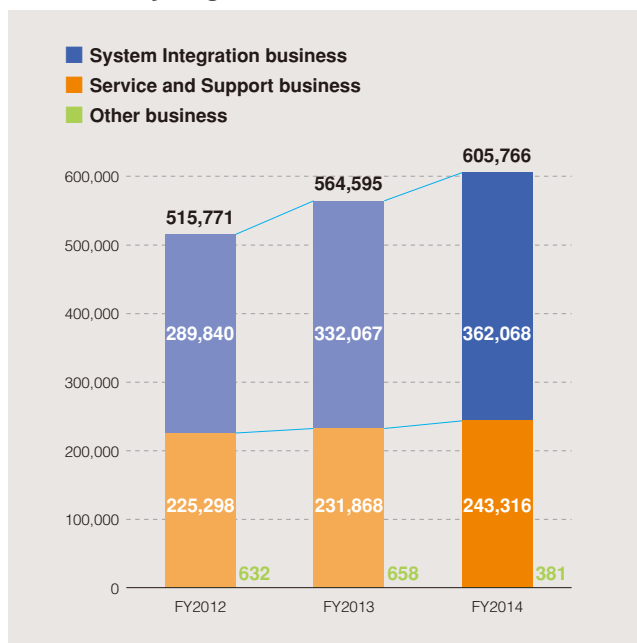
The Service and Support business provides customers with total service and support for their business operations and installed systems encompassing supplies, hardware and software maintenance, telephone support and outsourcing. Although our “tanomail” office supply mail-order service business was partially 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.

Net Sales by Segments

(Millions of yen)



Focusing Efforts on the Accumulated Business

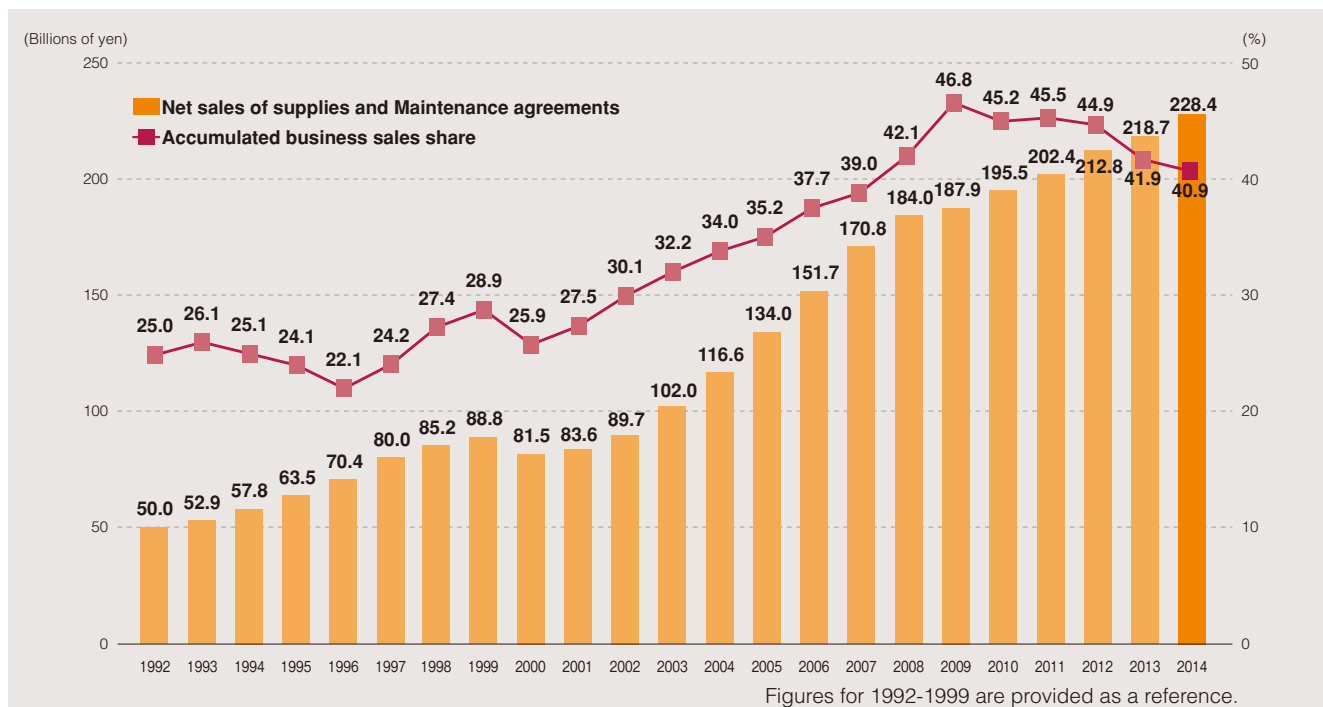
OTSUKA CORPORATION places special emphasis on office supply and maintenance agreement services as the “accumulated business” within the Service and Support business.

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

In fiscal 2014 as well, sales in the accumulated business grew steadily, increasing ¥9.6 billion, or 4.4%, to ¥228.4 billion and accounting for 40.9% of net sales, due to high growth by the System Integration business. Since our public listing in 2000, net sales have increased ¥146.9 billion, an approximately 180% increase (non-consolidated basis).

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

■ Accumulated Business (Non-consolidated)



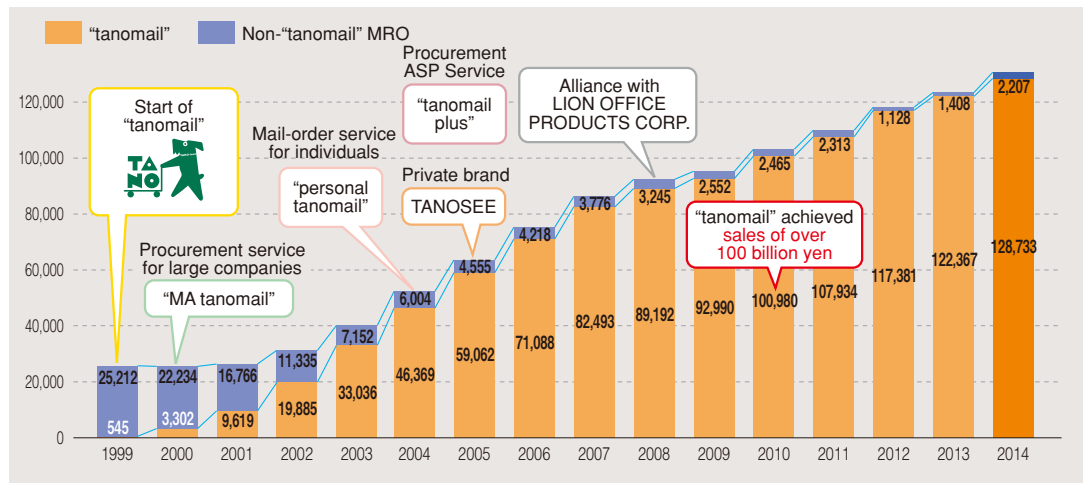
“tanomail” and “tayoreru” are the core pillars of the accumulated business.

たのめーる “tanomail”

Net sales in our “tanomail” office supply mail-order service business are expanding steadily. In fiscal 2014, net sales increased 5.2% to ¥128,733 million.

Annual Sales of “tanomail” (Non-consolidated)

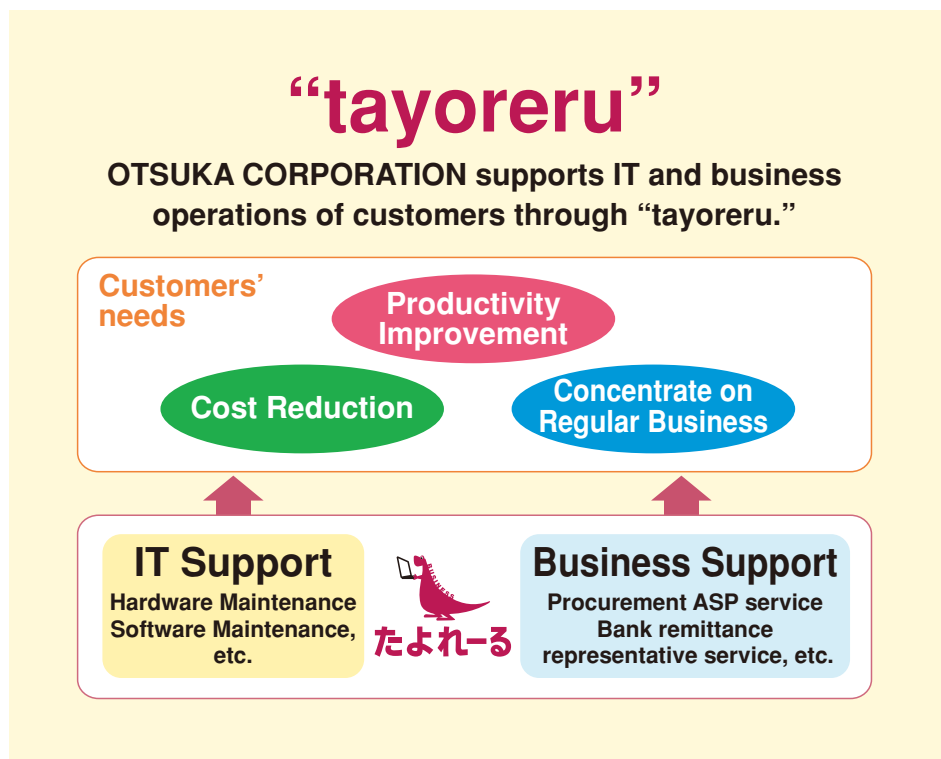
(Millions of yen)



たよれーる “tayoreru”

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

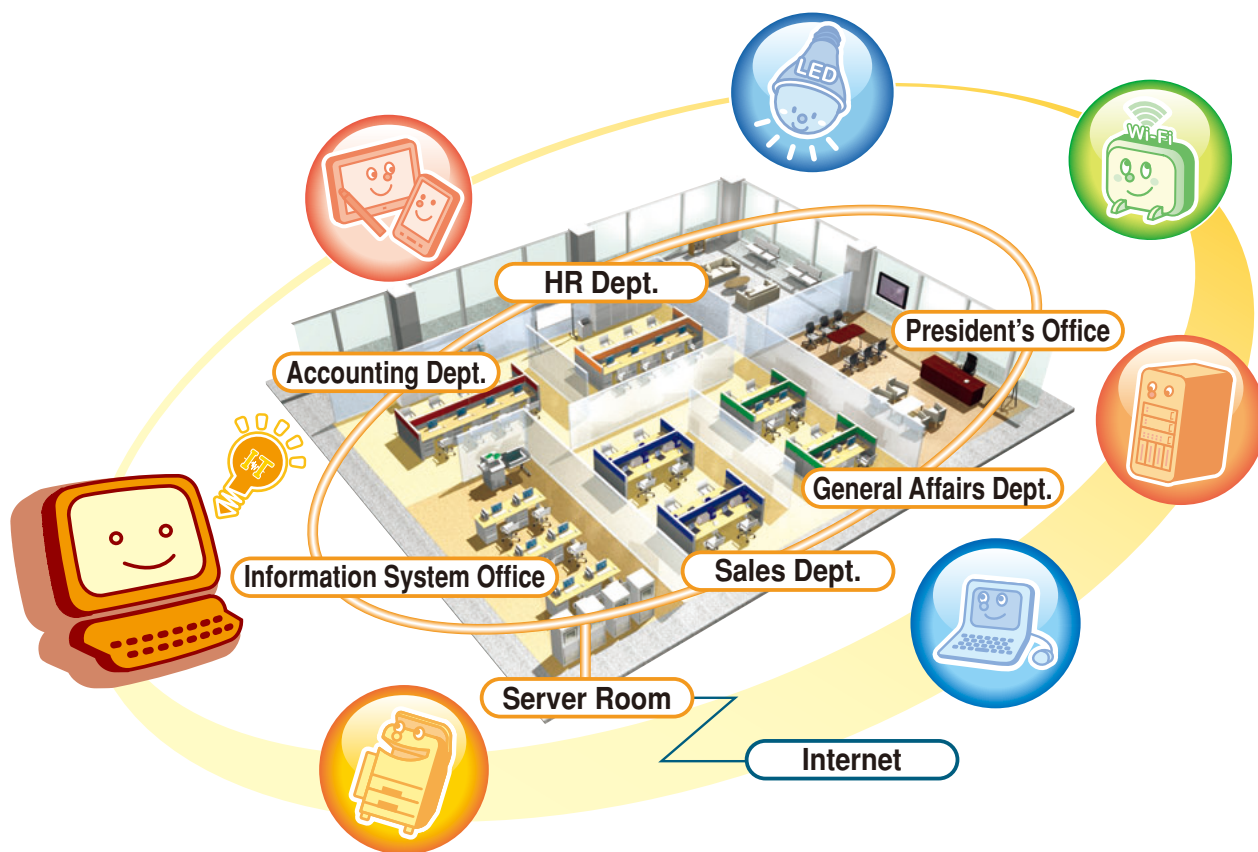
OTSUKA CORPORATION aims to be an indispensable presence in customers’ business infrastructure.



OTSUKA CORPORATION—A Partner to Our Customers

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

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

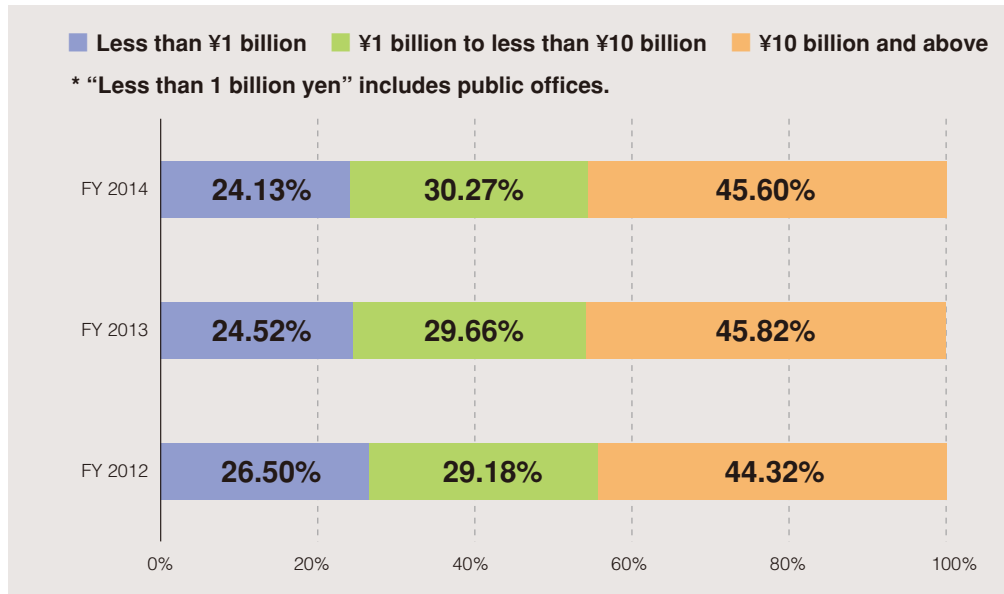


OTSUKA CORPORATION—Backed by a Diverse Range of Customers

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

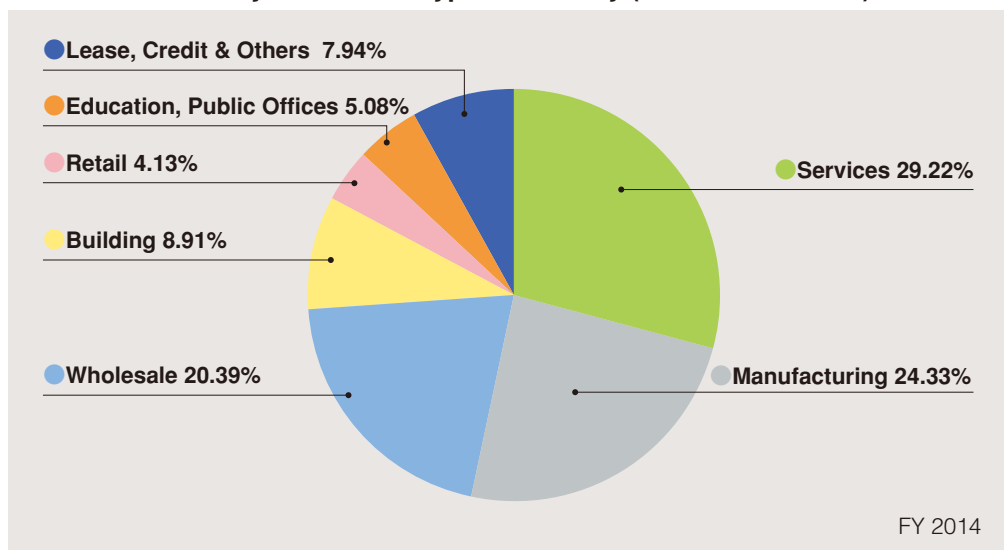
In terms of annual net sales, in fiscal 2014 the ratio of companies with sales of ¥1 billion to less than ¥10 billion increased, while the ratio of companies with sales of less than ¥1 billion and companies with annual net sales of ¥10 billion and above both decreased.

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



We also have a well-balanced customer base by customers' type of industry. In fiscal 2014, there was no major change in the sales breakdown of customers by type of industry.

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



Overview of Key Strategic Businesses (Non-consolidated)

<Amount of Sales>

(Millions of yen)

	FY 2012	FY 2013		FY 2014	
	Amount	Amount	Change to Last Year	Amount	Change to Last Year
"tanomail"	117,381	122,367	+4.2%	128,733	+5.2%
SMILE	9,006	11,061	+22.8%	11,673	+5.5%
ODS21	42,226	43,525	+3.1%	43,575	+0.1%
OSM	48,069	50,453	+5.0%	50,836	+0.8%

(ODS : Otsuka Document Solutions OSM : Otsuka Security Management)

<Reference: Number of units sold>

(Units)

	Units	Units	Change to Last Year	Units	Change to Last Year
Copiers	32,104	34,432	+7.3%	37,392	+8.6%
(of which color copiers)	27,332	30,449	+11.4%	33,793	+11.0%
Servers	39,205	37,989	-3.1%	39,467	+3.9%
Personal computers	714,616	932,607	+30.5%	966,600	+3.6%

Each item posted growth, with "tanomail" and copiers recording brisk sales.

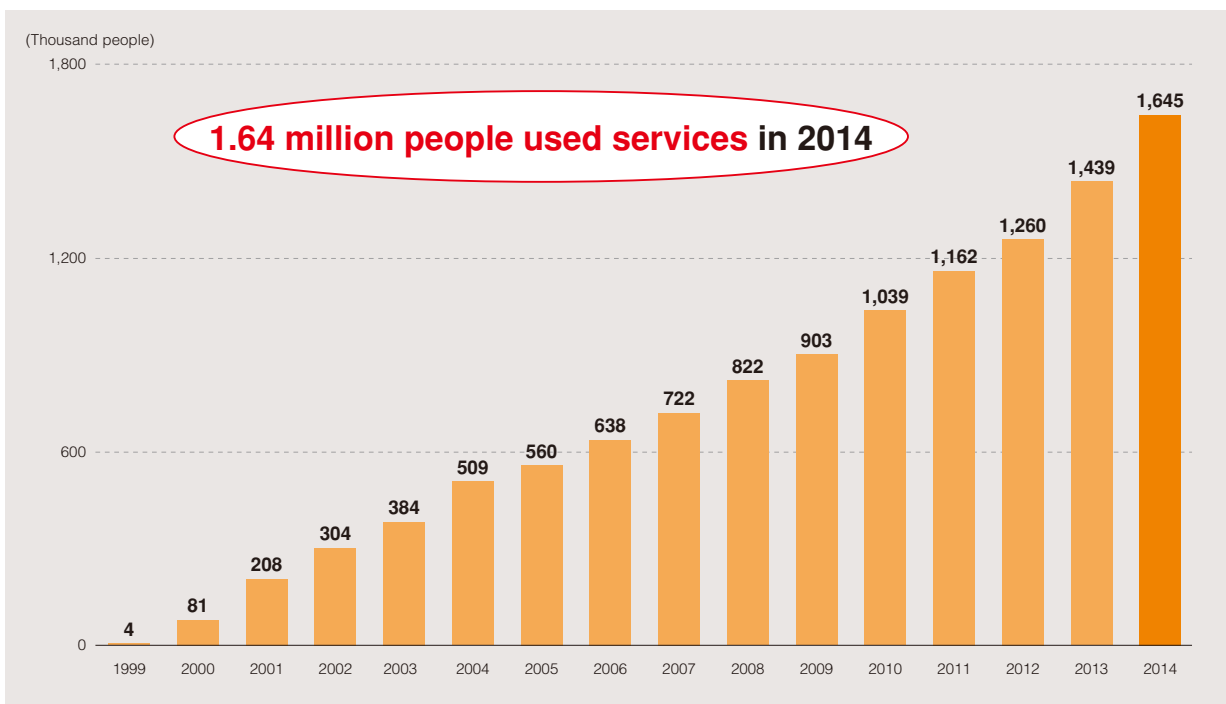
Unit sales of color copiers accounted for 90.4% of copier sales.

OTSUKA CORPORATION's Web Services (ASP)

■ Provision of services commenced in 1999. The number of users exceeded 1.64 million in 2014.

OTSUKA CORPORATION has been providing its main Web services since 1999. The number of users of our main Web services has been rising steadily, and in 2014, the number reached 1.64 million.

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



Outlook for Fiscal 2015

■ Corporate IT Investment Is Expected to Remain Stable

The Japanese economy is expected to continue its moderate recovery owing to the anticipated positive effects of the government's economic policies and improvements in the employment and income environments.

Under these economic conditions, domestic companies need to make aggressive IT investments and prepare for the introduction of the Social Security and Tax Number ("My Number") System. Therefore, corporate IT investments are expected to be firm.

■ Strengthening Solution Proposals and Cross-Selling

Given these economic conditions and outlook for company IT investment, under a strengthened community-based sales structure, the Group will further reinforce its contact with customers, strengthen solutions proposals and implement cross-selling drawing on the Group's total strengths and respond to the needs of domestic companies for raising productivity and improving earnings power. We will also bolster our lineup of appealing office supplies and develop a lineup of maintenance services that support improvements in productivity of corporate activities and reduce burdens. At the same time, we will strengthen our accumulated business; build stable and long-term business relationships with customers; and strengthen our earnings foundation. Additionally, in terms of both human resources development and structures, we will raise the level of our sales capabilities and support capabilities and strive to further raise productivity.

Market Forecast in 2015

- Moderate growth of the Japanese economy is expected after the impact of the consumption tax increase has bottomed out
- Emergence of labor shortages
- Preparations toward introduction of the Social Security and Tax Number ("My Number") System
- Demand for raising productivity through aggressive IT investment
- End of support for Windows Server 2003
- Market expansion of mobile and tablet devices
- Strong demand by companies for IT utilization and energy-saving

Policies and Measures in 2015

- "Live up to customer trust from a customer viewpoint and vitalize office with solutions"
- Expansion of business items with customers and cross-selling
 - Proposal of solutions to enhance productivity and labor saving
 - Utilization of "Virtual Manager"
 - Proposal of upgrades of Windows Server 2003
 - Strengthening of network solutions

■ Strategies by Segment

In the System Integration business, we will focus closely on company IT investment trends and IT utilization needs, further promote comprehensive proposals and combined system proposals that combine copiers, computers, tablets and other mobile devices, telephones, and communications lines as we strengthen our solutions proposals. Moreover, we will respond proactively to the ending of support for Windows Server 2003 and the introduction of the Social Security and Tax Number (“My Number”) System.

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

■ Forecast for Fiscal 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.

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

	Fiscal 2014	Fiscal 2015 (Forecast)	
	Amount	Amount	Change to Last Year
Net sales	605,766	618,000	+2.0%
Operating income	37,097	37,600	+1.4%
Ordinary income	38,144	38,300	+0.4%
Net income	23,455	23,600	+0.6%

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

	Fiscal 2014	Fiscal 2015 (Forecast)	
	Amount	Amount	Change to Last Year
System Integration business	362,068	362,660	+0.2%
Service and Support business	243,316	255,010	+4.8%
Other business	381	330	-13.5%

Social Contribution and Environmental Preservation Activities

Starting from our immediate surroundings, OTSUKA CORPORATION is participating in activities for contributing to society and helping to preserve the environment in a diverse range of fields. Some of the highlights for fiscal 2014 are introduced herein.

■ Holding Products Fairs That Support Rebuilding in Tohoku

We implemented “products fairs to support disaster-stricken areas” as part of our activities to assist with rebuilding in areas damaged by the Great East Japan Earthquake. This activity involves “providing as much reconstruction support as possible from within the Company for disaster-stricken areas” and resulted from employee proposals. We held product fairs of Iwate, Miyagi and Fukushima prefectures at our head office and principal business sites. These fairs have been favorably received by employees and we continue to hold these events once a month.



■ Implementation of the “OTSUKA CORPORATION Heartful Fund” Rebuilding Support Project

This public-solicitation-type rebuilding support project with an annual ceiling of ¥3 million was established to promote the meaningful use of the “OTSUKA CORPORATION Heartful Fund” matching gift program. In 2014, the project received applications from 40 organizations supporting rebuilding following the Great East Japan Earthquake. Based on the results of stringent deliberations, support was provided to five of these organizations.

In the future as well, we plan to implement this project once per year.



■ “Tanokun no Mori (TANO-kun Forest)”

In Brazil, 170,000 Tasmanian blue gum trees planted in a forest named “Tanokun no Mori (TANO-kun Forest)” in 2011 have been steadily growing. Plans call for expanding the initial 150-hectare reforested area to 500 hectares by 2017.



Immediately after planting: December 28, 2011



One year later: December 27, 2012



Three years later: December 23, 2014

Topics

■ Award for “Promoting the Diffusion of IPv6”

On June 11, 2014, OTSUKA received an award from the IPv6 Promotion Council. This award was presented in recognition of OTSUKA’s management and development and sales fields working together in planning and developing IPv6 services for customers and promoting market introduction along with actively proceeding with the introduction of IPv6 into their internal networks.



■ Stock Split Implementation

A three-for-one (3:1) stock split was implemented with an effective date of July 1, 2014. The split was implemented in response to the opinions of individual investors, such as our stock is “too costly to buy” and “not applicable for NISA accounts.”

By lowering the price of each investment unit and enhancing the liquidity of our stock, we aim to establish an environment that makes it easier for investors to invest and to expand our investor base.

Corporate Governance

■ Basic Stance Regarding Corporate Governance

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

1. Corporate Structure and Implementation Status of Internal Control Systems

Corporate Governance System and Reason for Employing System

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

It has been deemed that a governance system led by outside directors would not be suitable due to the wide range of business domains of the Company and the importance of understanding these domains and being familiar with the IT industry. A Corporate Auditor System has therefore been adopted. Additionally, the Company appoints an outside director and outside auditors with the aim of strengthening the monitoring of the execution of duties.

With regard to an outside director and outside auditors, the Company selects and appoints individuals with a sufficient level of knowledge and experience regarding laws, financial affairs and accounting.

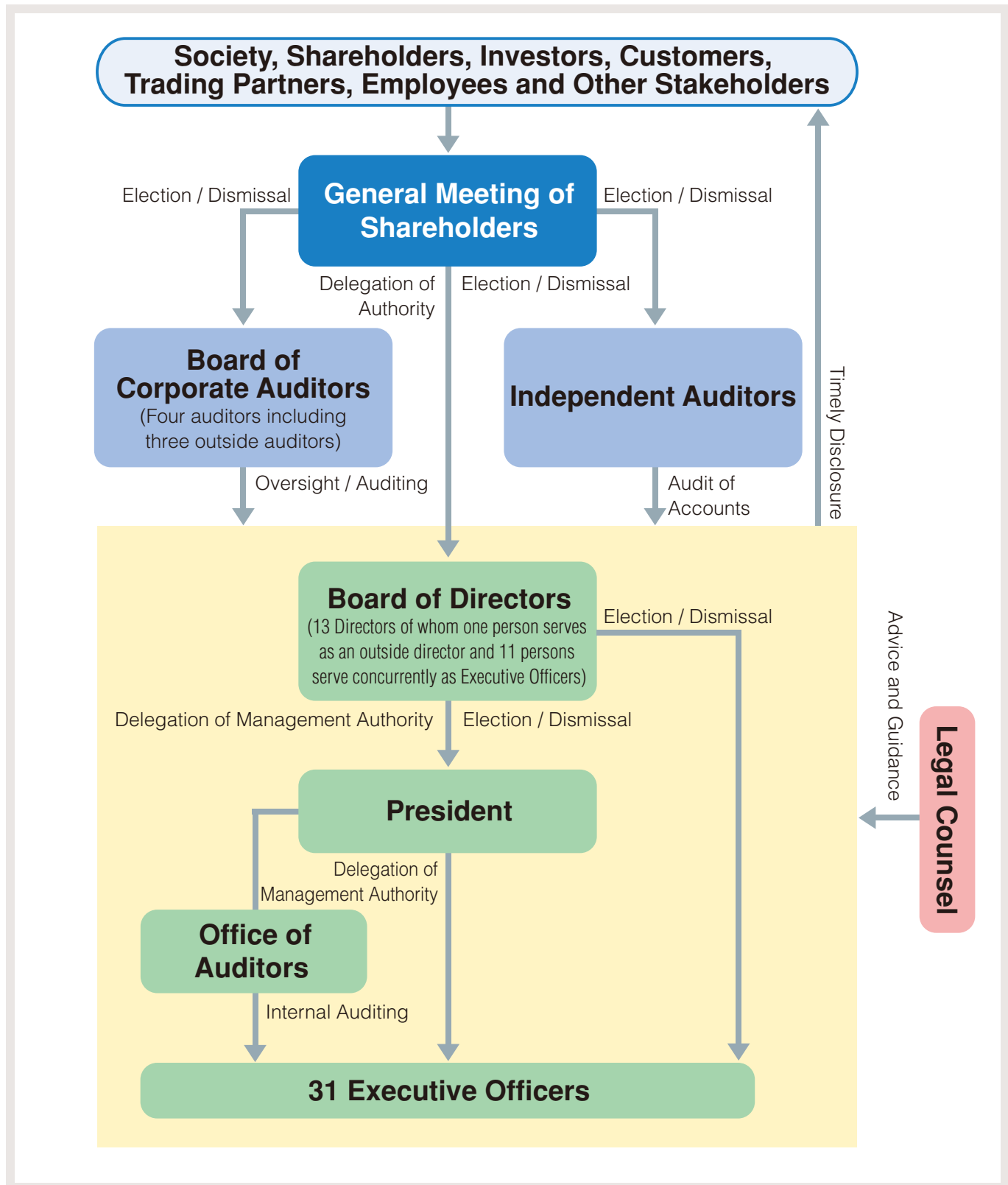
The Board of Directors consists of 13 persons, including one outside director, and the Board of Directors meets regularly once a month to discuss and make decisions on critical management issues requiring resolution based on relevant laws and the Articles of Incorporation, and monitors the execution of duties by directors. The introduction of the Executive Officer System aims to separate the functions of business execution and supervision in order to realize more rapid decision-making on operational matters and strengthen the oversight of the Board of Directors. To this end, Executive Officers elected by the Board of Directors are responsible for the execution of business operations while the Board of Directors and Corporate Auditors handle the oversight of business execution.

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

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

Note: At the Regular General Meeting of Shareholders to be convened on March 27, 2015, the Company will newly appoint one outside director.

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



State of Internal Control Systems

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

- Basic policies for internal control systems

- 1) System for ensuring compliance with laws and the Articles of Incorporation in the execution of duties by directors and employees
Directors shall take the lead and set an example in complying with and promoting the Mission Statement as the basis of our compliance structure.

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

- 2) System for storing and managing information concerning the execution of duties by directors
Information concerning the execution of duties by Directors (paper or electronically recorded) as well as other important information shall be properly stored and managed in accordance with laws and internal regulations.
- 3) Regulations and other systems concerning management of risk of losses
Based on internal regulations, we shall establish a risk management system, identify, analyze and evaluate any risk that could affect business results, financial condition, or other areas and respond appropriately.

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

- 4) System for ensuring the efficient execution of duties by directors
The Board of Directors shall in principle convene once per month to discuss and decide important matters concerning management and supervise the state of execution of business duties.
Also, the Board of Directors shall clarify criteria for convening and bringing up matters for debate at council bodies set up to raise the suitability of decision-making, while specific details shall be stipulated in Duty Authority Regulations and Separation of Duty Regulations and efficiency shall be raised.

- 5) System for ensuring proper operations of the Group consisting of the Company and its subsidiaries
Group companies shall ensure the proper execution of business operations by the functioning of self-cleansing mechanisms through the execution of business operations that are in accordance with the Mission Statement. An internal auditing office shall be established within each Group company and contribute to the rationalization of management by making improvements to business operations. By convening the Group Management Meeting, we shall ascertain the state of management and the progress of profit plans at each Group company. Concurrently, we shall work to strengthen corporate governance at each Group company through the Special Executive Officer System.

- 6) Matters regarding employees assisting Corporate Auditors when requested and the independence of such employees from Directors
In the event that an auditor requests the assistance of an employee, a proper system shall be established upon consultation with the Corporate Auditor. Concerning the Determination of matters related to the delegation of authority over personnel matters to the relevant employee, the independence of such employees from directors shall be ensured by obtaining the prior consent of the Corporate Auditor.

- 7) System for reporting to Corporate Auditors by Directors and employees and other systems regarding reporting to Corporate Auditors
A system shall be established that enables Corporate Auditors to receive reports from Directors and employees on the state of execution of duties. At the same time collaboration and coordination with internal departments carrying out audits shall be strengthened.

- 8) System for ensuring effective audits by Corporate auditors
Representative Directors shall exchange opinions with Corporate Auditors on a timely basis. An internal auditing office shall maintain close relations with the Corporate auditors and undertake inspections in accordance with the requests of Corporate Auditors.

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

1) Basic thinking

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

2) Establishment of measures

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

Status of Internal Audits and Audits by Corporate Auditors

The Office of Auditors (12 persons) under the direction of the President has been established to conduct periodic and on-demand internal audits of all operations across the Group and assess the adequacy of policies, plans and procedures, the effectiveness of their implementation and compliance with laws, as well as to offer concrete advice and recommendations for improving operations and raising awareness.

The Office of Auditors receives reports on the results of internal audits implemented at each Group company from the Internal Auditing Office established within each Group company.

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

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

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

Corporate Audits

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

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

Ernst & Young ShinNihon LLC

Ryuzo Shiraha, Designated Employee with Limited Liability and
Managing Partner

Shigeyuki Kano, Designated Employee with Limited Liability and
Managing Partner

Sei Eshita, Designated Employee with Limited Liability and
Managing Partner

Number of Staff Assisting in Accounting-related Operations

CPAs 18

Other individuals 18

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

Relationship with Outside Directors and Outside Auditors

OTSUKA CORPORATION does not stipulate standards and other criteria regarding independence in terms of the selection and appointment of outside directors and outside auditors. However, the Company selects and appoints individuals who are able to ensure independence from the Company by making a decision on an individual basis according to the background and relationship with the Company based on various regulations and other relevant matters concerning independence including regulations of the Tokyo Stock Exchange (TSE).

The following individual has been appointed as an outside director. This person attends the Board of Directors meetings to provide insight and impart opinions based on extensive experience. This strengthens the monitoring of the execution of duties by the Board of Directors.

Jiro Makino has been appointed as an outside director because of his qualifications as a lawyer to the management of the Company and long years of involvement in the actual practice of corporate legal affairs. In addition, he was appointed as an outside auditor of the Company in March 2004 and has served in this position for 11 years. He makes reports to the Tokyo Stock Exchange (TSE) as an independent Director, as provided by the TSE.

The following three persons have been appointed as outside auditors. They attend the Board of Directors meetings to provide insight and impart opinions based on extensive experience. This facilitates the decision-making process of the Board of Directors.

Mikio Sugiyama and Kazuhiko Nakai have been appointed as outside auditors because of their qualifications as certified public accountants, respectively, to the management of the Company. They make reports to the Tokyo Stock Exchange (TSE) as an independent Auditor, as provided by the TSE.

Additionally, there are no special interests or otherwise relationship between the Company and Nippon Antenna Co., Ltd., in which Kazuhiko Nakai concurrently has a key position.

Mr. Nakai joined Ernst & Young ShinNihon (currently, Ernst & Young ShinNihon LLC) as a representative employee in 2007 and resigned from the firm in 2010. Although OTSUKA CORPORATION and Ernst & Young ShinNihon LLC have concluded an agreement and OTSUKA CORPORATION receives accounting audits from the firm, there are no special interests or otherwise relationship with the Company and this firm.

Tetsutaro Wakatsuki has been appointed as an outside auditor because of his qualifications as a lawyer to the management of the Company. He makes reports to the Tokyo Stock Exchange (TSE) as an independent Auditor, as provided by the TSE.

Additionally, there are no special interests or otherwise relationship between the Company and TPC Co., Ltd. and SBI Life Living Co., Ltd., in which Tetsutaro Wakatsuki concurrently has key positions.

There are no special interests or otherwise relationship between the Company and the above-mentioned persons.

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

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

2. Status of Implementation of Risk Management System

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

The Risk Management Committee identifies and assesses all risk related to the Company and investigates respective measures for key risks. The Committee provides direction on the creation of a risk management system to ensure the ongoing and stable maintenance and management of risk in each division and department within its scope. At the same time, efforts are made to enhance

crisis management by (1) preparing for such emergencies during ordinary times, (2) taking appropriate steps during a crisis and (3) formulating and managing a business continuity plan.

3. Remuneration of Directors and Corporate Auditors

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

Class	Total Remuneration (Millions of yen)	Breakdown of Remuneration (Millions of yen)			Number of Officers (Persons)
		Base Pay	Bonus	Retirement Benefits	
Directors	386	259	83	43	12
Corporate Auditors(except outside auditors)	18	16	–	1	1
Outside Auditors	16	16	–	–	3

Notes:

1. Remuneration to Directors does not include compensation for services rendered outside the realm of their directorships.
2. The amount of annual remuneration for Directors is up to ¥650 million as approved at the General Meeting of Shareholders on March 13, 1990 (although this does not include employee compensation).
3. The amount of annual remuneration for Corporate Auditors is up to ¥50 million as approved at the General Meeting of Shareholders on March 30, 2005.
4. The increase in allowance for retirement benefits for directors in the year under review is included in the above retirement benefits.

Total Consolidated Remuneration by Director and Corporate Auditor

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

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

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

4. Principal Stockholdings by the Company

Investment shares held for any purpose other than pure investment

Number of securities	57
Total amount on balance sheet	¥5,968 million

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

(Previous Fiscal Year)

Specified investment stocks

Name	Number of Shares	Amount on Balance Sheet (Millions of yen)	Purpose for Holding
Temp Holdings Co., Ltd.	1,000,000	2,797	To facilitate and maintain business relationship
Billing System Corporation	50,000	400	Same as above
Ricoh Company, Ltd.	257,029	287	Same as above
The Bank of Yokohama Ltd.	382,204	223	Same as above
Daiwa House Industry Co, Ltd.	100,000	203	Same as above
Uchida Esco Co., Ltd.	180,000	139	Same as above

Credit Saison Co., Ltd.	50,000	138	Same as above
Daito Trust Construction Co., Ltd.	13,100	128	Same as above
ThreePro Group Co., Ltd.	360,000	82	Same as above
Meiko Network Japan Co., Ltd.	60,000	67	Same as above
Zeon Corporation	28,480	28	Same as above
The Keiyo Bank, Ltd.	50,000	25	Same as above
Nippon Kayaku Co., Ltd.	15,711	23	Same as above
NAMCO BANDAI Holdings Inc.	9,504	22	Same as above
Mitsubishi UFJ Financial Group, Inc.	29,110	20	Same as above
Mitsubishi Tanabe Pharma Corporation	13,300	19	Same as above
Iino Kaiun Kaisha, Ltd.	27,506	17	Same as above
J ESCOM HOLDINGS, INC.	150,000	12	Same as above
Kyowa Hakko Kirin Co., Ltd.	8,000	9	Same as above
The Dai-ichi Life Insurance Company, Limited	4,300	7	Same as above
Iwabuchi Corporation	16,023	6	Same as above
Mizuho Financial Group, Inc.	21,520	4	Same as above
Rengo Co., Ltd.	7,600	4	Same as above
Tsuchiya Holdings Co., Ltd.	7,929	3	Same as above
HYPER Inc.	6,000	3	Same as above
Morinaga & Co., Ltd.	13,801	2	Same as above
Daikyo Incorporated	9,400	2	Same as above
Autobacs Seven Co., Ltd.	1,500	2	Same as above
Maruzen Co., Ltd.	2,000	1	Same as above
Canon Marketing Japan Inc.	1,155	1	Same as above

(Current Fiscal Year)

Specified investment stocks

Name	Number of Shares	Amount on Balance Sheet (Millions of yen)	Purpose for Holding
Temp Holdings Co., Ltd.	1,000,000	3,805	To facilitate and maintain business relationship
Ricoh Company, Ltd.	272,637	335	Same as above
The Bank of Yokohama Ltd.	382,204	251	Same as above
Daiwa House Industry Co, Ltd.	100,000	229	Same as above
Uchida Esco Co., Ltd.	180,000	189	Same as above
Billing System Corporation	50,000	184	Same as above
Daito Trust Construction Co., Ltd.	13,100	179	Same as above
ThreePro Group Co., Ltd.	360,000	133	Same as above
Credit Saison Co., Ltd.	50,000	112	Same as above
Meiko Network Japan Co., Ltd.	60,000	73	Same as above
The Keiyo Bank, Ltd.	50,000	33	Same as above
Zeon Corporation	29,367	31	Same as above
Nippon Kayaku Co., Ltd.	16,256	24	Same as above
NAMCO BANDAI Holdings Inc.	9,504	24	Same as above
Mitsubishi Tanabe Pharma Corporation	13,300	23	Same as above
Mitsubishi UFJ Financial Group, Inc.	29,110	19	Same as above
Iino Kaiun Kaisha, Ltd.	28,485	19	Same as above
J ESCOM HOLDINGS, INC.	150,000	11	Same as above
Kyowa Hakko Kirin Co., Ltd.	8,000	9	Same as above
Iwabuchi Corporation	17,155	8	Same as above
The Dai-ichi Life Insurance Company, Limited	4,300	7	Same as above

HYPER Inc.	6,000	5	Same as above
Morinaga & Co., Ltd.	14,633	4	Same as above
Mizuho Financial Group, Inc.	21,520	4	Same as above
Rengo Co., Ltd.	7,600	3	Same as above
Autobacs Seven Co., Ltd.	1,500	2	Same as above
Canon Marketing Japan Inc.	1,155	2	Same as above
Maruzen Co., Ltd.	2,000	2	Same as above
Tsuchiya Holdings Co., Ltd.	8,411	2	Same as above
Daikyo Incorporated	9,400	1	Same as above

Investment stocks held for the purpose of pure investment

Not applicable

5. Number of Directors

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

6. Outline of Contracts for Limitation of Liability

Not applicable.

7. Resolutions for Appointment and Dismissal of Director

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

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

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

9. Interim Dividend

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

10. Purchase of Own Shares

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

11. Exemption from Liability of Directors and Corporate Auditors

Not applicable.

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

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

■ Remuneration for Independent Auditors

1. Breakdown of Remuneration for Independent Auditors

Class	Previous Fiscal Year		Current Fiscal Year	
	For auditing and certification services (Millions of yen)	Non-auditing services (Millions of yen)	For auditing and certification services (Millions of yen)	Non-auditing services (Millions of yen)
Otsuka Corporation	65	—	65	0
Consolidated Subsidiaries	13	—	13	—
Total	79	—	79	0

2. Other Major Remuneration

Not applicable.

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

(Previous Fiscal Year)

Not applicable.

(Current Fiscal Year)

Non-auditing services for which the Company pays remuneration to independent auditors consist of services related to seminars for customers and other services.

4. Audit Remuneration Policy

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

Board of Directors and Corporate Auditors (As of March 27, 2015)



President & Chief Executive Officer

Yuji Otsuka



Managing Director & Senior Executive Operating Officer

Kazuyuki Katakura



Managing Director & Senior Executive Operating Officer

Toshiyasu Takahashi



Managing Director & Executive Operating Officer

Kimio Shiokawa



Managing Director & Operating Officer

Katsuhiko Yano



Managing Director & Operating Officer

Hironobu Saito



Managing Director & Operating Officer

Yasuhiro Wakamatsu



Managing Director & Operating Officer

Hironobu Tsurumi



Managing Director & Operating Officer

Minoru Sakurai

Director & Senior Managing Officers

Mitsuya Hirose
Osamu Tanaka
Norihiko Moriya

Director

Jiro Makino

Standing Auditor

Kiyoshi Nakano

Auditors

Mikio Sugiyama
Kazuhiko Nakai
Tetsutaro Wakatsuki

Business Risks

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

The items covered herein are possible future occurrences determined by the OTSUKA Group as of March 27, 2015.

■ Customer-related Risks

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

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

■ Supplier-related Risks

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

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

■ Information Leakage Risks

The OTSUKA Group possesses an abundance of individual and corporate information pertaining to operations that is handled carefully. The Group received approval to use the Privacy Mark of the Japan Institute for Promotion of Digital Economy and Community, and its Internet Data Center acquired certification for Information Security Management Systems (ISMS).

As a concrete measure to manage data, the Group has released an internal and external Personal Information Protection Policy, as well as established regulations on personal information protection, confidentiality and information system security. The Group has its employees take a pledge of confidentiality as well as works to prevent information leakage outside of the Group and raises awareness of information management through its proprietary educational "CP (Compliance Program) License System" and other measures.

Even with these measures, however, the Group's operations could be impacted by assuming liabilities for damage and loss of trust by society in the unlikely event that personal or corporate information is leaked outside the Group.

Financial Section

Three-year Financial Data

OTSUKA CORPORATION and Consolidated Subsidiaries Years ended December 31, 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.

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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		Millions of yen				
For the year ended December 31, 2013		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					Total net assets
	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		Millions of yen				
For the year ended December 31, 2014		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	

Millions of yen

	Accumulated other comprehensive income					Minority interests	Total net assets
	Unrealized holding gain in securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
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

Thousands of U.S. dollars

	Shareholders' equity				
	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

Thousands of U.S. dollars

	Accumulated other comprehensive income					Minority interests	Total net assets
	Unrealized holding gain in securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
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.

Notes to Consolidated Financial Statements

OTSUKA CORPORATION and Consolidated Subsidiaries

(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.

- ① The 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
- ② The accounting treatment of acquisition related costs
- ③ Change in presentation of net income and changes of the presentation to "non-controlling interests" from minority interests
- ④ Transitional 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
	2013	2014	U.S. dollars
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
	2013	2014	U.S. dollars
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
	2013	2014	U.S. dollars
	¥(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
	2013	2014	U.S. dollars
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	(*1) ¥ 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		2014
	Carrying value		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	2014
Stocks	¥54	¥77	\$647	\$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		Fair value	Valuation gain (loss)
Total	Over one year			
Forward foreign exchange contracts purchasing U.S. dollar	¥1,213	—	¥45	¥45

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

	Thousands of U.S. dollars			
	2014			
	Contractual value or notional principal amount		Fair value	Valuation gain (loss)
Total	Over one year			
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)	
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
	System integration business	Service and Support business	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	2014	
							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
	System integration business	Service and Support business	Subtotal	Other (Note 1)	Total	Adjustment (Note 2)	2014	
							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	
	2013	2014
Denominator:		
Number of shares of common stock outstanding	94,802	94,801

5. Basis for calculation 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	
	2013	2014
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	
	Balance at the beginning of the year	Balance at the end of the year
		2014
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	
	Balance at the beginning of the year	Balance at the end of the year
		2014
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			
	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
				2014
Lease obligations	¥808	¥529	¥330	¥102

	Thousands of U.S. dollars			
	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
				2014
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



Principal Group Companies (As of December 31, 2014)

The OTSUKA Group (OTSUKA CORPORATION and its subsidiaries) consists of 9 subsidiaries, including 6 consolidated subsidiaries as well as 8 affiliated companies, including 2 affiliates accounted for by the equity method that carry out the System Integration business, Service and Support business and Other business. The 6 consolidated subsidiaries are listed below.

Company Name	Established	Capital (¥ million)	A ratio of voting rights	Scope of Business
■ System Integration business				
OSK Co., LTD.	1984	400	100.0%	• Development and sale of packaged software
Alpha System Co., LTD.	1967	80	100.0%	• Consigned software development and ERP consulting business
Networld Corporation	1990	585	81.5%	• Sales and technical support for network related equipment
■ Service and Support business				
Alpha Techno Co., LTD.	1996	50	100.0%	• Emergency repair of PCs and peripheral equipment, and data recovery service
Alpha Net Co., LTD.	1997	400	100.0%	• Comprehensive service and support for network systems
■ Other business				
Otsuka Auto Service Co., LTD.	1987	50	100.0%	• Maintenance and body work for automobiles, and commissioned sales of insurance

Corporate Data (As of December 31, 2014)

Name	OTSUKA CORPORATION
Founded	July 17, 1961 (registered as joint-stock company on December 13, 1961)
Capital Stock	¥10,374,851,000
Number of Employees	6,758 (with consolidated subsidiaries: 8,236)
Business	System Integration Business: Sales of computers, copiers, communication equipment and software, and software development of consigned software, other activities Service and Support Business: Supplies, maintenance, and educational support, other activities
Main Banks	The Bank of Yokohama, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Bank, Ltd.

Base (As of December 31, 2014)

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

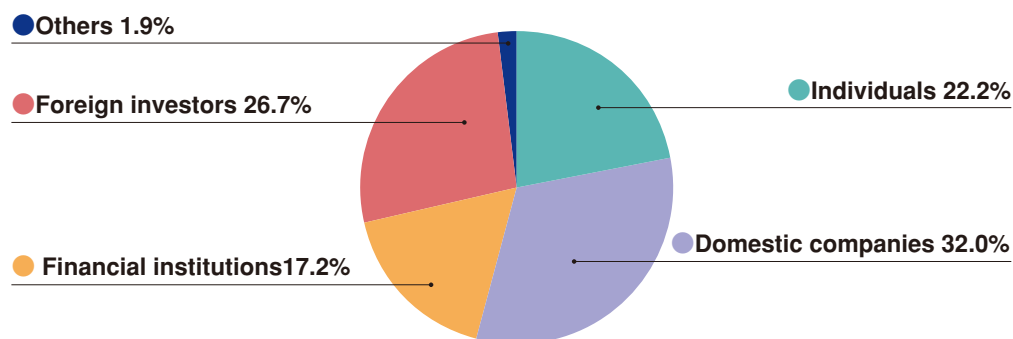
Stock Information (As of December 31, 2014)

Authorized Common Stock	338,580,000 shares
Issued Common Stock	95,001,060 shares
Number of Shares of Unit Stock	100 shares
Number of Shareholders	6,982

Major Shareholders

Name	Investment in OTSUKA CORPORATION		Investment in Major Shareholders by OTSUKA CORPORATION	
	Number of Shares held	Equity Ownership (%)	Number of Shares held	Equity Ownership (%)
Otsuka Sobi Co., Ltd.	29,364,990	30.91	—	—
Japan Trustee Services Bank, Ltd. (Trust Account)	3,515,900	3.70	—	—
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,320,900	3.49	—	—
OTSUKA CORPORATION Employee Stock-Sharing Plan	2,966,060	3.12	—	—
Yuji Otsuka	2,840,940	2.99	—	—
Atsushi Otsuka	2,837,850	2.98	—	—
Minoru Otsuka	2,836,470	2.98	—	—
Terue Otsuka	1,936,500	2.03	—	—
SAJAP	1,878,900	1.97	—	—
JAPAN RE FIDELITY	1,116,400	1.17	—	—

Breakdown of Shareholders (Based on total shares)





OTSUKA CORPORATION WEBSITE
<http://www.otsuka-shokai.co.jp>

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