

**Financial Report for the Interim Period of
the Fiscal Year Ending December 31, 2006 (Consolidated)**

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

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

Location of headquarters: Tokyo

Representative: Yuji Otsuka, President & Chief Executive Officer

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

(Tel: +81-3-3264-7111)

Date of the Meeting of the Board of Directors to Settle Interim Accounts: August 2, 2006

Adoption of the U.S. GAAP: No

1. Financial Results for the Interim Period of the Fiscal Year 2006 (January 1, 2006 to June 30, 2006)

(1) Results of operations

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

	Net sales		Operating income		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim Period FY2006	226,240	7.0	16,242	14.6	16,434	14.7
Interim Period FY2005	211,346	7.4	14,177	34.2	14,331	35.8
Fiscal Year 2005	409,413		21,911		22,210	

	Net income		Net income per share	Diluted net income per share
	Millions of yen	%	yen	yen
Interim Period FY2006	9,602	21.7	303.84	-
Interim Period FY2005	7,889	(6.3)	249.64	249.59
Fiscal Year 2005	11,747		371.72	371.66

Notes) 1. Equity in net income (loss) of subsidiaries and affiliates

Interim period FY2006: - million yen

Interim period FY2005: - million yen

Fiscal year 2005: - million yen

2. Average number of shares issued during the period (consolidated)

Interim period FY2006: 31,602,528 shares Interim period FY2005: 31,602,909 shares

Fiscal year 2005: 31,602,793 shares

3. Change in accounting policies: No

4. Percentages for net sales, operating income, recurring profit and net income indicate changes from the same period of the previous year

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
June 30, 2006	193,719	68,297	34.5	2,177.72
June 30, 2005	182,147	60,928	33.4	1,927.93
December 31, 2005	173,927	58,920	33.9	1,864.42

Note) Number of shares issued at end of period (consolidated)

June 30, 2006: 31,602,436 shares

June 30, 2005: 31,602,835 shares

December 31, 2005: 31,602,589 shares

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Interim Period FY2006	12,172	(4,951)	(1,154)	19,951
Interim Period FY2005	15,267	(2,094)	(10,647)	10,263
Fiscal Year 2005	22,468	(4,986)	(11,338)	13,891

(4) Scope of consolidation and application of the equity method

Number of consolidated subsidiaries: 11

Number of unconsolidated subsidiaries accounted for under the equity method: 0

Number of affiliates accounted for under the equity method: 0

(5) Changes in scope of consolidation and application of the equity method

Consolidation: (new) 0 (elimination) 0

Equity method: (new) 0 (elimination) 0

2. Financial Forecasts for the Fiscal Year 2006 (January 1, 2006 to December 31, 2006)

We have revised our financial forecasts announced on February 2, 2006.

	Net sales	Operating income	Recurring profit	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Full-Year	432,900	24,750	25,000	14,250

Reference) Expected net income per share (full-year basis): 450.91 yen

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

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

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

Consolidated Balance Sheets

(Millions of yen)

	Interim Period FY2005 (As of Jun. 30, 2005)		Interim Period FY2006 (As of Jun. 30, 2006)		Increase (Decrease)	Fiscal Year 2005 (As of Dec. 31, 2005)	
	Amount	% of Total	Amount	% of Total	Amount	Amount	% of Total
Assets		%		%			%
Current assets							
Cash and time deposits	11,179		20,067		8,888	14,507	
Notes and accounts receivable	66,128		69,664		3,536	58,563	
Inventories	15,307		15,994		686	16,652	
Others	10,844		12,145		1,301	10,956	
Allowance for doubtful accounts	(271)		(264)		6	(283)	
Total current assets	103,189	56.7	117,608	60.7	14,419	100,396	57.7
Fixed assets							
Tangible fixed assets							
Buildings and structures	32,041		31,226		(814)	31,525	
Land	17,592		17,592		-	17,592	
Others	4,384		4,445		60	4,527	
Total tangible fixed assets	54,018	29.7	53,264	27.5	(754)	53,645	30.9
Intangible fixed assets							
Software	4,744		4,536		(207)	4,830	
Others	509		366		(143)	433	
Total intangible fixed assets	5,253	2.9	4,903	2.5	(350)	5,264	3.0
Investments and other assets							
Investments in securities	3,867		8,767		4,899	4,976	
Guarantee deposits	2,568		2,802		233	2,763	
Deferred tax assets due to revaluation of land	6,228		-		(6,228)	-	
Others	7,773		7,194		(578)	7,711	
Allowance for doubtful accounts	(752)		(820)		(67)	(830)	
Total investments and other assets	19,685	10.8	17,943	9.3	(1,742)	14,621	8.4
Total fixed assets	78,957	43.3	76,111	39.3	(2,846)	73,530	42.3
Total assets	182,147	100.0	193,719	100.0	11,572	173,927	100.0

(Millions of yen)

	Interim Period FY2005 (As of Jun. 30, 2005)		Interim Period FY2006 (As of Jun. 30, 2006)		Increase (Decrease)	Fiscal Year 2005 (As of Dec. 31, 2005)	
	Amount	% of Total	Amount	% of Total	Amount	Amount	% of Total
Liabilities		%		%			%
Current liabilities							
Notes and accounts payable	65,896		69,922		4,026	64,100	
Short-term bank loans	11,353		9,122		(2,231)	8,491	
Other accounts payable	10,714		11,491		776	5,230	
Income taxes payable	6,157		6,225		68	7,447	
Advance received	4,670		5,342		672	4,636	
Allowance for bonuses	2,677		2,778		101	2,550	
Others	7,243		6,771		(472)	7,199	
Total current liabilities	108,713	59.7	111,654	57.6	2,941	99,655	57.3
Fixed liabilities							
Long-term bank loans	1,090		3,817		2,727	3,204	
Reserve for employees' retirement benefits	9,638		9,024		(613)	9,893	
Reserve for directors' retirement benefits	315		390		74	384	
Others	221		534		312	509	
Total fixed liabilities	11,265	6.2	13,767	7.1	2,501	13,991	8.0
Total liabilities	119,979	65.9	125,421	64.7	5,442	113,647	65.3
Minority interests							
Minority interests	1,239	0.7	-	-	(1,239)	1,359	0.8
Shareholders' equity							
Common stock	10,374	5.7	-	-	(10,374)	10,374	6.0
Capital surplus	16,254	8.9	-	-	(16,254)	16,254	9.4
Retained earnings	43,083	23.6	-	-	(43,083)	46,941	27.0
Revaluation difference on land	(9,075)	(5.0)	-	-	9,075	(15,572)	(9.0)
Unrealized gains on investment securities	491	0.3	-	-	(491)	1,109	0.6
Foreign currency translation adjustments	(89)	(0.0)	-	-	89	(74)	(0.0)
Treasury stock	(111)	(0.1)	-	-	111	(113)	(0.1)
Total shareholders' equity	60,928	33.4	-	-	(60,928)	58,920	33.9
Total liabilities, minority interests and shareholders' equity	182,147	100.0	-	-	(182,147)	173,927	100.0

(Millions of yen)

	Interim Period FY2005 (As of Jun. 30, 2005)		Interim Period FY2006 (As of Jun. 30, 2006)		Increase (Decrease)	Fiscal Year 2005 (As of Dec. 31, 2005)	
	Amount	% of Total	Amount	% of Total	Amount	Amount	% of Total
Net assets		%		%			%
Owners' equity							
Common stock	-	-	10,374	5.4	10,374	-	-
Capital surplus	-	-	16,254	8.4	16,254	-	-
Retained earnings	-	-	54,173	28.0	54,173	-	-
Treasury stock	-	-	(115)	(0.1)	(115)	-	-
Total owners' equity	-	-	80,687	41.7	80,687	-	-
Valuation and translation adjustments							
Unrealized gains on investment securities	-	-	1,897	0.9	1,897	-	-
Deferred losses on hedges	-	-	(3)	(0.0)	(3)	-	-
Revaluation difference on land	-	-	(15,572)	(8.0)	(15,572)	-	-
Foreign currency translation adjustments	-	-	(84)	(0.0)	(84)	-	-
Total valuation and translation adjustments	-	-	(13,762)	(7.1)	(13,762)	-	-
Minority interests	-	-	1,372	0.7	1,372	-	-
Total net assets	-	-	68,297	35.3	68,297	-	-
Total liabilities and net assets	-	-	193,719	100.0	193,719	-	-

Consolidated Statements of Income

(Millions of yen)

	Interim Period FY2005 (Six months ended Jun. 30, 2005)		Interim Period FY2006 (Six months ended Jun. 30, 2006)		Increase (Decrease)	Fiscal Year 2005 (Year ended Dec. 31, 2005)	
	Amount	Ratio to Net sales	Amount	Ratio to Net sales	Amount	Amount	Ratio to Net sales
Net sales	211,346	100.0	226,240	100.0	14,894	409,413	100.0
Cost of sales	161,033	76.2	171,981	76.0	10,947	314,142	76.7
Gross profit	50,312	23.8	54,259	24.0	3,946	95,271	23.3
Selling, general and administrative expenses	36,135	17.1	38,017	16.8	1,881	73,360	17.9
Operating income	14,177	6.7	16,242	7.2	2,065	21,911	5.4
Non-operating income							
Interest income	2		4		2	4	
Dividend income	41		57		16	56	
Rent income	118		128		10	246	
Others	116		84		(32)	199	
Total non-operating income	279	0.1	275	0.1	(3)	507	0.1
Non-operating expenses							
Interest expenses	97		55		(41)	170	
Others	27		28		0	37	
Total non-operating expenses	125	0.0	83	0.0	(41)	208	0.1
Recurring profit	14,331	6.8	16,434	7.3	2,103	22,210	5.4
Extraordinary gains							
Gain on sales of stock of subsidiaries and affiliates	-		-		-	86	
Reversal of allowance for doubtful accounts	-		38		38	16	
Gain on changes in equity interest	-		2		2	13	
Total extraordinary gains	-	-	41	0.0	41	116	0.0

(Millions of yen)

	Interim Period FY2005 (Six months ended Jun. 30, 2005)		Interim Period FY2006 (Six months ended Jun. 30, 2006)		Increase (Decrease)	Fiscal Year 2005 (Year ended Dec. 31, 2005)	
	Amount	Ratio to Net sales	Amount	Ratio to Net sales	Amount	Amount	Ratio to Net sales
Extraordinary losses		%		%			%
Loss on disposal of fixed assets	37		160		123	99	
Loss on impairment of fixed assets	-		99		99	-	
Loss on sales of investments in securities	4		-		(4)	4	
Loss on valuation of membership	1		-		(1)	1	
Amortization of transition amount arising from adopting a new accounting standard for retirement benefits	834		-		(834)	1,668	
Total extraordinary losses	877	0.4	260	0.1	(617)	1,774	0.4
Income before income taxes and minority interests	13,453	6.4	16,215	7.2	2,762	20,552	5.0
Income taxes							
Current	5,946		5,989		43	9,569	
Deferred	(542)		575		1,117	(994)	
Total income taxes	5,404	2.6	6,564	3.0	1,160	8,575	2.1
Minority interests	160	0.1	49	0.0	(111)	229	0.0
Net income	7,889	3.7	9,602	4.2	1,712	11,747	2.9

Consolidated Statements of Retained Earnings

(Millions of yen)

	Interim Period FY2005 (Six months ended Jun. 30, 2005)	Fiscal Year 2005 (Year ended Dec. 31, 2005)
	Amount	Amount
Capital surplus		
Beginning balance	16,254	16,254
Ending balance	16,254	16,254
Retained earnings		
Beginning balance	36,932	36,932
Increase		
Net income	7,889	11,747
Total increase	7,889	11,747
Decrease		
Cash dividends	1,738	1,738
Total decrease	1,738	1,738
Ending balance	43,083	46,941

Consolidated Statement of Changes in Net Assets

(Millions of yen)

	Owners' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Balance as of December 31, 2005	10,374	16,254	46,941	(113)	73,457
Changes during interim period FY2006					
Dividends from surplus			(2,370)		(2,370)
Net income			9,602		9,602
Purchase of treasury stock				(1)	(1)
Net changes during interim period FY2006 other than owners' equity					
Total changes during interim period FY2006	-	-	7,231	(1)	7,229
Balance as of June 30, 2006	10,374	16,254	54,173	(115)	80,687

(Millions of yen)

	Valuation and translation adjustments					Minority interests	Total net assets
	Unrealized gains on investment securities	Deferred losses on hedges	Revaluation difference on land	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of December 31, 2005	1,109	-	(15,572)	(74)	(14,537)	1,359	60,279
Changes during interim period FY2006							
Dividends from surplus							(2,370)
Net income							9,602
Purchase of treasury stock							(1)
Net changes during interim period FY2006 other than owners' equity	788	(3)	-	(10)	774	13	787
Total changes during interim period FY2006	788	(3)	-	(10)	774	13	8,017
Balance as of June 30, 2006	1,897	(3)	(15,572)	(84)	(13,762)	1,372	68,297

Consolidated Statements of Cash Flows

(Millions of yen)

	Interim Period FY2005 (Six months ended Jun. 30, 2005)	Interim Period FY2006 (Six months ended Jun. 30, 2006)	Fiscal Year 2005 (Year ended Dec. 31, 2005)
	Amount	Amount	Amount
Cash flows from operating activities			
Income before income taxes and minority interests	13,453	16,215	20,552
Depreciation and amortization	2,930	2,877	6,066
Amortization of consolidated adjustment account	10	-	20
Amortization of goodwill	-	66	-
Increase (decrease) in reserve for employees' retirement benefits	614	(819)	1,100
Increase (decrease) in allowance for doubtful accounts	(61)	(30)	28
Interest and dividend income	(43)	(62)	(61)
Interest expenses	97	55	170
Loss on sales/disposal of fixed assets	37	160	99
Loss on impairment of fixed assets	-	99	-
Loss on sales of investments in securities	4	-	4
Gain on sales of stock of subsidiaries and affiliates	-	-	(86)
Loss on valuation of membership	1	-	1
Gain on changes in equity interest	-	(2)	(13)
(Increase) decrease in notes and accounts receivable	(12,662)	(11,106)	(5,249)
(Increase) decrease in inventories	974	656	(367)
Increase (decrease) in notes and accounts payable	5,977	5,823	4,178
Increase (decrease) in other accounts payable	6,994	6,256	1,460
Others	112	(999)	303
Subtotal	18,440	19,191	28,209
Interest and dividend income received	43	62	61
Interest expenses paid	(96)	(55)	(169)
Income taxes paid	(3,120)	(7,024)	(5,632)
Net cash provided by operating activities	15,267	12,172	22,468
Cash flows from investing activities			
Payments for acquisition of tangible fixed assets	(1,149)	(1,456)	(2,561)
Proceeds from sales of tangible fixed assets	0	49	11
Payments for software development	(848)	(1,058)	(2,166)
Payments for purchase of investments in securities	(231)	(2,465)	(357)
Proceeds from sales of investments in securities	0	-	144
Payments for long-term loans receivable	(2)	(0)	(6)
Proceeds from collection of long-term loans receivable	0	1	4
Others	136	(21)	(53)
Net cash used in investing activities	(2,094)	(4,951)	(4,986)

(Millions of yen)			
	Interim Period FY2005 (Six months ended Jun. 30, 2005)	Interim Period FY2006 (Six months ended Jun. 30, 2006)	Fiscal Year 2005 (Year ended Dec. 31, 2005)
	Amount	Amount	Amount
Cash flows from financing activities			
Increase (decrease) in short-term bank loans, net	(6,150)	750	(6,250)
Proceeds from long-term bank loans	400	1,000	2,900
Repayments of long-term bank loans	(3,143)	(505)	(6,291)
Proceeds from issuance of common stock	-	12	63
Cash dividends paid	(1,734)	(2,366)	(1,737)
Others	(19)	(44)	(22)
Net cash used in financing activities	(10,647)	(1,154)	(11,338)
Effect of exchange rate changes on cash and cash equivalents	21	(6)	29
Net increase in cash and cash equivalents	2,546	6,060	6,174
Cash and cash equivalents at beginning of period	7,717	13,891	7,717
Cash and cash equivalents at end of period	10,263	19,951	13,891

Segment Information

Information by Business Segment

Interim period of Fiscal Year 2005 (Six months ended June 30, 2005)

(Millions of yen)

	System Integration business	Service and Support business	Other business	Total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	137,604	72,827	914	211,346	-	211,346
Inter-segment sales/transfers	42	81	1,195	1,319	(1,319)	-
Total	137,646	72,908	2,110	212,665	(1,319)	211,346
Costs and expenses	126,077	67,203	2,061	195,343	1,825	197,168
Operating income (loss)	11,569	5,704	48	17,322	(3,144)	14,177

Interim period of Fiscal Year 2006 (Six months ended June 30, 2006)

(Millions of yen)

	System Integration business	Service and Support business	Other business	Total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	142,480	83,011	748	226,240	-	226,240
Inter-segment sales/transfers	76	113	1,464	1,654	(1,654)	-
Total	142,557	83,124	2,213	227,895	(1,654)	226,240
Costs and expenses	129,808	76,264	2,134	208,207	1,790	209,998
Operating income (loss)	12,748	6,859	79	19,687	(3,445)	16,242

Fiscal Year 2005 (Year ended December 31, 2005)

(Millions of yen)

	System Integration business	Service and Support business	Other business	Total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	258,275	149,100	2,037	409,413	-	409,413
Inter-segment sales/transfers	96	203	2,331	2,631	(2,631)	-
Total	258,372	149,304	4,368	412,045	(2,631)	409,413
Costs and expenses	239,706	140,040	4,262	384,008	3,494	387,502
Operating income (loss)	18,665	9,263	106	28,036	(6,125)	21,911

Notes) 1. Business segments are defined in consideration of the operations of the Group.

2. The Group operates principally in three segments: system integration business, service and support business, and other business.

Segment	Major products and services
System integration business	Research, analysis, design, and introduction for comprehensive information system Transport and installation Network construction Introduction for packaged software Development of consigned software Other related services
Service and support business	Supplies for comprehensive information system Telephone support Maintenance Consigned system operation Data recovery IT education Guidance for operation of packaged software Hotel business
Other business	Construction Sale, repair of automobiles Insurance Printing

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

(Millions of yen)

	Interim Period FY2005	Interim Period FY2006	Fiscal Year 2005	Major contents
Amount of unallocated operating costs and expenses included in "elimination or corporate" column	3,159	3,439	6,165	Expenses relating to administrative departments of parent company

2. Segment information for geographic locations

Segment information by geographic area is not disclosed pursuant to regulations on consolidated financial statements in Japan, since net sales of the Company and its domestic consolidated subsidiaries, taken as a whole, were more than 90% of consolidated net sales.

3. Overseas sales

Information on overseas sales is not disclosed pursuant to regulations on consolidated financial statements in Japan, since the aggregate of the overseas sales of the Company and its domestic consolidated subsidiaries and overseas consolidated subsidiaries, was less than 10% of consolidated net sales.