

August 1, 2007

**Financial Report for the Interim Period of  
the Fiscal Year Ending December 31, 2007 (Consolidated)**

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

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

Representative: Yuji Otsuka, President & Chief Executive Officer

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

**1. Financial Results for the Interim Period of the Fiscal Year 2007 (From January 1, 2007 to June 30, 2007)**

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

	Net sales		Operating income		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim Period FY2007	246,424	8.9	18,336	12.9	18,588	13.1
Interim Period FY2006	226,240	7.0	16,242	14.6	16,434	14.7
Fiscal Year 2006	433,617	-	26,158	-	26,494	-

	Net income		Net income per share	Diluted net income per share
	Millions of yen	%	yen	yen
Interim Period FY2007	10,068	4.9	318.60	318.59
Interim Period FY2006	9,602	21.7	303.84	-
Fiscal Year 2006	15,621	-	494.30	-

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

Interim period FY2007: 19 million yen

Interim period FY2006: - million yen

Fiscal year 2006: - million yen

**(2) Financial position**

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
June 30, 2007	215,660	80,317	36.7	2,503.53
June 30, 2006	193,719	68,297	34.5	2,117.72
December 31, 2006	189,357	73,414	38.5	2,305.15

Reference) Equity

Interim period FY2007: 79,116 million yen

Interim period FY2006: 66,924 million yen

Fiscal year 2006: 72,848 million yen

**(3) Cash flows**

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Interim Period FY2007	20,501	(2,203)	(3,759)	32,872
Interim Period FY2006	12,172	(4,951)	(1,154)	19,951
Fiscal Year 2006	13,909	(7,161)	(1,250)	18,305

## 2. Dividends

(Record date)	Dividend per share		
	Interim	Year-end	Total dividend payments (Annual)
FY2006	Yen -	Yen 115	Yen 115
FY2007	-	-	105
FY2007(Forecast)	-	105	

## 3. Financial Forecasts for the Fiscal Year 2007 (From January 1, 2007 to December 31, 2007)

We have revised our financial forecasts announced on February 1, 2007.

(Percentages indicate changes over the same period in the prior fiscal year)

	Net sales		Operating income		Recurring profit		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Full-Year	464,800	7.2	29,000	10.9	29,370	10.9	16,420	5.1	519.59

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

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

## 4. Others

- (1) Changes in significant subsidiaries during the fiscal year (resulting in a change in scope of consolidation): None
  
- (2) Changes in accounting principles, procedures or presentation related to the preparation of consolidated financial statements (i.e., changes in the basis of significant accounting policies)
  - 1) Changes due to adoption of new accounting standards: Yes
  - 2) Changes other than those included in 1) above: None
  
- (3) Number of shares issued
  - 1) Number of shares issued at the end of the period (including treasury stock):
 

Interim period FY2007:	31,667,020 shares
Interim period FY2006:	31,667,020 shares
Fiscal year 2006:	31,667,020 shares
  - 2) Number of treasury stock at the end of the period:
 

Interim period FY2007:	64,891 shares
Interim period FY2006:	64,584 shares
Fiscal year 2006:	64,726 shares

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

## Consolidated Balance Sheets

(Millions of yen)

	Interim Period FY2006 (As of Jun. 30, 2006)		Interim Period FY2007 (As of Jun. 30, 2007)		Increase (Decrease)	Fiscal Year 2006 (As of Dec. 31, 2006)	
	Amount	% of Total	Amount	% of Total	Amount	Amount	% of Total
<b>Assets</b>		%		%			%
<b>Current assets</b>							
Cash and time deposits	20,067		32,165		12,097	18,421	
Notes and accounts receivable	69,664		80,907		11,242	69,259	
Inventories	15,994		17,631		1,637	16,561	
Others	12,145		13,577		1,431	12,226	
Allowance for doubtful accounts	(264)		(276)		(11)	(237)	
Total current assets	117,608	60.7	144,005	66.8	26,397	116,232	61.4
<b>Fixed assets</b>							
<b>Tangible fixed assets</b>							
Buildings and structures	31,226		29,553		(1,672)	30,433	
Land	17,592		16,992		(600)	17,425	
Others	4,445		4,379		(65)	4,192	
Total tangible fixed assets	53,264		50,925			52,051	
<b>Intangible fixed assets</b>							
Software	4,536		4,464		(72)	4,306	
Others	366		302		(63)	305	
Total intangible fixed assets	4,903		4,766			4,611	
<b>Investments and other assets</b>							
Investments in securities	8,767		7,523		(1,243)	7,669	
Guarantee deposits	2,802		2,791		(10)	2,701	
Others	7,194		6,328		(865)	6,868	
Allowance for doubtful accounts	(820)		(681)		138	(777)	
Total investments and other assets	17,943		15,961		(4,456)	16,461	
Total fixed assets	76,111	39.3	71,654	33.2	21,940	73,124	38.6
<b>Total assets</b>	<b>193,719</b>	<b>100.0</b>	<b>215,660</b>	<b>100.0</b>		<b>189,357</b>	<b>100.0</b>

(Millions of yen)

	Interim Period FY2006 (As of Jun. 30, 2006)		Interim Period FY2007 (As of Jun. 30, 2007)		Increase (Decrease)	Fiscal Year 2006 (As of Dec. 31, 2006)	
	Amount	% of Total	Amount	% of Total	Amount	Amount	% of Total
<b>Liabilities</b>		%		%			%
<b>Current liabilities</b>							
Notes and accounts payable	69,922		81,030		11,107	70,036	
Short-term bank loans	9,122		7,897		(1,225)	8,272	
Other accounts payable	11,491		12,186		694	5,134	
Income taxes payable	6,225		7,704		1,479	5,446	
Advance received	5,342		5,366		24	5,364	
Allowance for bonuses	2,778		2,882		103	2,670	
Others	6,771		7,465		694	7,354	
Total current liabilities	111,654	57.6	124,533	57.8	12,878	104,279	55.1
<b>Fixed liabilities</b>							
Long-term bank loans	3,817		2,660		(1,157)	2,581	
Reserve for employees' retirement benefits	9,024		7,227		(1,797)	8,107	
Reserve for directors' retirement benefits	390		464		74	441	
Others	534		455		(78)	532	
Total fixed liabilities	13,767	7.1	10,808	5.0	(2,958)	11,663	6.1
<b>Total liabilities</b>	125,421	64.7	135,342	62.8	9,920	115,942	61.2

(Millions of yen)

	Interim Period FY2006 (As of Jun. 30, 2006)		Interim Period FY2007 (As of Jun. 30, 2007)		Increase (Decrease)	Fiscal Year 2006 (As of Dec. 31, 2006)	
	Amount	% of Total	Amount	% of Total	Amount	Amount	% of Total
<b>Net assets</b>		%		%			%
<b>Owners' equity</b>							
Common stock	10,374	5.4	10,374	4.8	-	10,374	5.5
Capital surplus	16,254	8.4	16,254	7.5	-	16,254	8.6
Retained earnings	54,173	28.0	66,601	30.9	12,427	60,120	31.8
Treasury stock	(115)	(0.1)	(119)	(0.0)	(3)	(117)	(0.1)
Total owners' equity	80,687	41.7	93,111	43.2	12,424	86,632	45.8
<b>Valuation and translation adjustments</b>							
Unrealized gains on investment securities	1,897	0.9	1,599	0.7	(298)	1,779	0.9
Deferred losses on hedges	(3)	(0.0)	-	-	3	(0)	(0.0)
Revaluation difference on land	(15,572)	(8.0)	(15,574)	(7.2)	(1)	(15,500)	(8.2)
Foreign currency translation adjustments	(84)	(0.0)	(19)	(0.0)	64	(63)	(0.0)
Total valuation and translation adjustments	(13,762)	(7.1)	(13,994)	(6.5)	(232)	(13,784)	(7.3)
<b>Share subscription rights</b>	-	-	1	0.0	1	-	-
<b>Minority interests</b>	1,372	0.7	1,199	0.5	(173)	566	0.3
Total net assets	68,297	35.3	80,317	37.2	12,020	73,414	38.8
Total liabilities and net assets	193,719	100.0	215,660	100.0	21,940	189,357	100.0

## Consolidated Statements of Income

(Millions of yen)

	Interim Period FY2006 (Six months ended Jun. 30, 2006)		Interim Period FY2007 (Six months ended Jun. 30, 2007)		Increase (Decrease)	Fiscal Year 2006 (Year ended Dec. 31, 2006)	
	Amount	Ratio to Net sales	Amount	Ratio to Net sales	Amount	Amount	Ratio to Net sales
<b>Net sales</b>	226,240	100.0	246,424	100.0	20,183	433,617	100.0
Cost of sales	171,981	76.0	188,253	76.4	16,272	330,173	76.2
Gross profit	54,259	24.0	58,170	23.6	3,911	103,444	23.8
<b>Selling, general and administrative expenses</b>	38,017	16.8	39,833	16.2	1,816	77,286	17.8
Operating income	16,242	7.2	18,336	7.4	2,094	26,158	6.0
<b>Non-operating income</b>							
Interest income	4		18		14	11	
Dividend income	57		58		0	93	
Rent income	128		124		(4)	264	
Equity in net income (loss) of unconsolidated subsidiaries and affiliates	-		19		19	-	
Others	84		109		24	142	
Total non-operating income	275	0.1	330	0.1		511	0.1
<b>Non-operating expenses</b>							
Interest expenses	55		68		12	131	
Others	28		10		(17)	44	
Total non-operating expenses	83	0.0	78	0.0		175	0.0
Recurring profit	16,434	7.3	18,588	7.5	2,153	26,494	6.1
<b>Extraordinary gains</b>							
Gain on sales of stock of subsidiaries and affiliates	-		42		42	-	
Reversal of allowance for doubtful accounts	38		3		(35)	49	
Gain on sales of fixed assets	-		28		28	-	
Gain on changes in equity interest	2		23		21	344	
Total extraordinary gains	41	0.0	98	0.1		393	0.1

(Millions of yen)

	Interim Period FY2006 (Six months ended Jun. 30, 2006)		Interim Period FY2007 (Six months ended Jun. 30, 2007)		Increase (Decrease)	Fiscal Year 2006 (Year ended Dec. 31, 2006)	
	Amount	Ratio to Net sales	Amount	Ratio to Net sales	Amount	Amount	Ratio to Net sales
<b>Extraordinary losses</b>		%		%			%
Loss on sales of fixed assets	-		5		5	43	
Loss on disposal of fixed assets	160		139		(21)	223	
Loss on impairment of fixed assets	99		362		262	102	
Loss on valuation of investments in securities	-		-		-	34	
Loss on valuation of stock of subsidiaries and affiliates	-		10		10	132	
Total extraordinary losses	260	0.1	517	0.2		537	0.1
Income before income taxes and minority interests	16,215	7.2	18,169	7.4	1,953	26,350	6.1
Income taxes							
Current	5,989		7,518		1,529	9,972	
Deferred	575		458		(116)	693	
Total income taxes	6,564	3.0	7,977	3.2		10,665	2.5
Minority interests	49	0.0	123	0.1	73	63	0.0
Net income	9,602	4.2	10,068	4.1	466	15,621	3.6

## **Consolidated Statement of Changes in Net Assets**

Interim period of Fiscal Year 2006 (From January 1 to June 30, 2006)

(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 Statement of Changes in Net Assets

Interim period of Fiscal Year 2007 (From January 1 to June 30, 2007)

(Millions of yen)

	Owners' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Balance as of December 31, 2006	10,374	16,254	60,120	(117)	86,632
Changes during interim period FY2007					
Dividends from surplus			(3,634)		(3,634)
Net income			10,068		10,068
Reversal of revaluation difference on land			74		74
Purchase of treasury stock				(1)	(1)
Others			(27)		(27)
Net changes during interim period FY2007 other than owners' equity					
Total changes during interim period FY2007	-	-	6,481	(1)	6,479
Balance as of June 30, 2007	10,374	16,254	66,601	(119)	93,111

(Millions of yen)

	Valuation and translation adjustments					Share subscription rights	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, 2006	1,779	(0)	(15,500)	(63)	(13,784)	-	566	73,414
Changes during interim period FY2007								
Dividends from surplus								(3,634)
Net income								10,068
Reversal of revaluation difference on land								74
Purchase of treasury stock								(1)
Others								(27)
Net changes during interim period FY2007 other than owners' equity	(180)	0	(74)	44	(210)	1	633	424
Total changes during interim period FY2007	(180)	0	(74)	44	(210)	1	633	6,903
Balance as of June 30, 2007	1,599	-	(15,574)	(19)	(13,994)	1	1,199	80,317

## **Consolidated Statement of Changes in Net Assets**

Fiscal Year 2006 (From January 1 to December 31, 2006)

(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 FY2006					
Dividends from surplus			(2,370)		(2,370)
Net income			15,621		15,621
Reversal of revaluation difference on land			(72)		(72)
Purchase of treasury stock				(3)	(3)
Net changes during FY2006 other than owners' equity					
Total changes during FY2006	-	-	13,178	(3)	13,174
Balance as of December 31, 2006	10,374	16,254	60,120	(117)	86,632

(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 FY2006							
Dividends from surplus							(2,370)
Net income							15,621
Reversal of revaluation difference on land							(72)
Purchase of treasury stock							(3)
Net changes during FY2006 other than owners' equity	670	(0)	72	10	752	(793)	(40)
Total changes during FY2006	670	(0)	72	10	752	(793)	13,134
Balance as of December 31, 2006	1,779	(0)	(15,500)	(63)	(13,784)	566	73,414

## Consolidated Statements of Cash Flows

(Millions of yen)

	Interim Period FY2006 (Six months ended Jun. 30, 2006)	Interim Period FY2007 (Six months ended Jun. 30, 2007)	Fiscal Year 2006 (Year ended Dec. 31, 2006)
	Amount	Amount	Amount
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests	16,215	18,169	26,350
Depreciation and amortization	2,877	2,623	5,883
Amortization of (negative) goodwill	66	(3)	132
Equity in net income (loss) of unconsolidated subsidiaries and affiliates	-	(19)	-
Increase (decrease) in reserve for employees' retirement benefits	(819)	(884)	(1,666)
Increase (decrease) in allowance for doubtful accounts	(30)	(57)	(81)
Interest and dividend income	(62)	(77)	(105)
Interest expenses	55	68	131
Gain on sales of fixed assets	-	(28)	-
Loss on sales/disposal of fixed assets	160	144	267
Loss on impairment of fixed assets	99	362	102
Loss on valuation of investments in securities	-	-	34
Gain on sales of stock of subsidiaries and affiliates	-	(42)	-
Loss on valuation of stock of subsidiaries and affiliates	-	10	132
Gain on changes in equity interest	(2)	(23)	(344)
(Increase) decrease in notes and accounts receivable	(11,106)	(11,502)	(11,090)
(Increase) decrease in inventories	656	(1,086)	(113)
Increase (decrease) in notes and accounts payable	5,823	10,990	5,961
Increase (decrease) in other accounts payable	6,256	7,044	6
Others	(999)	80	116
Subtotal	19,191	25,769	25,719
Interest and dividend income received	62	97	102
Interest expenses paid	(55)	(69)	(124)
Income taxes paid	(7,024)	(5,296)	(11,787)
Net cash provided by operating activities	12,172	20,501	13,909
<b>Cash flows from investing activities</b>			
Payments for acquisition of tangible fixed assets	(1,456)	(1,474)	(2,253)
Proceeds from sales of tangible fixed assets	49	540	206
Payments for software development	(1,058)	(1,333)	(2,146)
Payments for purchase of investments in securities	(2,465)	(153)	(2,486)
Proceeds from sales of investments in securities	-	-	39
Proceeds from sales of consolidated subsidiaries' stock	-	402	-
Payments for long-term loans receivable	(0)	-	(6)
Proceeds from collection of long-term loans receivable	1	1	5
Others	(21)	(186)	(520)
Net cash used in investing activities	(4,951)	(2,203)	(7,161)

(Millions of yen)

	Interim Period FY2006 (Six months ended Jun. 30, 2006)	Interim Period FY2007 (Six months ended Jun. 30, 2007)	Fiscal Year 2006 (Year ended Dec. 31, 2006)
	Amount	Amount	Amount
<b>Cash flows from financing activities</b>			
Increase (decrease) in short-term bank loans, net	750	(100)	50
Proceeds from long-term bank loans	1,000	200	1,000
Repayments of long-term bank loans	(505)	(396)	(891)
Proceeds from issuance of common stock	12	192	1,008
Cash dividends paid	(2,366)	(3,626)	(2,370)
Others	(44)	(27)	(46)
Net cash used in financing activities	(1,154)	(3,759)	(1,250)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(6)	28	7
<b>Net increase in cash and cash equivalents</b>	6,060	14,567	5,504
<b>Cash and cash equivalents at beginning of period</b>	13,891	18,305	13,891
<b>Decrease in cash and cash equivalents due to exclusion of subsidiaries from scope of consolidation</b>	-	-	(1,090)
<b>Cash and cash equivalents at end of period</b>	19,951	32,872	18,305

## Segment Information

### Information by Business Segment

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

Interim period of Fiscal Year 2007 (Six months ended June 30, 2007)

(Millions of yen)

	System Integration business	Service and Support business	Other business	Total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	152,042	93,092	1,289	246,424	-	246,424
Inter-segment sales/transfers	43	128	1,193	1,365	(1,365)	-
Total	152,085	93,221	2,482	247,789	(1,365)	246,424
Costs and expenses	137,766	85,565	2,430	225,763	2,324	228,087
Operating income (loss)	14,319	7,655	52	22,026	(3,689)	18,336

Fiscal Year 2006 (Year ended December 31, 2006)

(Millions of yen)

	System Integration business	Service and Support business	Other business	Total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	263,425	168,701	1,490	433,617	-	433,617
Inter-segment sales/transfers	106	234	2,505	2,845	(2,845)	-
Total	263,531	168,935	3,996	436,463	(2,845)	433,617
Costs and expenses	242,772	156,731	3,915	403,419	4,039	407,459
Operating income (loss)	20,758	12,204	80	33,044	(6,885)	26,158

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 FY2006	Interim Period FY2007	Fiscal Year 2006	Major contents
Amount of unallocated operating costs and expenses included in "elimination or corporate" column	3,439	3,724	6,923	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.