

Financial Report for the First Quarter of the Fiscal Year Ending December 31, 2008 (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 First Quarter of the Fiscal Year 2008 (From January 1, 2008 to March 31, 2008)

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

	Net sales		Operating income		Recurring profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1st Quarter FY2008	126,354	2.1	7,821	3.2	7,991	3.7	4,506	11.0
1st Quarter FY2007	123,788	6.0	7,577	13.7	7,708	14.7	4,059	6.9
Fiscal Year 2007	469,481		30,051		30,520		18,856	

	Net income per share	Diluted net income per share
	yen	yen
1st Quarter FY2008	142.60	142.29
1st Quarter FY2007	128.45	—
Fiscal Year 2007	596.69	596.56

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
March 31, 2008	213,977	88,447	41.0	2,774.09
March 31, 2007	202,359	73,795	36.2	2,315.06
December 31, 2007	200,383	88,000	43.5	2,761.20

(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
1st Quarter FY2008	3,029	(982)	(3,821)	23,599
1st Quarter FY2007	(371)	(533)	(3,354)	14,036
Fiscal Year 2007	16,654	(4,555)	(4,271)	25,374

2. Financial Forecasts for the Fiscal Year 2008 (From January 1, 2008 to December 31, 2008)

Regarding the financial forecast for the fiscal year ending December 31, 2008, there is no change from the forecast announced on February 5, 2008.

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

	Net sales		Operating income		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Interim	255,500	3.7	18,430	0.5	18,600	0.1
Full-Year	489,000	4.2	30,900	2.8	31,200	2.2

	Net income		Net income per share
	Millions of yen	%	yen
Interim	9,685	(3.8)	306.47
Full-Year	16,030	(15.0)	507.25

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.

3. Others

- (1) Changes in significant subsidiaries during the period (resulting in a change in scope of consolidation): No
- (2) Adoption of simplified accounting method: Yes
- (3) Change in accounting method from the most recent fiscal year: No

***This financial report is an abridged translation from the Japanese "zaimu gyoseki no gaikyo (Outline of Financial Results)," which has been prepared in accordance with accounting principles generally accepted in Japan, for reference purpose only.**

Consolidated Balance Sheets

(Millions of yen)

	First Quarter FY2007 (As of Mar. 31, 2007)		First Quarter FY2008 (As of Mar. 31, 2008)		Increase (Decrease)		Fiscal Year 2007 (As of Dec. 31, 2007)	
	Amount	% of Total	Amount	% of Total	Amount	Change	Amount	% of Total
Assets		%		%		%		%
Current assets	130,421	64.5	144,210	67.4	13,788	10.6	130,353	65.1
Cash and time deposits	13,863		22,997		9,134		24,785	
Notes and accounts receivable	87,849		87,400		(448)		75,343	
Inventories	16,362		19,234		2,872		16,923	
Others	12,346		14,577		2,230		13,300	
Fixed assets	71,937	35.5	69,767	32.6	(2,170)	(3.0)	70,030	34.9
Tangible fixed assets	50,945		49,578		(1,366)		49,963	
Intangible fixed assets	4,530		4,871		341		4,838	
Investments and other assets	16,461		15,316		(1,144)		15,228	
Total assets	202,359	100.0	213,977	100.0	11,618	5.7	200,383	100.0
Liabilities								
Current liabilities	117,307	58.0	121,723	56.9	4,415	3.8	108,551	54.2
Notes and accounts payable	82,702		84,225		1,523		69,925	
Short-term bank loans	8,462		10,278		1,815		9,921	
Others	26,142		27,218		1,076		28,705	
Fixed liabilities	11,255	5.5	3,807	1.8	(7,448)	(66.2)	3,831	1.9
Long-term bank loans	2,698		120		(2,578)		130	
Reserve for employees' retirement benefits	7,650		1,309		(6,341)		1,316	
Others	907		2,377		1,470		2,385	
Total liabilities	128,563	63.5	125,530	58.7	(3,033)	(2.4)	112,382	56.1
Net assets								
Shareholders' equity	87,128	43.1	102,296	47.8	15,168	17.4	101,899	50.8
Common stock	10,374	5.1	10,374	4.9	-	-	10,374	5.2
Capital surplus	16,254	8.0	16,254	7.6	-	-	16,254	8.1
Retained earnings	60,617	30.0	75,787	35.4	15,169	25.0	75,389	37.6
Treasury stock	(118)	(0.0)	(120)	(0.1)	(1)	-	(120)	(0.1)
Valuation and translation adjustments	(13,967)	(6.9)	(14,629)	(6.8)	(662)	-	(14,639)	(7.3)
Unrealized gains on investment securities	1,682	0.8	1,019	0.5	(663)	(39.4)	982	0.5
Revaluation difference on land	(15,572)	(7.7)	(15,574)	(7.3)	(2)	-	(15,574)	(7.8)
Foreign currency translation adjustments	(78)	(0.0)	(75)	(0.0)	3	-	(47)	(0.0)
Minority interests	634	0.3	780	0.3	146	23.0	741	0.4
Total net assets	73,795	36.5	88,447	41.3	14,651	19.9	88,000	43.9
Total liabilities and net assets	202,359	100.0	213,977	100.0	11,618	5.7	200,383	100.0

Consolidated Statements of Income

(Millions of yen)

	First Quarter FY2007 (From Jan. 1 to Mar. 31, 2007)		First Quarter FY2008 (From Jan. 1 to Mar. 31, 2008)		Increase (Decrease)		Fiscal Year 2007 (From Jan. 1 to Dec. 31, 2007)	
	Amount	Ratio to Net sales	Amount	Ratio to Net sales	Amount	Change	Amount	Ratio to Net sales
		%		%		%		%
Net sales	123,788	100.0	126,354	100.0	2,565	2.1	469,481	100.0
Cost of sales	96,141	77.7	98,227	77.7	2,085	2.2	360,435	76.8
Gross profit	27,646	22.3	28,126	22.3	479	1.7	109,046	23.2
Selling, general and administrative expenses	20,069	16.2	20,305	16.1	235	1.2	78,994	16.8
Operating income	7,577	6.1	7,821	6.2	244	3.2	30,051	6.4
Non-operating income	169	0.1	208	0.1	39	23.2	654	0.1
Non-operating expenses	38	0.0	38	0.0	0	0.8	185	0.0
Recurring profit	7,708	6.2	7,991	6.3	283	3.7	30,520	6.5
Extraordinary gains	-	-	24	0.0	24	-	4,423	0.9
Extraordinary losses	345	0.3	7	0.0	(338)	(98.0)	1,346	0.3
Income before income taxes and minority interests	7,362	5.9	8,008	6.3	646	8.8	33,597	7.1
Income taxes	3,209	2.6	3,402	2.7	193	6.0	14,492	3.1
Minority interests	93	0.0	99	0.0	5	6.1	247	0.0
Net income	4,059	3.3	4,506	3.6	446	11.0	18,856	4.0

Consolidated Statements of Changes in Net Assets

First Quarter of Fiscal Year 2007 (From January 1, 2007 to March 31, 2007)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of December 31, 2006	10,374	16,254	60,120	(117)	86,632
Changes during the first quarter FY2007					
Dividends from surplus			(3,634)		(3,634)
Net income			4,059		4,059
Reversal of revaluation difference on land			72		72
Purchase of treasury stock				(1)	(1)
Net changes during the first quarter FY2007 other than shareholders' equity					
Total changes during the first quarter FY2007	-	-	497	(1)	496
Balance as of March 31, 2007	10,374	16,254	60,617	(118)	87,128

(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, 2006	1,779	(0)	(15,500)	(63)	(13,784)	566	73,414
Changes during the first quarter FY2007							
Dividends from surplus							(3,634)
Net income							4,059
Reversal of revaluation difference on land							72
Purchase of treasury stock							(1)
Net changes during the first quarter FY2007 other than shareholders' equity	(96)	0	(72)	(14)	(183)	68	(115)
Total changes during the first quarter FY2007	(96)	0	(72)	(14)	(183)	68	381
Balance as of March 31, 2007	1,682	-	(15,572)	(78)	(13,967)	634	73,795

Consolidated Statements of Changes in Net Assets

First Quarter of Fiscal Year 2008 (From January 1, 2008 to March 31, 2008)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of December 31, 2007	10,374	16,254	75,389	(120)	101,899
Changes during the first quarter FY2008					
Dividends from surplus			(4,108)		(4,108)
Net income			4,506		4,506
Purchase of treasury stock				(0)	(0)
Net changes during the first quarter FY2008 other than shareholders' equity					
Total changes during the first quarter FY2008	-	-	398	(0)	397
Balance as of March 31, 2008	10,374	16,254	75,787	(120)	102,296

(Millions of yen)

	Valuation and translation adjustments				Minority interests	Total net assets
	Unrealized gains on investment securities	Revaluation difference on land	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of December 31, 2007	982	(15,574)	(47)	(14,639)	741	88,000
Changes during the first quarter FY2008						
Dividends from surplus						(4,108)
Net income						4,506
Purchase of treasury stock						(0)
Net changes during the first quarter FY2008 other than shareholders' equity	37	-	(27)	9	39	48
Total changes during the first quarter FY2008	37	-	(27)	9	39	446
Balance as of March 31, 2008	1,019	(15,574)	(75)	(14,629)	780	88,447

Consolidated Statements of Changes in Net Assets

Fiscal Year 2007 (From January 1, 2007 to December 31, 2007)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of December 31, 2006	10,374	16,254	60,120	(117)	86,632
Changes during FY2007					
Dividends from surplus			(3,634)		(3,634)
Net income			18,856		18,856
Reversal of revaluation difference on land			74		74
Purchase of treasury stock				(2)	(2)
Others			(27)		(27)
Net changes during FY2007 other than shareholders' equity					
Total changes during FY2007	-	-	15,269	(2)	15,266
Balance as of December 31, 2007	10,374	16,254	75,389	(120)	101,899

(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 FY2007								
Dividends from surplus								(3,634)
Net income								18,856
Reversal of revaluation difference on land								74
Purchase of treasury stock								(2)
Others								(27)
Net changes during FY2007 other than shareholders' equity	(797)	0	(74)	16	(854)	-	175	(679)
Total changes during FY2007	(797)	0	(74)	16	(854)	-	175	14,586
Balance as of December 31, 2007	982	-	(15,574)	(47)	(14,639)	-	741	88,000

Consolidated Statements of Cash Flows

(Millions of yen)

	First Quarter FY2007 (From Jan. 1 to Mar. 31, 2007)	First Quarter FY2008 (From Jan. 1 to Mar. 31, 2008)	Increase (Decrease)	Fiscal Year 2007 (From Jan. 1 to Dec. 31, 2007)
	Amount	Amount	Amount	Amount
Cash flows from operating activities				
Income before income taxes and minority interests	7,362	8,008	646	33,597
Depreciation and amortization	1,230	1,340	109	5,388
Increase (decrease) in reserve for employees' retirement benefits	(461)	40	501	(6,331)
(Increase) decrease in notes and accounts receivable	(18,607)	(12,084)	6,523	(6,324)
(Increase) decrease in inventories	196	(2,311)	(2,507)	(465)
Increase (decrease) in notes and accounts payable	12,667	14,300	1,633	21
Others	2,415	1,402	(1,013)	1,059
Subtotal	4,804	10,697	5,893	26,946
Income taxes paid	(5,195)	(7,684)	(2,488)	(10,311)
Others	20	15	(4)	19
Net cash provided by (used in) operating activities	(371)	3,029	3,400	16,654
Cash flows from investing activities				
Payments for acquisition of tangible fixed assets	(559)	(675)	(115)	(2,528)
Payments for software development	(427)	(551)	(123)	(2,567)
Others	453	243	(209)	540
Net cash used in investing activities	(533)	(982)	(449)	(4,555)
Cash flows from financing activities				
Increase (decrease) in short-term bank loans, net	300	400	100	(350)
Proceeds from long-term bank loans	200	-	(200)	200
Repayments of long-term bank loans	(193)	(52)	140	(652)
Cash dividends paid	(3,633)	(4,108)	(474)	(3,632)
Others	(27)	(60)	(33)	163
Net cash used in financing activities	(3,354)	(3,821)	(467)	(4,271)
Effect of exchange rate changes on cash and cash equivalents	(9)	-	9	(25)
Net increase (decrease) in cash and cash equivalents	(4,268)	(1,775)	2,493	7,802
Cash and cash equivalents at beginning of period	18,305	25,374	7,069	18,305
Decrease in cash and cash equivalents due to exclusion of subsidiaries from scope of consolidation	-	-	-	(732)
Cash and cash equivalents at end of period	14,036	23,599	9,562	25,374

Segment Information

Information by Business Segment

First Quarter of Fiscal Year 2007 (From January 1, 2007 to March 31, 2007)

(Millions of yen)

	System Integration business	Service and Support business	Other business	Total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	77,138	45,931	719	123,788	-	123,788
Inter-segment sales/transfers	24	56	639	721	(721)	-
Total	77,162	45,988	1,358	124,509	(721)	123,788
Costs and expenses	71,064	42,611	1,333	115,009	1,201	116,211
Operating income	6,098	3,376	25	9,500	(1,923)	7,577

First Quarter of Fiscal Year 2008 (From January 1, 2008 to March 31, 2008)

(Millions of yen)

	System Integration business	Service and Support business	Other business	Total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	75,817	49,911	625	126,354	-	126,354
Inter-segment sales/transfers	39	59	647	746	(746)	-
Total	75,857	49,971	1,272	127,101	(746)	126,354
Costs and expenses	69,375	46,614	1,171	117,161	1,370	118,532
Operating income	6,481	3,356	100	9,939	(2,117)	7,821

Fiscal Year 2007 (From January 1, 2007 to December 31, 2007)

(Millions of yen)

	System Integration business	Service and Support business	Other business	Total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	279,753	187,358	2,370	469,481	-	469,481
Inter-segment sales/transfers	96	284	2,358	2,738	(2,738)	-
Total	279,850	187,642	4,728	472,220	(2,738)	469,481
Costs and expenses	255,445	174,873	4,587	434,906	4,523	439,430
Operating income	24,404	12,769	140	37,314	(7,262)	30,051