

Financial Report for the Six Months of the Fiscal Year Ending December 31, 2009 (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

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

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Scheduled date to file Quarterly Securities Report:

August 11, 2009

Scheduled date to commence dividend payments:

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

1. Financial Results for the Six Months of the Fiscal Year 2009 (From January 1, 2009 to June 30, 2009)

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

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|------------------|-----------------|-----|------------------|-----|-----------------|-----|-----------------|-----|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Six months ended | | | | | | | | |
| June 30, 2009 | 228,160 | – | 11,085 | – | 11,246 | – | 6,348 | – |
| June 30, 2008 | 253,064 | 2.7 | 18,751 | 2.3 | 19,053 | 2.5 | 10,651 | 5.8 |

| | Net income per share | Diluted net income per share |
|------------------|----------------------|------------------------------|
| | yen | yen |
| Six months ended | | |
| June 30, 2009 | 200.90 | – |
| June 30, 2008 | 337.06 | 336.70 |

(2) Financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------|-----------------|-----------------|--------------|----------------------|
| | Millions of yen | Millions of yen | % | yen |
| As of | | | | |
| June 30, 2009 | 212,844 | 100,220 | 46.6 | 3,141.62 |
| December 31, 2008 | 196,946 | 97,790 | 49.2 | 3,065.54 |

Reference) Equity:

As of June 30, 2009: 99,280 million yen; As of December 31, 2008: 96,876 million yen

2. Dividends

| (Record date) | Dividends per share | | | | |
|-----------------------------|---------------------|----------------|---------------|----------|--------|
| | First quarter | Second quarter | Third quarter | Year-end | Annual |
| | yen | yen | yen | yen | yen |
| Fiscal Year 2008 | – | 0.00 | – | 130.00 | 130.00 |
| Fiscal Year 2009 | – | 0.00 | | | |
| Fiscal Year 2009 (forecast) | | | – | 130.00 | 130.00 |

Note) Revision of the forecasts in the second quarter of the fiscal year 2009: No

3. Financial Forecasts for the Fiscal Year 2009 (From January 1, 2009 to December 31, 2009)

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

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|-----------|--------------------|-------|--------------------|--------|--------------------|--------|--------------------|--------|----------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | yen |
| Full-Year | 447,000 | (4.3) | 18,500 | (31.7) | 19,000 | (31.2) | 9,260 | (35.6) | 293.02 |

- Notes) 1. Revision of the forecasts in the second quarter of the fiscal year 2009: No
 2. The above forecasts are based on the information available as of the date on which these materials were released. Actual results are subject to change due to various future events and may differ from these figures.

4. Others

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of simplified accounting and specific accounting for preparing the quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements (changes described in the section indicating changes in significant matters forming the basis of preparing the quarterly consolidated financial statements)
- 1) Changes due to revisions to accounting standards and other regulations: Yes
- 2) Changes due to other reasons: Yes
- (4) Number of shares issued (common stock)
- 1) Number of shares issued at the end of the period (including treasury stock):
- | | |
|--------------------------|-------------------|
| As of June 30, 2009: | 31,667,020 shares |
| As of December 31, 2008: | 31,667,020 shares |
- 2) Number of treasury shares at the end of the period:
- | | |
|--------------------------|---------------|
| As of June 30, 2009: | 65,395 shares |
| As of December 31, 2008: | 65,342 shares |
- 3) Average number of shares during the period (cumulative from the beginning of the fiscal year):
- | | |
|---------------------------------|-------------------|
| Six months ended June 30, 2009: | 31,601,667 shares |
| Six months ended June 30, 2008: | 31,601,988 shares |

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

Consolidated Balance Sheets

(Millions of yen)

| | As of June 30, 2009 | As of December 31, 2008 (Summary) |
|--|---------------------|--------------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 39,052 | 21,544 |
| Notes and accounts receivable-trade | 74,139 | 71,843 |
| Short-term investment securities | 4,997 | 4,996 |
| Merchandise | 12,549 | 14,442 |
| Work in process | 817 | 892 |
| Raw materials and supplies | 1,040 | 1,191 |
| Other | 14,052 | 14,539 |
| Allowance for doubtful accounts | (441) | (271) |
| Total current assets | 146,207 | 129,178 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 26,300 | 26,905 |
| Other, net | 21,173 | 20,796 |
| Total property, plant and equipment | 47,473 | 47,702 |
| Intangible assets | 5,342 | 5,085 |
| Investments and other assets | | |
| Investment securities | 6,574 | 6,355 |
| Other | 8,347 | 9,556 |
| Allowance for doubtful accounts | (1,100) | (932) |
| Total investments and other assets | 13,820 | 14,979 |
| Total noncurrent assets | 66,636 | 67,767 |
| Total assets | 212,844 | 196,946 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 68,679 | 62,626 |
| Short-term loans payable | 9,540 | 9,540 |
| Income taxes payable | 4,879 | 5,297 |
| Provision for bonuses | 2,573 | 2,498 |
| Other | 23,374 | 15,917 |
| Total current liabilities | 109,046 | 95,880 |
| Noncurrent liabilities | | |
| Long-term loans payable | 70 | 90 |
| Provision for retirement benefits | 1,566 | 1,514 |
| Provision for directors' retirement benefits | 451 | 530 |
| Other | 1,488 | 1,141 |
| Total noncurrent liabilities | 3,577 | 3,275 |
| Total liabilities | 112,624 | 99,155 |

(Millions of yen)

| | As of June 30, 2009 | As of December 31, 2008 (Summary) |
|---|---------------------|--------------------------------------|
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 10,374 | 10,374 |
| Capital surplus | 16,254 | 16,254 |
| Retained earnings | 87,893 | 85,652 |
| Treasury stock | (123) | (122) |
| Total shareholders' equity | 114,399 | 112,159 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 571 | 429 |
| Revaluation reserve for land | (15,574) | (15,574) |
| Foreign currency translation adjustment | (115) | (137) |
| Total valuation and translation adjustments | (15,119) | (15,282) |
| Minority interests | 939 | 913 |
| Total net assets | 100,220 | 97,790 |
| Total liabilities and net assets | 212,844 | 196,946 |

Consolidated Statement of Income (cumulative)

(Millions of yen)

| | Six months ended June 30, 2009 |
|---|-----------------------------------|
| Net sales | 228,160 |
| Cost of sales | 177,445 |
| Gross profit | 50,714 |
| Selling, general and administrative expenses | 39,628 |
| Operating income | 11,085 |
| Non-operating income | |
| Interest income | 22 |
| Interest on securities | 16 |
| Dividends income | 59 |
| House rent income | 107 |
| Equity in earnings of affiliates | 3 |
| Other | 98 |
| Total non-operating income | 308 |
| Non-operating expenses | |
| Interest expenses | 62 |
| Provision of allowance for doubtful accounts | 82 |
| Other | 1 |
| Total non-operating expenses | 146 |
| Ordinary income | 11,246 |
| Extraordinary income | |
| Gain on sales of investment securities | 21 |
| Gain on change in equity | 6 |
| Total extraordinary income | 27 |
| Extraordinary loss | |
| Loss on retirement of noncurrent assets | 34 |
| Impairment loss | 9 |
| Loss on valuation of investment securities | 80 |
| Provision of allowance for doubtful accounts | 45 |
| Other | 0 |
| Total extraordinary losses | 171 |
| Income before income taxes and minority interests | 11,102 |
| Income taxes | 4,657 |
| Minority interests in income | 96 |
| Net income | 6,348 |

Consolidated Statement of Cash Flows

(Millions of yen)

| | Six months ended June 30, 2009 |
|--|-----------------------------------|
| Net cash provided by (used in) operating activities | |
| Income before income taxes and minority interests | 11,102 |
| Depreciation and amortization | 2,859 |
| Impairment loss | 9 |
| Increase (decrease) in allowance for doubtful accounts | 338 |
| Interest and dividends income | (82) |
| Interest income on securities | (16) |
| Interest expenses | 62 |
| Equity in (earnings) losses of affiliates | (3) |
| Loss on retirement of noncurrent assets | 34 |
| Decrease (increase) in notes and accounts receivable-trade | (2,407) |
| Decrease (increase) in inventories | 2,084 |
| Increase (decrease) in notes and accounts payable-trade | 6,053 |
| Increase (decrease) in accrued expenses | 7,339 |
| Loss (gain) on sales of investment securities | (21) |
| Loss (gain) on valuation of investment securities | 80 |
| Loss (gain) on change in equity | (6) |
| Increase (decrease) in provision for retirement benefits | 983 |
| Other, net | 691 |
| Subtotal | 29,102 |
| Interest and dividends income received | 102 |
| Interest expenses paid | (63) |
| Income taxes paid | (4,885) |
| Net cash provided by (used in) operating activities | 24,256 |
| Net cash provided by (used in) investment activities | |
| Purchase of property, plant and equipment | (1,411) |
| Proceeds from sales of property, plant and equipment | 11 |
| Purchase of software | (1,528) |
| Purchase of investment securities | (10) |
| Proceeds from sales of investment securities | 51 |
| Payments of long-term loans receivable | (5) |
| Collection of long-term loans receivable | 109 |
| Other, net | (160) |
| Net cash provided by (used in) investment activities | (2,943) |

(Millions of yen)

Six months ended
June 30, 2009

| | |
|---|---------|
| Net cash provided by (used in) financing activities | |
| Repayment of long-term loans payable | (20) |
| Cash dividends paid | (4,104) |
| Other, net | (70) |
| Net cash provided by (used in) financing activities | (4,194) |
| Effect of exchange rate change on cash and cash equivalents | (0) |
| Net increase (decrease) in cash and cash equivalents | 17,117 |
| Cash and cash equivalents at beginning of period | 27,169 |
| Cash and cash equivalents at end of period | 44,286 |

Segment Information

Information by Business Segment

Six months ended June 30, 2009

(Millions of yen)

| | System Integration business | Service and Support business | Other business | Total | Elimination or corporate | Consolidated total |
|-----------------------------------|-----------------------------|------------------------------|----------------|---------|--------------------------|--------------------|
| Net sales | | | | | | |
| (1) Outside customers | 125,603 | 101,563 | 993 | 228,160 | – | 228,160 |
| (2) Inter-segment sales/transfers | 104 | 145 | 936 | 1,186 | (1,186) | – |
| Total | 125,708 | 101,709 | 1,929 | 229,346 | (1,186) | 228,160 |
| Operating income (loss) | 10,191 | 4,484 | 29 | 14,706 | (3,620) | 11,085 |

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 Repair, sale of automobiles Insurance Printing |

(Reference)**Consolidated financial statements for the six months ended June 30, 2008
(From January 1, 2008 to June 30, 2008)****(1) Consolidated statement of income**

(Millions of yen)

| | Interim Period FY2008 (Six months ended June 30, 2008) |
|--|--|
| | Amount |
| Net sales | 253,064 |
| Cost of sales | 194,125 |
| Gross profit | 58,939 |
| Selling, general and administrative expenses | 40,188 |
| Operating income | 18,751 |
| Non-operating income | |
| Interest income | 31 |
| Interest on securities | 3 |
| Dividend income | 60 |
| Rent income | 107 |
| Equity in net income (loss) of unconsolidated subsidiaries and affiliates | 39 |
| Others | 137 |
| Total non-operating income | 379 |
| Non-operating expenses | |
| Interest expenses | 75 |
| Others | 1 |
| Total non-operating expenses | 77 |
| Recurring profit | 19,053 |
| Extraordinary gains | |
| Gain on sales of investments in securities | 12 |
| Reversal of allowance for doubtful accounts | 52 |
| Gain on sales of fixed assets | 7 |
| Total extraordinary gains | 72 |

(Millions of yen)

| | Interim Period FY2008 (Six months ended June 30, 2008) |
|--|--|
| | Amount |
| Extraordinary losses | |
| Loss on sales of fixed assets | 7 |
| Loss on disposal of fixed assets | 915 |
| Loss on impairment of fixed assets | 14 |
| Provision of allowance for doubtful accounts | 22 |
| Total extraordinary losses | 960 |
| Income before income taxes and minority interests | 18,165 |
| Income taxes | |
| Current | 7,591 |
| Deferred | (218) |
| Total income taxes | 7,372 |
| Minority interests | 141 |
| Net income | 10,651 |
| | |

(2) Consolidated statement of cash flows

(Millions of yen)

| | Interim Period FY2008 (Six months ended June 30, 2008) |
|--|---|
| | Amount |
| Cash flows from operating activities | |
| Income before income taxes and minority Interests | 18,165 |
| Depreciation and amortization | 2,830 |
| Equity in net income of unconsolidated subsidiaries and affiliates | (39) |
| Increase (decrease) in reserve for employees' retirement benefits | 159 |
| Increase (decrease) in allowance for doubtful accounts | 55 |
| Interest and dividend income | (95) |
| Interest expenses | 75 |
| Gain on sales of fixed assets | (7) |
| Loss on sales/disposal of fixed assets | 923 |
| Loss on impairment of fixed assets | 14 |
| Gain on sales of investments in securities | (12) |
| (Increase) decrease in notes and accounts receivable | (7,726) |
| (Increase) decrease in inventories | 16 |
| Increase (decrease) in notes and accounts payable | 10,882 |
| Increase (decrease) in other accounts payable | 7,160 |
| Others | (1,337) |
| Subtotal | 31,064 |
| Interest and dividend income received | 95 |
| Interest expenses paid | (76) |
| Income taxes paid | (8,014) |
| Net cash provided by operating activities | 23,069 |
| Cash flows from investing activities | |
| Payments for purchase of tangible fixed assets | (1,458) |
| Proceeds from sales of tangible fixed assets | 292 |
| Payments for software development | (1,047) |
| Payments for purchase of investments in securities | (1,181) |
| Proceeds from sales of investments in securities | 112 |
| Payments for long-term loans receivable | (9) |
| Proceeds from collection of long-term loans receivable | 31 |
| Others | (234) |
| Net cash used in investing activities | (3,495) |

(Millions of yen)

| | Interim Period FY2008 (Six months ended June 30, 2008) |
|---|---|
| | Amount |
| Cash flows from financing activities | |
| Repayments of long-term bank loans | (91) |
| Cash dividends paid | (4,104) |
| Others | (61) |
| Net cash used in financing activities | (4,257) |
| Net increase in cash and cash equivalents | 15,315 |
| Cash and cash equivalents at beginning of period | 25,374 |
| Cash and cash equivalents at end of period | 40,690 |

(3) Segment information**Information by Business Segment**

Interim period of Fiscal Year 2008 (From January 1, 2008 to June 30, 2008)

(Millions of yen)

| | System Integration business | Service and Support business | Other business | Total | Elimination or corporate | Consolidated total |
|----------------------------------|-----------------------------------|------------------------------------|-------------------|---------|-----------------------------|-----------------------|
| Net sales | | | | | | |
| Outside customers | 152,014 | 99,912 | 1,138 | 253,064 | – | 253,064 |
| Inter-segment sales/transfers | 95 | 123 | 1,163 | 1,382 | (1,382) | – |
| Total | 152,109 | 100,035 | 2,302 | 254,447 | (1,382) | 253,064 |
| Costs and expenses | 136,739 | 92,801 | 2,182 | 231,723 | 2,589 | 234,313 |
| Operating income (loss) | 15,369 | 7,234 | 120 | 22,723 | (3,972) | 18,751 |