

Financial Report for the Nine 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:

November 12, 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 Nine Months of the Fiscal Year 2009 (From January 1, 2009 to September 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	%
Nine months ended								
September 30, 2009	321,923	–	12,226	–	12,467	–	6,893	–
September 30, 2008	356,802	1.6	21,789	(1.7)	22,217	(1.3)	12,173	(13.7)

	Net income per share	Diluted net income per share
	yen	yen
Nine months ended		
September 30, 2009	218.14	218.00
September 30, 2008	385.22	384.91

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
As of				
September 30, 2009	191,938	100,715	52.0	3,156.02
December 31, 2008	196,946	97,790	49.2	3,065.54

Reference) Equity:

As of September 30, 2009: 99,735 million yen; As of December 31, 2008: 96,876 million yen

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
	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 third 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 third 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 September 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 September 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):
- | | |
|---------------------------------------|-------------------|
| Nine months ended September 30, 2009: | 31,601,653 shares |
| Nine months ended September 30, 2008: | 31,601,926 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 September 30, 2009	As of December 31, 2008 (Summary)
Assets		
Current assets		
Cash and deposits	28,075	21,544
Notes and accounts receivable-trade	63,218	71,843
Short-term investment securities	4,997	4,996
Merchandise	13,864	14,442
Work in process	1,477	892
Raw materials and supplies	1,010	1,191
Other	14,031	14,539
Allowance for doubtful accounts	(425)	(271)
Total current assets	126,251	129,178
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	25,957	26,905
Other, net	20,983	20,796
Total property, plant and equipment	46,941	47,702
Intangible assets	5,504	5,085
Investments and other assets		
Investment securities	6,338	6,355
Other	7,943	9,556
Allowance for doubtful accounts	(1,040)	(932)
Total investments and other assets	13,241	14,979
Total noncurrent assets	65,687	67,767
Total assets	191,938	196,946
Liabilities		
Current liabilities		
Notes and accounts payable-trade	58,179	62,626
Short-term loans payable	9,540	9,540
Income taxes payable	57	5,297
Provision for bonuses	6,236	2,498
Other	13,635	15,917
Total current liabilities	87,648	95,880
Noncurrent liabilities		
Long-term loans payable	60	90
Provision for retirement benefits	1,608	1,514
Provision for directors' retirement benefits	466	530
Other	1,439	1,141
Total noncurrent liabilities	3,573	3,275
Total liabilities	91,222	99,155

(Millions of yen)

	As of September 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	88,437	85,652
Treasury stock	(123)	(122)
Total shareholders' equity	114,944	112,159
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	495	429
Revaluation reserve for land	(15,574)	(15,574)
Foreign currency translation adjustment	(130)	(137)
Total valuation and translation adjustments	(15,209)	(15,282)
Minority interests	980	913
Total net assets	100,715	97,790
Total liabilities and net assets	191,938	196,946

Consolidated Statement of Income (cumulative)

(Millions of yen)

	Nine months ended September 30, 2009
Net sales	321,923
Cost of sales	250,623
Gross profit	71,299
Selling, general and administrative expenses	59,073
Operating income	12,226
Non-operating income	
Interest income	32
Interest on securities	22
Dividends income	69
House rent income	160
Other	174
Total non-operating income	459
Non-operating expenses	
Interest expenses	91
Equity in losses of affiliates	41
Provision of allowance for doubtful accounts	82
Other	1
Total non-operating expenses	218
Ordinary income	12,467
Extraordinary income	
Gain on sales of investment securities	21
Gain on change in equity	5
Total extraordinary income	27
Extraordinary loss	
Loss on retirement of noncurrent assets	39
Impairment loss	11
Loss on valuation of investment securities	81
Provision of allowance for doubtful accounts	73
Other	2
Total extraordinary losses	207
Income before income taxes and minority interests	12,287
Income taxes	5,257
Minority interests in income	137
Net income	6,893

Consolidated Statement of Cash Flows

(Millions of yen)

Nine months ended
September 30, 2009

<hr/>	
Net cash provided by (used in) operating activities	
Income before income taxes and minority interests	12,287
Depreciation and amortization	4,329
Impairment loss	11
Increase (decrease) in allowance for doubtful accounts	262
Interest and dividends income	(101)
Interest income on securities	(22)
Interest expenses	91
Equity in (earnings) losses of affiliates	41
Loss on retirement of noncurrent assets	39
Decrease (increase) in notes and accounts receivable-trade	8,571
Decrease (increase) in inventories	146
Increase (decrease) in notes and accounts payable-trade	(4,446)
Loss (gain) on sales of investment securities	(21)
Loss (gain) on valuation of investment securities	81
Loss (gain) on change in equity	(5)
Increase (decrease) in provision for retirement benefits	1,112
Other, net	2,227
Subtotal	<hr/> 24,603
Interest and dividends income received	154
Interest expenses paid	(72)
Income taxes paid	(10,566)
Net cash provided by (used in) operating activities	<hr/> 14,119
Net cash provided by (used in) investment activities	
Purchase of property, plant and equipment	(1,736)
Proceeds from sales of property, plant and equipment	11
Purchase of software	(2,308)
Purchase of investment securities	(17)
Proceeds from sales of investment securities	51
Payments of long-term loans receivable	(123)
Collection of long-term loans receivable	140
Other, net	(79)
Net cash provided by (used in) investment activities	<hr/> (4,061)

(Millions of yen)

Nine months ended
September 30, 2009

Net cash provided by (used in) financing activities	
Repayment of long-term loans payable	(30)
Cash dividends paid	(4,106)
Other, net	(70)
Net cash provided by (used in) financing activities	(4,206)
Effect of exchange rate change on cash and cash equivalents	(0)
Net increase (decrease) in cash and cash equivalents	5,850
Cash and cash equivalents at beginning of period	27,169
Cash and cash equivalents at end of period	33,020

Segment Information

Information by Business Segment

Nine months ended September 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	170,970	149,604	1,348	321,923	–	321,923
(2) Inter-segment sales/transfers	144	205	1,407	1,756	(1,756)	–
Total	171,114	149,809	2,755	323,679	(1,756)	321,923
Operating income	12,139	5,449	46	17,635	(5,409)	12,226

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 nine months ended
September 30, 2008 (From January 1, 2008 to September 30, 2008)****(1) (Summary) Consolidated statement of income**

(Millions of yen)

	Third Quarter FY2008 (From Jan. 1 to Sep. 30, 2008)
	Amount
Net sales	356,802
Cost of sales	274,599
Gross profit	82,202
Selling, general and administrative expenses	60,412
Operating income	21,789
Non-operating income	541
Non-operating expenses	113
Recurring profit	22,217
Extraordinary gains	81
Extraordinary losses	1,199
Income before income taxes and minority interests	21,099
Income taxes	8,746
Minority interests	179
Net income	12,173

(2) (Summary) Consolidated statement of cash flows

(Millions of yen)

	Third Quarter FY2008 (From Jan. 1 to Sep. 30, 2008)
	Amount
Cash flows from operating activities	
Income before income taxes and minority interests	21,099
Depreciation and amortization	4,436
Increase in reserve for employees' retirement benefits	277
Decrease in notes and accounts receivable	7,060
Increase in inventories	(1,237)
Decrease in notes and accounts payable	(4,757)
Others	262
Subtotal	27,141
Income taxes paid	(14,448)
Others	75
Net cash provided by operating activities	12,769
Cash flows from investing activities	
Payments for purchase of tangible fixed assets	(2,192)
Payments for software development	(1,745)
Payments for purchase of investments in securities	(1,288)
Others	173
Net cash used in investing activities	(5,053)
Cash flows from financing activities	
Repayments of long-term bank loans	(111)
Cash dividends paid	(4,104)
Others	(62)
Net cash used in financing activities	(4,278)
Net increase (decrease) in cash and cash equivalents	3,437
Cash and cash equivalents at beginning of period	25,374
Cash and cash equivalents at end of period	28,812

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

Third Quarter of Fiscal Year 2008 (From January 1, 2008 to September 30, 2008)

(Millions of yen)

	System Integration business	Service and Support business	Other business	Total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	206,973	148,268	1,559	356,802	–	356,802
Inter-segment sales/transfers	141	197	1,685	2,024	(2,024)	–
Total	207,114	148,466	3,245	358,826	(2,024)	356,802
Costs and expenses	188,648	139,450	3,098	331,196	3,815	335,012
Operating income	18,466	9,016	146	27,629	(5,839)	21,789