

**Financial Report for the Six Months of
the Fiscal Year Ending December 31, 2010 (Consolidated)
<under Japanese GAAP>**

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 10, 2010

Scheduled date to commence dividend payments: –

Supplementary material on quarterly financial results: Yes

Quarterly financial results presentation meeting: Yes

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

1. Financial Results for the Six Months of the Fiscal Year 2010 (From January 1, 2010 to June 30, 2010)

(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, 2010	244,295	7.1	12,216	10.2	12,529	11.4	7,057	11.2
June 30, 2009	228,160	–	11,085	–	11,246	–	6,348	–

	Net income per share	Diluted net income per share
Six months ended	yen	yen
June 30, 2010	223.34	223.20
June 30, 2009	200.90	–

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	yen
June 30, 2010	224,414	105,318	46.6	3,312.46
December 31, 2009	198,076	102,779	51.4	3,219.46

Reference) Equity:

As of June 30, 2010: 104,678 million yen; As of December 31, 2009: 101,740 million yen

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
	yen	yen	yen	yen	yen
Fiscal Year 2009	–	0.00	–	130.00	130.00
Fiscal Year 2010	–	0.00			
Fiscal Year 2010 (forecast)			–	130.00	130.00

Note) Revision of the forecasts in the second quarter of the fiscal year 2010: No

3. Financial Forecasts for the Fiscal Year 2010 (From January 1, 2010 to December 31, 2010)

(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	451,000	4.9	16,700	3.8	17,000	3.5	9,160	4.3	289.86

- Notes) 1. Revision of the forecasts in the second quarter of the fiscal year 2010: 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 current quarter: No

Note) Changes in specified subsidiaries resulting in the change in scope of consolidation during the current quarter

(2) Application of simplified accounting and specific accounting: Yes

Note) Application of simplified accounting and specific accounting for preparing the quarterly consolidated financial statements

(3) Changes in accounting policies, procedures, and methods of presentation

1) Changes due to revisions to accounting standards and other regulations: Yes

2) Changes due to other reasons: No

(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, 2010	31,667,020 shares
As of December 31, 2009	31,667,020 shares

2) Number of shares of treasury stock at the end of the period:

As of June 30, 2010	65,605 shares
As of December 31, 2009	65,425 shares

3) Average number of shares during the period (cumulative from the beginning of the fiscal year):

Six months ended June 30, 2010	31,601,457 shares
Six months ended June 30, 2009	31,601,667 shares

*** Indication regarding execution of quarterly review procedures**

This quarterly financial report is not subject to the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial report, the quarterly review procedures are in progress.

*** 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 Quarterly Balance Sheets

(Millions of yen)

	As of June 30, 2010	As of December 31, 2009 (Summary)
Assets		
Current assets		
Cash and deposits	44,792	27,716
Notes and accounts receivable-trade	78,951	70,540
Short-term investment securities	4,998	4,998
Merchandise	13,708	14,191
Work in process	448	1,179
Raw materials and supplies	948	1,065
Other	16,218	14,497
Allowance for doubtful accounts	(575)	(459)
Total current assets	159,490	133,729
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	24,999	25,399
Other, net	22,188	20,864
Total property, plant and equipment	47,187	46,264
Intangible assets	5,772	5,604
Investments and other assets		
Investment securities	5,672	5,824
Other	7,273	7,726
Allowance for doubtful accounts	(935)	(1,037)
Allowance for investment loss	(46)	(34)
Total investments and other assets	11,964	12,478
Total noncurrent assets	64,924	64,347
Total assets	224,414	198,076
Liabilities		
Current liabilities		
Notes and accounts payable-trade	73,915	63,490
Short-term loans payable	8,340	8,340
Income taxes payable	5,347	2,516
Provision for bonuses	2,781	2,398
Other	25,469	15,548
Total current liabilities	115,854	92,293
Noncurrent liabilities		
Long-term loans payable	30	50
Provision for retirement benefits	1,696	1,641
Provision for directors' retirement benefits	523	483
Other	990	828
Total noncurrent liabilities	3,240	3,004
Total liabilities	119,095	95,297

(Millions of yen)

	As of June 30, 2010	As of December 31, 2009 (Summary)
Net assets		
Shareholders' equity		
Capital stock	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	92,256	89,307
Treasury stock	(124)	(123)
Total shareholders' equity	118,762	115,813
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	384	380
Revaluation reserve for land	(14,331)	(14,331)
Foreign currency translation adjustment	(136)	(122)
Total valuation and translation adjustments	(14,083)	(14,073)
Minority interests	640	1,039
Total net assets	105,318	102,779
Total liabilities and net assets	224,414	198,076

Consolidated Quarterly Statements of Income (cumulative)

(Millions of yen)

	Six months ended June 30, 2009	Six months ended June 30, 2010
Net sales	228,160	244,295
Cost of sales	177,445	191,571
Gross profit	50,714	52,723
Selling, general and administrative expenses	39,628	40,507
Operating income	11,085	12,216
Non-operating income		
Interest income	22	20
Interest on securities	16	8
Dividends income	59	29
House rent income	107	107
Equity in earnings of affiliates	3	47
Other	98	151
Total non-operating income	308	364
Non-operating expenses		
Interest expenses	62	47
Provision of allowance for doubtful accounts	82	–
Other	1	4
Total non-operating expenses	146	51
Ordinary income	11,246	12,529
Extraordinary income		
Gain on sales of investment securities	21	0
Reversal of allowance for doubtful accounts	–	2
Gain on change in equity	6	–
Total extraordinary income	27	2
Extraordinary loss		
Loss on retirement of noncurrent assets	34	87
Impairment loss	9	9
Loss on valuation of investment securities	80	–
Loss on valuation of stocks of subsidiaries and affiliates	–	9
Loss on liquidation of subsidiaries and affiliates	–	37
Provision of allowance for doubtful accounts	45	5
Other	0	20
Total extraordinary losses	171	169
Income before income taxes and minority interests	11,102	12,362
Income taxes	4,657	5,253
Minority interests in income	96	51
Net income	6,348	7,057

Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	Six months ended June 30, 2009	Six months ended June 30, 2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	11,102	12,362
Depreciation and amortization	2,859	2,946
Impairment loss	9	9
Increase (decrease) in allowance for doubtful accounts	338	13
Interest and dividends income	(82)	(49)
Interest income on securities	(16)	(8)
Interest expenses	62	47
Equity in (earnings) losses of affiliates	(3)	(47)
Loss on retirement of noncurrent assets	34	87
Decrease (increase) in notes and accounts receivable-trade	(2,407)	(8,361)
Decrease (increase) in inventories	2,084	1,337
Increase (decrease) in notes and accounts payable-trade	6,053	10,495
Increase (decrease) in accrued expenses	7,339	7,883
Loss (gain) on sales of investment securities	(21)	(0)
Loss (gain) on valuation of investment securities	80	–
Loss on valuation of stocks of subsidiaries and affiliates	–	9
Loss on liquidation of subsidiaries and affiliates	–	37
Loss (gain) on change in equity	(6)	–
Increase (decrease) in provision for retirement benefits	983	100
Other, net	691	882
Subtotal	29,102	27,746
Interest and dividends income received	102	61
Interest expenses paid	(63)	(48)
Income taxes paid	(4,885)	(2,290)
Net cash provided by (used in) operating activities	24,256	25,469

(Millions of yen)

	Six months ended June 30, 2009	Six months ended June 30, 2010
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(1,411)	(2,515)
Proceeds from sales of property, plant and equipment	11	–
Purchase of software	(1,528)	(1,536)
Purchase of investment securities	(10)	(30)
Proceeds from sales of investment securities	51	157
Purchase of investments in subsidiaries	–	(490)
Payments of long-term loans receivable	(5)	(5)
Collection of long-term loans receivable	109	68
Other, net	(160)	327
Net cash provided by (used in) investing activities	(2,943)	(4,025)
Net cash provided by (used in) financing activities		
Repayment of long-term loans payable	(20)	(20)
Cash dividends paid	(4,104)	(4,103)
Other, net	(70)	(59)
Net cash provided by (used in) financing activities	(4,194)	(4,182)
Effect of exchange rate change on cash and cash equivalents	(0)	(0)
Net increase (decrease) in cash and cash equivalents	17,117	17,260
Cash and cash equivalents at beginning of period	27,169	32,806
Cash and cash equivalents at end of period	44,286	50,066

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

Six months ended June 30, 2010

(Millions of yen)

	System Integration business	Service and Support business	Other business	Total	Elimination or corporate	Consolidated total
Net sales						
(1) Outside customers	138,465	104,705	1,123	244,295	–	244,295
(2) Inter-segment sales/transfers	99	147	1,080	1,328	(1,328)	–
Total	138,565	104,853	2,204	245,623	(1,328)	244,295
Operating income (loss)	11,256	4,587	61	15,905	(3,689)	12,216