

**Financial Report for the First Three Months of
the Fiscal Year Ending December 31, 2011 (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: Yasuhiro Wakamatsu, Managing Director & Operating Officer
(Tel: +81-3-3264-7111)

Scheduled date to file Quarterly Securities Report: May 12, 2011
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results presentation meeting: No

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

1. Financial Results for the First Three Months of the Fiscal Year 2011 (From January 1, 2011 to March 31, 2011)

(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	%
Three months ended								
March 31, 2011	123,974	(0.6)	5,035	3.1	5,293	4.2	2,700	(4.3)
March 31, 2010	124,734	8.5	4,883	6.2	5,079	11.2	2,822	13.1

	Net income per share	Diluted net income per share
Three months ended	yen	yen
March 31, 2011	85.46	85.30
March 31, 2010	89.30	89.16

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	yen
March 31, 2011	224,143	107,327	47.6	3,374.75
December 31, 2010	213,401	108,931	50.7	3,425.67

Reference) Equity:

As of March 31, 2011: 106,646 million yen; As of December 31, 2010: 108,255 million yen

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
	yen	yen	yen	yen	yen
Fiscal Year 2010	–	0.00	–	135.00	135.00
Fiscal Year 2011	–	/	/	/	/
Fiscal Year 2011 (forecast)	/	0.00	–	140.00	140.00

Note) Revision of the forecasts in the first quarter of the fiscal year 2011: No

3. Financial Forecasts for the Fiscal Year 2011 (From January 1, 2011 to December 31, 2011)

(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
Six months ending June 30, 2011	254,500	4.2	13,000	6.4	13,260	5.8	6,650	(5.8)	210.43
Full-Year	486,000	4.9	21,000	10.4	21,500	10.2	10,720	0.8	339.23

- Notes) 1. Revision of the forecasts in the first quarter of the fiscal year 2011: 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: 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 March 31, 2011: 31,667,020 shares

As of December 31, 2010: 31,667,020 shares

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

As of March 31, 2011: 65,811 shares

As of December 31, 2010: 65,718 shares

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

Three months ended March 31, 2011: 31,601,253 shares

Three months ended March 31, 2010: 31,601,477 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 March 31, 2011	As of December 31, 2010 (Summary)
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Assets		
Current assets		
Cash and deposits	33,565	32,669
Notes and accounts receivable-trade	86,587	75,428
Short-term investment securities	5,000	5,000
Merchandise	15,006	17,858
Work in process	639	625
Raw materials and supplies	1,076	1,053
Other	17,157	16,224
Allowance for doubtful accounts	(733)	(608)
Total current assets	158,299	148,251
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	24,167	24,360
Other, net	23,929	22,868
Total property, plant and equipment	48,096	47,228
Intangible assets	5,728	5,730
Investments and other assets		
Investment securities	5,590	5,453
Other	7,418	7,735
Allowance for doubtful accounts	(991)	(997)
Total investments and other assets	12,018	12,191
Total noncurrent assets	65,843	65,150
Total assets	224,143	213,401

(Millions of yen)

	As of March 31, 2011	As of December 31, 2010 (Summary)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	76,338	67,498
Short-term loans payable	10,540	7,340
Income taxes payable	1,970	5,182
Provision for bonuses	6,789	2,652
Other	17,608	18,438
Total current liabilities	113,247	101,111
Noncurrent liabilities		
Long-term loans payable	–	10
Provision for retirement benefits	1,796	1,783
Provision for directors' retirement benefits	439	559
Asset retirement obligations	225	–
Other	1,107	1,005
Total noncurrent liabilities	3,568	3,358
Total liabilities	116,815	104,469
Net assets		
Shareholders' equity		
Capital stock	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	94,264	95,830
Treasury stock	(125)	(124)
Total shareholders' equity	120,768	122,335
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	333	383
Revaluation reserve for land	(14,331)	(14,331)
Foreign currency translation adjustment	(125)	(131)
Total valuation and translation adjustments	(14,122)	(14,079)
Minority interests	681	675
Total net assets	107,327	108,931
Total liabilities and net assets	224,143	213,401

Consolidated Quarterly Statements of Income (cumulative)

(Millions of yen)

	Three months ended March 31, 2010	Three months ended March 31, 2011
Net sales	124,734	123,974
Cost of sales	99,359	97,895
Gross profit	25,375	26,078
Selling, general and administrative expenses	20,492	21,043
Operating income	4,883	5,035
Non-operating income		
Interest income	10	10
Interest on securities	4	1
Dividends income	9	10
House rent income	52	54
Equity in earnings of affiliates	101	150
Other	55	50
Total non-operating income	233	277
Non-operating expenses		
Interest expenses	23	18
Foreign exchange losses	13	–
Other	0	0
Total non-operating expenses	37	18
Ordinary income	5,079	5,293
Extraordinary income		
Reversal of allowance for doubtful accounts	1	18
Other	–	0
Total extraordinary income	1	18
Extraordinary loss		
Loss on retirement of noncurrent assets	35	21
Impairment loss	6	0
Loss on valuation of investment securities	–	0
Provision of allowance for doubtful accounts	6	101
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	510
Other	18	0
Total extraordinary losses	65	633
Income before income taxes and minority interests	5,014	4,678
Income taxes	2,150	1,948
Income before minority interests	–	2,729
Minority interests in income	42	29
Net income	2,822	2,700

Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	Three months ended March 31, 2010	Three months ended March 31, 2011
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	5,014	4,678
Depreciation and amortization	1,378	1,375
Impairment loss	6	0
Increase (decrease) in allowance for doubtful accounts	153	118
Interest and dividends income	(19)	(21)
Interest income on securities	(4)	(1)
Interest expenses	23	18
Equity in (earnings) losses of affiliates	(101)	(150)
Loss on retirement of noncurrent assets	35	21
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	510
Decrease (increase) in notes and accounts receivable-trade	(18,858)	(11,166)
Decrease (increase) in inventories	(1,345)	2,815
Increase (decrease) in notes and accounts payable-trade	18,499	8,840
Loss (gain) on valuation of investment securities	-	0
Increase (decrease) in provision for retirement benefits	49	(16)
Other, net	1,832	1,951
Subtotal	<u>6,663</u>	<u>8,974</u>
Interest and dividends income received	24	21
Interest expenses paid	(7)	(4)
Income taxes paid	(2,304)	(5,052)
Net cash provided by (used in) operating activities	<u>4,376</u>	<u>3,938</u>
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(1,884)	(507)
Purchase of software	(798)	(628)
Purchase of investment securities	(6)	(60)
Purchase of investments in subsidiaries	(490)	-
Payments of long-term loans receivable	(5)	(32)
Collection of long-term loans receivable	39	23
Other, net	330	24
Net cash provided by (used in) investing activities	<u>(2,815)</u>	<u>(1,181)</u>

(Millions of yen)

	Three months ended March 31, 2010	Three months ended March 31, 2011
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	–	3,200
Repayment of long-term loans payable	(10)	(10)
Cash dividends paid	(4,109)	(4,267)
Other, net	(59)	(24)
Net cash provided by (used in) financing activities	(4,178)	(1,101)
Effect of exchange rate change on cash and cash equivalents	0	–
Net increase (decrease) in cash and cash equivalents	(2,617)	1,655
Cash and cash equivalents at beginning of period	32,806	37,924
Cash and cash equivalents at end of period	30,188	39,580

Segment Information

Information by Business Segment

Three months ended March 31, 2010

(Millions of yen)

	System Integration business	Service and Support business	Other business	Total	Elimination or corporate	Consolidated total
Net sales						
(1) Outside customers	72,196	52,171	366	124,734	–	124,734
(2) Inter-segment sales/transfers	46	74	587	708	(708)	–
Total	72,243	52,245	954	125,443	(708)	124,734
Operating income (loss)	4,907	1,865	49	6,821	(1,938)	4,883

Information concerning net sales and income/loss by reportable segment

Three months ended March 31, 2011

(Millions of yen)

	Reportable segment			Other	Total	Adjustment	Amount recorded in consolidated quarterly statements of income
	System Integration business	Service and Support business	Total				
Net sales							
Outside customers	69,542	54,074	123,616	357	123,974	–	123,974
Inter-segment sales/transfers	16	118	134	537	672	(672)	–
Total	69,558	54,192	123,751	895	124,647	(672)	123,974
Segment profit	5,272	1,598	6,871	51	6,922	(1,887)	5,035