

**Financial Report for the First Three Months of
the Fiscal Year Ending December 31, 2014 (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 13, 2014

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 2014 (From January 1, 2014 to March 31, 2014)

(1) Results of operations (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, 2014	176,894	25.8	12,140	64.4	12,468	93.9	7,508	116.7
March 31, 2013	140,647	3.8	7,384	6.8	6,431	(11.0)	3,464	(15.2)

Notes) Comprehensive Income: Three months ended March 31, 2014: 7,313 million yen [79.9%]

Three months ended March 31, 2013: 4,066 million yen [(5.6)%]

	Net income per share	Diluted net income per share
Three months ended	yen	yen
March 31, 2014	237.60	—
March 31, 2013	109.63	—

(2) Financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
March 31, 2014	309,626	144,799	46.5
December 31, 2013	279,589	145,066	51.6

Reference) Equity: As of March 31, 2014: 143,863 million yen; As of December 31, 2013: 144,150 million yen

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
Fiscal Year 2013	yen —	yen 0.00	yen —	yen 235.00	yen 235.00
Fiscal Year 2014	—				
Fiscal Year 2014 (forecast)		0.00	—	80.00	80.00

Note) Revision of the forecasts from recently announced figures: No

* As a 3-for-1 stock split for shares of common stock of the Company is scheduled with the effective date of July 1, 2014, the amounts stated for the year-end dividends per share for the fiscal year 2014 (forecast) are calculated after taking the share split into consideration. The year-end dividend per share for the fiscal year 2014 (forecast), calculated without considering the share split, is 240 yen.

3. Financial Forecasts for the Fiscal Year 2014 (From January 1, 2014 to December 31, 2014)

(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, 2014	314,400	10.5	21,700	11.4	21,880	17.3	12,875	15.1	135.81
Full-Year	600,000	6.3	37,000	9.1	37,500	11.9	21,980	8.4	231.85

Notes) 1. Revision of the forecasts from recently announced figures: Yes

2. The above forecasts are based on the information available as of the date of publication of this document.

Actual results are subject to change due to various future events and may differ from these figures.

* As a 3-for-1 stock split for shares of common stock of the Company is scheduled with the effective date of July 1, 2014, the amounts stated for net income per share in the financial forecast for the fiscal year 2014 are calculated after taking the share split into consideration. The net income per share in the financial forecast for the fiscal year 2014, calculated without considering the share split, is 407.42 yen for the six months ending June 30, 2014 and 695.55 yen for the full year.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Application of specific accounting for preparing the quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatements

1) Changes in accounting policies due to revisions to accounting standards, etc.: No

2) Changes due to accounting policies other than 1): No

3) Changes in accounting estimates: No

4) Restatements: No

(4) Number of shares issued (common shares)

1) Number of shares issued at the end of the period (including treasury shares):

As of March 31, 2014: 31,667,020 shares

As of December 31, 2013: 31,667,020 shares

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

As of March 31, 2014: 66,093 shares

As of December 31, 2013: 66,093 shares

3) Average number of shares during the period:

Three months ended March 31, 2014: 31,600,927 shares

Three months ended March 31, 2013: 31,601,026 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.**

Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2013	As of March 31, 2014
<hr/>		
Assets		
Current assets		
Cash and deposits	69,347	71,555
Notes and accounts receivable - trade	99,664	119,184
Securities	5,700	5,700
Merchandise	18,864	23,724
Work in process	934	906
Raw materials and supplies	843	811
Other	20,747	23,125
Allowance for doubtful accounts	(160)	(108)
Total current assets	<hr/> 215,940	<hr/> 244,900
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	23,772	23,396
Other, net	20,202	20,180
Total property, plant and equipment	<hr/> 43,974	<hr/> 43,576
Intangible assets	5,172	5,906
Investments and other assets		
Investment securities	7,584	8,425
Other	8,419	7,252
Allowance for doubtful accounts	(1,501)	(434)
Total investments and other assets	<hr/> 14,502	<hr/> 15,242
Total non-current assets	<hr/> 63,648	<hr/> 64,725
Total assets	<hr/> 279,589	<hr/> 309,626

(Millions of yen)

	As of December 31, 2013	As of March 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	70,509	95,550
Electronically recorded obligations - operating	14,546	16,519
Short-term loans payable	6,950	6,950
Income taxes payable	7,034	5,094
Provision for bonuses	3,097	8,400
Other	26,764	26,987
Total current liabilities	128,903	159,501
Non-current liabilities		
Provision for retirement benefits	2,288	2,333
Provision for directors' retirement benefits	535	527
Asset retirement obligations	227	220
Other	2,567	2,244
Total non-current liabilities	5,618	5,325
Total liabilities	134,522	164,826
Net assets		
Shareholders' equity		
Capital stock	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	129,640	129,615
Treasury shares	(127)	(127)
Total shareholders' equity	156,142	156,117
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,314	2,076
Revaluation reserve for land	(14,304)	(14,304)
Foreign currency translation adjustment	(0)	(25)
Total accumulated other comprehensive income	(11,991)	(12,253)
Minority interests	915	935
Total net assets	145,066	144,799
Total liabilities and net assets	279,589	309,626

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen)

	Three months ended March 31, 2013	Three months ended March 31, 2014
Net sales	140,647	176,894
Cost of sales	111,092	140,599
Gross profit	29,555	36,294
Selling, general and administrative expenses	22,171	24,153
Operating income	7,384	12,140
Non-operating income		
Interest income	13	9
Dividend income	9	10
House rent income	58	55
Share of profit of entities accounted for using equity method	—	173
Other	63	94
Total non-operating income	144	343
Non-operating expenses		
Interest expenses	16	15
Foreign exchange losses	10	—
Provision of allowance for doubtful accounts	1,066	—
Share of loss of entities accounted for using equity method	2	—
Other	1	0
Total non-operating expenses	1,097	16
Ordinary income	6,431	12,468
Extraordinary income		
Gain on sales of investment securities	—	28
Total extraordinary income	—	28
Extraordinary losses		
Loss on retirement of non-current assets	8	7
Provision of allowance for doubtful accounts	30	—
Other	1	—
Total extraordinary losses	40	7
Income before income taxes and minority interests	6,391	12,489
Income taxes	2,875	4,913
Income before minority interests	3,515	7,576
Minority interests in income	50	67
Net income	3,464	7,508

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended March 31, 2013	Three months ended March 31, 2014
Income before minority interests	3,515	7,576
Other comprehensive income		
Valuation difference on available-for-sale securities	520	(234)
Share of other comprehensive income of entities accounted for using equity method	30	(27)
Total other comprehensive income	550	(262)
Comprehensive income	4,066	7,313
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,015	7,245
Comprehensive income attributable to minority interests	51	67

Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended March 31, 2013	Three months ended March 31, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	6,391	12,489
Depreciation	1,281	1,193
Increase (decrease) in allowance for doubtful accounts	1,049	(53)
Interest and dividend income	(22)	(19)
Interest expenses	16	15
Share of (profit) loss of entities accounted for using equity method	2	(173)
Loss (gain) on sales of investment securities	—	(28)
Loss on retirement of non-current assets	8	7
Decrease (increase) in notes and accounts receivable - trade	(11,771)	(19,610)
Decrease (increase) in inventories	(365)	(4,814)
Increase (decrease) in notes and accounts payable - trade	14,508	27,055
Increase (decrease) in provision for retirement benefits	(28)	(109)
Other, net	552	2,378
Subtotal	11,623	18,330
Interest and dividend income received	18	19
Interest expenses paid	(4)	(4)
Income taxes paid	(7,601)	(6,762)
Net cash provided by (used in) operating activities	4,035	11,581
Cash flows from investing activities		
Purchase of property, plant and equipment	(453)	(307)
Purchase of software	(702)	(1,016)
Proceeds from sales of investment securities	—	28
Payments of long-term loans receivable	(77)	(0)
Collection of long-term loans receivable	7	6
Other, net	272	32
Net cash provided by (used in) investing activities	(953)	(1,257)

(Millions of yen)

	Three months ended March 31, 2013	Three months ended March 31, 2014
Cash flows from financing activities		
Cash dividends paid	(6,321)	(7,427)
Other, net	(39)	(47)
Net cash provided by (used in) financing activities	(6,360)	(7,474)
Net increase (decrease) in cash and cash equivalents	(3,278)	2,849
Cash and cash equivalents at beginning of period	68,113	76,863
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(60)
Cash and cash equivalents at end of period	64,835	79,653

Segment Information

Information concerning net sales and income/loss by reportable segment

Three months ended March 31, 2013

(Millions of yen)

	Reportable segment			Other	Total	Adjustment	Amount recorded in quarterly consolidated statements of income
	System Integration business	Service and Support business	Total				
Net sales							
Outside customers	82,300	58,200	140,500	147	140,647	—	140,647
Inter-segment sales/transfers	20	117	137	390	527	(527)	—
Total	82,320	58,317	140,637	538	141,175	(527)	140,647
Segment profit	7,354	2,119	9,474	19	9,493	(2,109)	7,384

Three months ended March 31, 2014

(Millions of yen)

	Reportable segment			Other	Total	Adjustment	Amount recorded in quarterly consolidated statements of income
	System Integration business	Service and Support business	Total				
Net sales							
Outside customers	113,644	63,151	176,796	97	176,894	—	176,894
Inter-segment sales/transfers	22	92	115	32	147	(147)	—
Total	113,667	63,244	176,911	130	177,042	(147)	176,894
Segment profit	10,668	3,606	14,275	17	14,293	(2,152)	12,140