

**Financial Report for the Nine Months of
the Fiscal Year Ending December 31, 2015 (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: November 12, 2015

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 Nine Months of the Fiscal Year 2015 (From January 1, 2015 to September 30, 2015)

(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	%
Nine months ended								
September 30, 2015	453,637	(2.1)	27,900	(2.3)	28,597	(2.5)	17,728	1.6
September 30, 2014	463,210	11.9	28,567	16.5	29,326	22.8	17,454	21.3

Notes) Comprehensive Income: Nine months ended September 30, 2015: 18,797 million yen [5.0%]

Nine months ended September 30, 2014: 17,906 million yen [10.0%]

	Net income per share	Diluted net income per share
Nine months ended	yen	yen
September 30, 2015	187.00	—
September 30, 2014	184.11	—

* The Company conducted a 3-for-1 stock split for shares of common stock of the Company with July 1, 2014 as the effective date. Accordingly, the amount of net income per share for the nine months ended September 30, 2014 is calculated based on the assumption that the share split was conducted at the beginning of the previous fiscal year (fiscal year 2014).

(2) Financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2015	304,694	168,429	54.9
December 31, 2014	305,513	164,347	53.4

Reference) Equity: As of September 30, 2015: 167,274 million yen; As of December 31, 2014: 163,277 million yen

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
	yen	yen	yen	yen	yen
Fiscal Year 2014	—	0.00	—	90.00	90.00
Fiscal Year 2015	—	0.00	—		
Fiscal Year 2015 (forecast)				95.00	95.00

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

3. Financial Forecasts for the Fiscal Year 2015 (From January 1, 2015 to December 31, 2015)

(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	618,000	2.0	37,600	1.4	38,300	0.4	23,600	0.6	248.94

Notes) 1. Revision of the forecasts from recently announced figures: No
 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.

*** 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.: Yes

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 September 30, 2015:	95,001,060 shares
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As of December 31, 2014:	95,001,060 shares
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2) Number of treasury shares at the end of the period:

As of September 30, 2015:	200,014 shares
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As of December 31, 2014:	199,910 shares
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3) Average number of shares during the period:

Nine months ended September 30, 2015:	94,801,095 shares
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Nine months ended September 30, 2014:	94,802,279 shares
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* The Company conducted a 3-for-1 stock split for shares of common stock of the Company with July 1, 2014 as the effective date. Accordingly, the average number of shares during the nine months ended September 30, 2014 is calculated based on the assumption that the share split was conducted at the beginning of the previous fiscal year (fiscal year 2014).

*** 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, 2014	As of September 30, 2015
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Assets		
Current assets		
Cash and deposits	90,234	97,694
Notes and accounts receivable - trade	98,066	88,347
Securities	5,900	6,700
Merchandise	17,822	19,481
Work in process	993	813
Raw materials and supplies	810	721
Other	21,251	21,488
Allowance for doubtful accounts	(146)	(109)
Total current assets	<u>234,931</u>	<u>235,138</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	22,270	21,447
Other, net	20,092	20,176
Total property, plant and equipment	<u>42,363</u>	<u>41,623</u>
Intangible assets	8,192	9,458
Investments and other assets		
Investment securities	8,671	10,475
Other	11,550	8,186
Allowance for doubtful accounts	(196)	(187)
Total investments and other assets	<u>20,025</u>	<u>18,474</u>
Total non-current assets	<u>70,581</u>	<u>69,556</u>
Total assets	<u>305,513</u>	<u>304,694</u>

(Millions of yen)

As of December 31, 2014 As of September 30, 2015

Liabilities		
Current liabilities		
Notes and accounts payable - trade	67,066	61,895
Electronically recorded obligations - operating	15,389	17,457
Short-term loans payable	6,850	6,850
Income taxes payable	8,007	4,996
Provision for bonuses	3,126	8,597
Other	32,841	26,616
Total current liabilities	133,282	126,413
Non-current liabilities		
Provision for directors' retirement benefits	582	572
Net defined benefit liability	2,533	6,646
Asset retirement obligations	215	217
Other	4,551	2,416
Total non-current liabilities	7,882	9,851
Total liabilities	141,165	136,265
Net assets		
Shareholders' equity		
Capital stock	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	145,326	148,411
Treasury shares	(135)	(136)
Total shareholders' equity	171,820	174,904
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,974	4,277
Revaluation reserve for land	(14,069)	(14,056)
Foreign currency translation adjustment	52	17
Remeasurements of defined benefit plans	2,499	2,130
Total accumulated other comprehensive income	(8,543)	(7,629)
Minority interests	1,070	1,154
Total net assets	164,347	168,429
Total liabilities and net assets	305,513	304,694

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen)

	Nine months ended September 30, 2014	Nine months ended September 30, 2015
Net sales	463,210	453,637
Cost of sales	363,577	353,226
Gross profit	99,633	100,411
Selling, general and administrative expenses	71,066	72,510
Operating income	28,567	27,900
Non-operating income		
Interest income	32	32
Dividend income	44	56
House rent income	174	190
Share of profit of entities accounted for using equity method	175	179
Other	382	280
Total non-operating income	808	739
Non-operating expenses		
Interest expenses	48	41
Other	1	0
Total non-operating expenses	49	42
Ordinary income	29,326	28,597
Extraordinary income		
Gain on sales of investment securities	29	130
Gain on sales of non-current assets	28	—
Compensation income	52	34
Other	—	3
Total extraordinary income	111	168
Extraordinary losses		
Loss on sales of non-current assets	393	—
Loss on retirement of non-current assets	40	22
Other	6	—
Total extraordinary losses	439	22
Income before income taxes and minority interests	28,997	28,742
Income taxes	11,391	10,858
Income before minority interests	17,606	17,884
Minority interests in income	151	155
Net income	17,454	17,728

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended September 30, 2014	Nine months ended September 30, 2015
Income before minority interests	17,606	17,884
Other comprehensive income		
Valuation difference on available-for-sale securities	316	1,301
Revaluation reserve for land	(31)	13
Remeasurements of defined benefit plans, net of tax	—	(369)
Share of other comprehensive income of entities accounted for using equity method	15	(31)
Total other comprehensive income	300	913
Comprehensive income	17,906	18,797
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,754	18,641
Comprehensive income attributable to minority interests	151	155

Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended September 30, 2014	Nine months ended September 30, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	28,997	28,742
Depreciation	3,871	4,295
Increase (decrease) in allowance for doubtful accounts	(170)	(45)
Interest and dividend income	(76)	(88)
Interest expenses	48	41
Share of (profit) loss of entities accounted for using equity method	(175)	(179)
Loss (gain) on sales of investment securities	(29)	(130)
Compensation income	(52)	(34)
Loss (gain) on sales of non-current assets	365	—
Loss on retirement of non-current assets	40	22
Decrease (increase) in notes and accounts receivable - trade	10,395	9,727
Decrease (increase) in inventories	849	(1,391)
Increase (decrease) in notes and accounts payable - trade	(9,056)	(3,103)
Other, net	3,751	(823)
Subtotal	38,757	37,033
Interest and dividend income received	146	182
Interest expenses paid	(37)	(30)
Proceeds from compensation	52	34
Income taxes paid	(12,775)	(13,893)
Net cash provided by (used in) operating activities	26,143	23,324
Cash flows from investing activities		
Payments into time deposits	—	(800)
Purchase of property, plant and equipment	(1,592)	(1,261)
Proceeds from sales of property, plant and equipment	465	—
Purchase of software	(3,545)	(4,219)
Proceeds from sales of investment securities	30	140
Payments of long-term loans receivable	(7)	(68)
Collection of long-term loans receivable	18	10
Other, net	(154)	3
Net cash provided by (used in) investing activities	(4,785)	(6,195)
Cash flows from financing activities		
Cash dividends paid	(7,424)	(8,527)
Other, net	(55)	(63)
Net cash provided by (used in) financing activities	(7,480)	(8,591)
Net increase (decrease) in cash and cash equivalents	13,877	8,538
Cash and cash equivalents at beginning of period	76,863	97,943
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(60)	—
Cash and cash equivalents at end of period	90,681	106,482

Segment Information

Information concerning net sales and income/loss by reportable segment

Nine months ended September 30, 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	282,086	180,838	462,924	286	463,210	—	463,210
Inter-segment sales/transfers	66	316	382	103	486	(486)	—
Total	282,152	181,154	463,307	389	463,697	(486)	463,210
Segment profit	26,393	8,004	34,398	44	34,442	(5,875)	28,567

Nine months ended September 30, 2015

(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	264,076	189,288	453,365	272	453,637	—	453,637
Inter-segment sales/transfers	63	231	294	140	435	(435)	—
Total	264,140	189,519	453,659	412	454,072	(435)	453,637
Segment profit	25,675	7,917	33,593	48	33,642	(5,741)	27,900