

Financial Report for the First Quarter of the Fiscal Year Ending December 31, 2007 (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

(Tel: +81-3-3264-7111)

1. Matters Related to the Preparation of Quarterly Financial Information

(1) Adoption of simplified accounting method: Yes

Income taxes are calculated using an estimated annual income tax rate based on the statutory tax rate.

(2) Change in accounting method from the most recent fiscal year: No

(3) Changes in scope of consolidation and application of the equity method: No

2. Financial Results for the First Quarter of Fiscal Year 2007 (From January 1 to March 31, 2007)

(1) Results of operations

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

	Net sales		Operating income		Recurring profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1st Quarter FY2007	123,788	6.0	7,577	13.7	7,708	14.7	4,059	6.9
1st Quarter FY2006	116,816	7.1	6,664	22.7	6,723	23.1	3,798	33.0
Fiscal Year 2006	433,617		26,158		26,494		15,621	

	Net income per share	Diluted net income per share
	yen	yen
1st Quarter FY2007	128.45	-
1st Quarter FY2006	120.19	120.19
Fiscal Year 2006	494.30	-

Note) Percentages for net sales, operating income, recurring profit and net income indicate changes from the same period of the previous year.

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
March 31, 2007	202,359	73,795	36.2	2,315.06
March 31, 2006	189,600	61,109	32.2	1,933.70
December 31, 2006	189,357	73,414	38.5	2,305.15

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
1st Quarter FY2007	(371)	(533)	(3,354)	14,036
1st Quarter FY2006	(6,170)	(1,795)	2,278	8,205
Fiscal Year 2006	13,909	(7,161)	(1,250)	18,305

3. Financial Forecasts for the Fiscal Year 2007 (From January 1 to December 31, 2007)

Regarding the financial forecast for the fiscal year ending December 31, 2007, there is no change from the forecast announced on February 1, 2007.

	Net sales	Operating income	Recurring profit	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Interim	235,580	17,520	17,700	9,620
Full-Year	454,000	28,200	28,500	16,000

Reference) Expected net income per share (full-year basis): 506.29 yen

Note: The above forecasts are based on 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.

***This financial report is an abridged translation from the Japanese "zaimu gyoseki no gaikyo (Outline of Financial Results)," which has been prepared in accordance with accounting principles generally accepted in Japan, for reference purpose only.**

Consolidated Balance Sheets

(Millions of yen)

	First Quarter FY2007 (As of Mar. 31, 2007)		First Quarter FY2006 (As of Mar. 31, 2006)		Increase (Decrease)	Fiscal Year 2006 (As of Dec. 31, 2006)	
	Amount	% of Total	Amount	% of Total	Amount	Amount	% of Total
Assets		%		%			%
Current assets	130,421	64.5	115,052	60.7	15,368	116,232	61.4
Cash and time deposits	13,863		8,821		5,041	18,421	
Notes and accounts receivable	87,849		78,399		9,450	69,259	
Inventories	16,362		16,375		(13)	16,561	
Others	12,346		11,455		890	11,989	
Fixed assets	71,937	35.5	74,547	39.3	(2,609)	73,124	38.6
Tangible fixed assets	50,945		53,595		(2,650)	52,051	
Intangible fixed assets	4,530		5,408		(878)	4,611	
Investments and other assets	16,461		15,543		918	16,461	
Total assets	202,359	100.0	189,600	100.0	12,759	189,357	100.0
Liabilities							
Current liabilities	117,307	58.0	113,762	60.0	3,545	104,279	55.1
Notes and accounts payable	82,702		76,115		6,587	70,036	
Short-term bank loans	8,462		13,372		(4,910)	8,272	
Others	26,142		24,274		1,867	25,970	
Fixed liabilities	11,255	5.5	13,345	7.1	(2,089)	11,663	6.1
Long-term bank loans	2,698		3,010		(312)	2,581	
Reserve for employees' retirement benefits	7,650		9,437		(1,787)	8,107	
Others	907		896		10	973	
Total liabilities	128,563	63.5	127,108	67.1	1,455	115,942	61.2
Minority interests							
Minority interests	-	-	1,382	0.7	(1,382)	-	-
Shareholder's equity							
Common stock	-	-	10,374	5.4	(10,374)	-	-
Capital surplus	-	-	16,254	8.6	(16,254)	-	-
Retained earnings	-	-	48,369	25.5	(48,369)	-	-
Revaluation difference on land	-	-	(15,572)	(8.2)	15,572	-	-
Unrealized gains on investment securities	-	-	1,868	1.0	(1,868)	-	-
Foreign currency translation adjustments	-	-	(70)	(0.0)	70	-	-
Treasury stock	-	-	(114)	(0.1)	114	-	-
Total shareholder's equity	-	-	61,109	32.2	(61,109)	-	-
Total liabilities, minority interests and shareholders' equity	-	-	189,600	100.0	(189,600)	-	-

(Millions of yen)

	First Quarter FY2007 (As of Mar.31, 2007)		First Quarter FY2006 (As of Mar.31, 2006)		Increase (Decrease)	Fiscal Year 2006 (As of Dec. 31, 2006)	
	Amount	% of Total	Amount	% of Total		Amount	Amount
Net assets		%		%			%
Owners' equity	87,128	43.1	-	-	87,128	86,632	45.8
Common stock	10,374	5.1	-	-	10,374	10,374	5.5
Capital surplus	16,254	8.0	-	-	16,254	16,254	8.6
Retained earnings	60,617	30.0	-	-	60,617	60,120	31.8
Treasury stock	(118)	(0.0)	-	-	(118)	(117)	(0.1)
Valuation and translation adjustments	(13,967)	(6.9)	-	-	(13,967)	(13,784)	(7.3)
Unrealized gains on investment securities	1,682	0.8	-	-	1,682	1,779	0.9
Deferred losses on hedges	-	-	-	-	-	(0)	(0.0)
Revaluation difference on land	(15,572)	(7.7)	-	-	(15,572)	(15,500)	(8.2)
Foreign currency translation adjustments	(78)	(0.0)	-	-	(78)	(63)	(0.0)
Minority interests	634	0.3	-	-	634	566	0.3
Total net assets	73,795	36.5	-	-	73,795	73,414	38.8
Total liabilities and net assets	202,359	100.0	-	-	202,359	189,357	100.0

Consolidated Statements of Income

(Millions of yen)

	First Quarter FY2007 (From Jan. 1 to Mar. 31, 2007)		First Quarter FY2006 (From Jan. 1 to Mar. 31, 2006)		Increase (Decrease)		Fiscal Year 2006 (From Jan. 1 to Dec. 31, 2006)	
	Amount	Ratio to Net sales	Amount	Ratio to Net sales	Amount	Change	Amount	Ratio to Net sales
		%		%		%		%
Net sales	123,788	100.0	116,816	100.0	6,971	6.0	433,617	100.0
Cost of sales	96,141	77.7	91,108	78.0	5,032	5.5	330,173	76.2
Gross profit	27,646	22.3	25,708	22.0	1,938	7.5	103,444	23.8
Selling, general and administrative expenses	20,069	16.2	19,043	16.3	1,026	5.4	77,286	17.8
Operating income	7,577	6.1	6,664	5.7	912	13.7	26,158	6.0
Non-operating income	169	0.1	102	0.1	67	65.6	511	0.1
Non-operating expenses	38	0.0	44	0.0	(5)	(13.3)	175	0.0
Recurring profit	7,708	6.2	6,723	5.8	985	14.7	26,494	6.1
Extraordinary gains	-	-	1	0.0	(1)	-	393	0.1
Extraordinary losses	345	0.3	65	0.1	280	426.1	537	0.1
Income before income taxes and minority interests	7,362	5.9	6,658	5.7	703	10.6	26,350	6.1
Income taxes	3,209	2.6	2,798	2.4	410	14.7	10,665	2.5
Minority interests	93	0.0	61	0.0	32	52.4	63	0.0
Net income	4,059	3.3	3,798	3.3	261	6.9	15,621	3.6

Consolidated Statement of Changes in Net Assets

First Quarter of Fiscal Year 2007 (From January 1 to March 31, 2007)

(Millions of yen)

	Owners' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Balance as of December 31, 2006	10,374	16,254	60,120	(117)	86,632
Changes during the first quarter FY2007					
Dividends from surplus			(3,634)		(3,634)
Net income			4,059		4,059
Reversal of revaluation difference on land			72		72
Purchase of treasury stock				(1)	(1)
Net changes during the first quarter FY2007 other than owners' equity					
Total changes during the first quarter FY2007	-	-	497	(1)	496
Balance as of March 31, 2007	10,374	16,254	60,617	(118)	87,128

(Millions of yen)

	Valuation and translation adjustments					Minority interests	Total net assets
	Unrealized gains on investment securities	Deferred losses on hedges	Revaluation difference on land	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of December 31, 2006	1,779	(0)	(15,500)	(63)	(13,784)	566	73,414
Changes during the first quarter FY2007							
Dividends from surplus							(3,634)
Net income							4,059
Reversal of revaluation difference on land							72
Purchase of treasury stock							(1)
Net changes during the first quarter FY2007 other than owners' equity	(96)	0	(72)	(14)	(183)	68	(115)
Total changes during the first quarter FY2007	(96)	0	(72)	(14)	(183)	68	381
Balance as of March 31, 2007	1,682	-	(15,572)	(78)	(13,967)	634	73,795

Consolidated Statement of Changes in Net Assets

Fiscal Year 2006 (From January 1 to December 31, 2006)

(Millions of yen)

	Owners' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity
Balance as of December 31, 2005	10,374	16,254	46,941	(113)	73,457
Changes during FY2006					
Dividends from surplus			(2,370)		(2,370)
Net income			15,621		15,621
Reversal of revaluation difference on land			(72)		(72)
Purchase of treasury stock				(3)	(3)
Net changes during FY2006 other than owners' equity					
Total changes during FY2006	-	-	13,178	(3)	13,174
Balance as of December 31, 2006	10,374	16,254	60,120	(117)	86,632

(Millions of yen)

	Valuation and translation adjustments					Minority interests	Total net assets
	Unrealized gains on investment securities	Deferred losses on hedges	Revaluation difference on land	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of December 31, 2005	1,109	-	(15,572)	(74)	(14,537)	1,359	60,279
Changes during FY2006							
Dividends from surplus							(2,370)
Net income							15,621
Reversal of revaluation difference on land							(72)
Purchase of treasury stock							(3)
Net changes during FY2006 other than owners' equity	670	(0)	72	10	752	(793)	(40)
Total changes during FY2006	670	(0)	72	10	752	(793)	13,134
Balance as of December 31, 2006	1,779	(0)	(15,500)	(63)	(13,784)	566	73,414

Consolidated Statements of Cash Flows

(Millions of yen)

	First Quarter FY2007 (From Jan. 1 to Mar. 31, 2007)	First Quarter FY2006 (From Jan. 1 to Mar. 31, 2006)	Increase (Decrease)	Fiscal Year 2006 (From Jan. 1 to Dec. 31, 2006)
	Amount	Amount	Amount	Amount
Cash flows from operating activities				
Income before income taxes and minority interests	7,362	6,658	703	26,350
Depreciation and amortization	1,230	1,418	(187)	5,883
Increase (decrease) in reserve for employees' retirement benefits	(461)	(429)	(31)	(1,666)
(Increase) decrease in notes and accounts receivable	(18,607)	(19,804)	1,197	(11,090)
(Increase) decrease in inventories	196	277	(80)	(113)
Increase (decrease) in notes and accounts payable	12,667	12,014	653	5,961
Others	2,415	700	1,715	393
Subtotal	4,804	834	3,970	25,719
Income taxes paid	(5,195)	(7,001)	1,805	(11,787)
Others	20	(3)	23	(22)
Net cash provided by (used in) operating activities	(371)	(6,170)	5,799	13,909
Cash flows from investing activities				
Payments for acquisition of tangible fixed assets	(559)	(787)	227	(2,253)
Payments for software development	(427)	(805)	378	(2,146)
Others	453	(202)	656	(2,762)
Net cash used in investing activities	(533)	(1,795)	1,261	(7,161)
Cash flows from financing activities				
Increase (decrease) in short-term bank loans, net	300	5,000	(4,700)	50
Proceeds from long-term bank loans	200	-	200	1,000
Repayments of long-term bank loans	(193)	(312)	119	(891)
Cash dividends paid	(3,633)	(2,370)	(1,263)	(2,370)
Others	(27)	(38)	11	961
Net cash provided by (used in) financing activities	(3,354)	2,278	(5,633)	(1,250)
Effect of exchange rate changes on cash and cash equivalents	(9)	1	(11)	7
Net increase (decrease) in cash and cash equivalents	(4,268)	(5,685)	1,416	5,504
Cash and cash equivalents at beginning of period	18,305	13,891	4,414	13,891
Decrease in cash and cash equivalents due to exclusion of subsidiaries from scope of consolidation	-	-	-	(1,090)
Cash and cash equivalents at end of period	14,036	8,205	5,830	18,305

Segment Information

Information by Business Segment

First Quarter of Fiscal Year 2007 (From January 1 to March 31, 2007)

(Millions of yen)

	System Integration business	Service and Support business	Other business	Total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	77,138	45,931	719	123,788	-	123,788
Inter-segment sales/transfers	24	56	639	721	(721)	-
Total	77,162	45,988	1,358	124,509	(721)	123,788
Costs and expenses	71,064	42,611	1,333	115,009	1,201	116,211
Operating income	6,098	3,376	25	9,500	(1,923)	7,577

First Quarter of Fiscal Year 2006 (From January 1 to March 31, 2006)

(Millions of yen)

	System Integration business	Service and Support business	Other business	Total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	75,571	40,882	362	116,816	-	116,816
Inter-segment sales/transfers	57	56	623	738	(738)	-
Total	75,629	40,939	986	117,554	(738)	116,816
Costs and expenses	70,150	38,053	962	109,166	985	110,151
Operating income	5,478	2,886	24	8,388	(1,723)	6,664

Fiscal Year 2006 (From January 1 to December 31, 2006)

(Millions of yen)

	System Integration business	Service and Support business	Other business	Total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	263,425	168,701	1,490	433,617	-	433,617
Inter-segment sales/transfers	106	234	2,505	2,845	(2,845)	-
Total	263,531	168,935	3,996	436,463	(2,845)	433,617
Costs and expenses	242,772	156,731	3,915	403,419	4,039	407,459
Operating income	20,758	12,204	80	33,044	(6,885)	26,158