

Financial Report for the Third 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

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

1. Financial Results for the Third Quarter of the Fiscal Year 2007 (From January 1, 2007 to September 30, 2007)

(1) Results of operations (Percentages indicate changes from the same period of the previous year)

	Net sales		Operating income		Recurring profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
3rd Quarter FY2007	351,153	7.9	22,170	15.1	22,511	15.3	14,113	21.0
3rd Quarter FY2006	325,536	6.5	19,267	19.3	19,522	19.2	11,660	31.6
Fiscal Year 2006	433,617	—	26,158	—	26,494	—	15,621	—

	Net income per share	Diluted net income per share
	yen	yen
3rd Quarter FY2007	446.61	446.60
3rd Quarter FY2006	368.97	—
Fiscal Year 2006	494.30	—

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
September 30, 2007	193,997	84,047	42.7	2,618.88
September 30, 2006	185,618	71,047	37.2	2,183.21
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
3rd Quarter FY2007	13,282	(3,114)	(4,215)	24,226
3rd Quarter FY2006	3,914	(5,726)	(564)	11,512
Fiscal Year 2006	13,909	(7,161)	(1,250)	18,305

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

We have revised our financial forecasts announced on August 23, 2007.

(Percentages indicate changes over the same period in the prior fiscal year)

	Net sales		Operating income		Recurring profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Full-Year	466,200	7.5	29,600	13.2	30,000	13.2

	Net income		Net income
	Millions of yen	%	per share yen
Full-Year	17,660	13.1	558.82

Note: 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.

3. Others

- (1) Changes in significant subsidiaries during the period (resulting in a change in scope of consolidation): No
- (2) Adoption of simplified accounting method: Yes
- (3) Change in accounting method from the most recent fiscal year: No

***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)

	Third Quarter FY2006 (As of Sep.30, 2006)		Third Quarter FY2007 (As of Sep.30, 2007)		Increase (Decrease)		Fiscal Year 2006 (As of Dec. 31, 2006)	
	Amount	% of Total	Amount	% of Total	Amount	Change	Amount	% of Total
Assets		%		%		%		%
Current assets	110,284	59.4	124,464	64.2	14,180	12.9	116,232	61.4
Cash and time deposits	11,628		23,640		12,012		18,421	
Notes and accounts receivable	66,461		70,428		3,967		69,259	
Inventories	20,389		17,690		(2,699)		16,561	
Others	11,805		12,705		899		11,989	
Fixed assets	75,333	40.6	69,532	35.8	(5,801)	(7.7)	73,124	38.6
Tangible fixed assets	52,641		50,583		(2,058)		52,051	
Intangible fixed assets	4,708		4,589		(119)		4,611	
Investments and other assets	17,983		14,358		(3,624)		16,461	
Total assets	185,618	100.0	193,997	100.0	8,378	4.5	189,357	100.0
Liabilities								
Current liabilities	101,424	54.6	103,569	53.4	2,144	2.1	104,279	55.1
Notes and accounts payable	68,143		68,766		623		70,036	
Short-term bank loans	8,912		7,464		(1,448)		8,272	
Others	24,368		27,338		2,969		25,970	
Fixed liabilities	13,146	7.1	6,380	3.3	(6,765)	(51.5)	11,663	6.1
Long-term bank loans	3,624		2,640		(984)		2,581	
Reserve for employees' retirement benefits	8,584		1,301		(7,283)		8,107	
Others	936		2,439		1,502		973	
Total liabilities	114,570	61.7	109,950	56.7	(4,620)	(4.0)	115,942	61.2
Net assets								
Owners' equity	82,673	44.5	97,156	50.1	14,483	17.5	86,632	45.8
Common stock	10,374	5.6	10,374	5.4	–	–	10,374	5.5
Capital surplus	16,254	8.7	16,254	8.4	–	–	16,254	8.6
Retained earnings	56,159	30.2	70,646	36.4	14,487	25.8	60,120	31.8
Treasury stock	(115)	(0.0)	(119)	(0.1)	(3)	–	(117)	(0.1)
Valuation and translation adjustments	(13,678)	(7.3)	(14,394)	(7.4)	(716)	–	(13,784)	(7.3)
Unrealized gains on investment securities	1,900	1.0	1,246	0.6	(653)	(34.4)	1,779	0.9
Deferred losses on hedges	(1)	(0.0)	–	–	1	–	(0)	(0.0)
Revaluation difference on land	(15,500)	(8.3)	(15,574)	(8.0)	(74)	–	(15,500)	(8.2)
Foreign currency translation adjustments	(77)	(0.0)	(66)	(0.0)	10	–	(63)	(0.0)
Share subscription rights	–	–	5	0.0	5	–	–	–
Minority interests	2,053	1.1	1,279	0.6	(773)	(37.7)	566	0.3
Total net assets	71,047	38.3	84,047	43.3	12,999	18.3	73,414	38.8
Total liabilities and net assets	185,618	100.0	193,997	100.0	8,378	4.5	189,357	100.0

Consolidated Statements of Income

(Millions of yen)

	Third Quarter FY2006 (From Jan. 1 to Sep. 30, 2006)		Third Quarter FY2007 (From Jan. 1 to Sep. 30, 2007)		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	325,536	100.0	351,153	100.0	25,616	7.9	433,617	100.0
Cost of sales	248,870	76.5	269,362	76.7	20,492	8.2	330,173	76.2
Gross profit	76,666	23.5	81,790	23.3	5,124	6.7	103,444	23.8
Selling, general and administrative expenses	57,399	17.6	59,620	17.0	2,221	3.9	77,286	17.8
Operating income	19,267	5.9	22,170	6.3	2,903	15.1	26,158	6.0
Non-operating income	390	0.1	455	0.1	64	16.6	511	0.1
Non-operating expenses	135	0.0	113	0.0	(21)	(15.8)	175	0.0
Recurring profit	19,522	6.0	22,511	6.4	2,989	15.3	26,494	6.1
Extraordinary gains	405	0.1	4,443	1.3	4,038	996.7	393	0.1
Extraordinary losses	319	0.1	1,273	0.4	954	298.6	537	0.1
Income before income taxes and minority interests	19,607	6.0	25,681	7.3	6,073	31.0	26,350	6.1
Income taxes	7,875	2.4	11,388	3.2	3,512	44.6	10,665	2.5
Minority interests	71	0.0	178	0.1	107	149.8	63	0.0
Net income	11,660	3.6	14,113	4.0	2,453	21.0	15,621	3.6

Consolidated Statements of Changes in Net Assets

Third Quarter of Fiscal Year 2006 (From January 1, 2006 to September 30, 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 the third quarter FY2006					
Dividends from surplus			(2,370)		(2,370)
Net income			11,660		11,660
Reversal of revaluation difference on land			(72)		(72)
Purchase of treasury stock				(2)	(2)
Net changes during the third quarter FY2006 other than owners' equity					
Total changes during the third quarter FY2006	—	—	9,217	(2)	9,215
Balance as of September 30, 2006	10,374	16,254	56,159	(115)	82,673

(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 the third quarter FY2006							
Dividends from surplus							(2,370)
Net income							11,660
Reversal of revaluation difference on land							(72)
Purchase of treasury stock							(2)
Net changes during the third quarter FY2006 other than owners' equity	790	(1)	72	(3)	858	693	1,552
Total changes during the third quarter FY2006	790	(1)	72	(3)	858	693	10,767
Balance as of September 30, 2006	1,900	(1)	(15,500)	(77)	(13,678)	2,053	71,047

Consolidated Statements of Changes in Net Assets

Third Quarter of Fiscal Year 2007 (From January 1, 2007 to September 30, 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 third quarter FY2007					
Dividends from surplus			(3,634)		(3,634)
Net income			14,113		14,113
Reversal of revaluation difference on land			74		74
Purchase of treasury stock				(2)	(2)
Others			(27)		(27)
Net changes during the third quarter FY2007 other than owners' equity					
Total changes during the third quarter FY2007	-	-	10,526	(2)	10,524
Balance as of September 30, 2007	10,374	16,254	70,646	(119)	97,156

(Millions of yen)

	Valuation and translation adjustments					Share subscription rights	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 third quarter FY2007								
Dividends from surplus								(3,634)
Net income								14,113
Reversal of revaluation difference on land								74
Purchase of treasury stock								(2)
Others								(27)
Net changes during the third quarter FY2007 other than owners' equity	(533)	0	(74)	(2)	(610)	5	713	108
Total changes during the third quarter FY2007	(533)	0	(74)	(2)	(610)	5	713	10,632
Balance as of September 30, 2007	1,246	-	(15,574)	(66)	(14,394)	5	1,279	84,047

Consolidated Statements of Changes in Net Assets

Fiscal Year 2006 (From January 1, 2006 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)

	Third Quarter FY2006 (From Jan. 1 to Sep. 30, 2006)	Third Quarter FY2007 (From Jan. 1 to Sep. 30, 2007)	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	19,607	25,681	6,073	26,350
Depreciation and amortization	4,311	3,906	(404)	5,883
Increase (decrease) in reserve for employees' retirement benefits	(1,242)	(5,767)	(4,524)	(1,666)
(Increase) decrease in notes and accounts receivable	(7,820)	(1,398)	6,422	(11,090)
(Increase) decrease in inventories	(3,737)	(1,138)	2,599	(113)
Increase (decrease) in notes and accounts payable	4,042	(1,266)	(5,309)	5,961
Others	526	3,504	2,978	393
Subtotal	15,686	23,520	7,833	25,719
Income taxes paid	(11,783)	(10,284)	1,499	(11,787)
Others	10	46	35	(22)
Net cash provided by operating activities	3,914	13,282	9,368	13,909
Cash flows from investing activities				
Payments for acquisition of tangible fixed assets	(1,795)	(2,044)	(249)	(2,253)
Payments for software development	(1,476)	(1,709)	(232)	(2,146)
Payments for purchase of investments in securities	(2,482)	(160)	2,322	(2,486)
Others	27	799	771	(275)
Net cash used in investing activities	(5,726)	(3,114)	2,611	(7,161)
Cash flows from financing activities				
Increase (decrease) in short-term bank loans, net	540	(350)	(890)	50
Proceeds from long-term bank loans	1,000	200	(800)	1,000
Repayments of long-term bank loans	(698)	(599)	99	(891)
Cash dividends paid	(2,368)	(3,629)	(1,261)	(2,370)
Others	962	164	(798)	961
Net cash used in financing activities	(564)	(4,215)	(3,650)	(1,250)
Effect of exchange rate changes on cash and cash equivalents	(1)	(31)	(29)	7
Net increase (decrease) in cash and cash equivalents	(2,378)	5,920	8,299	5,504
Cash and cash equivalents at beginning of period	13,891	18,305	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	11,512	24,226	12,713	18,305

Segment Information

Information by Business Segment

Third Quarter of Fiscal Year 2006 (From January 1, 2006 to September 30, 2006) (Millions of yen)

	System Integration business	Service and Support business	Other business	Total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	200,168	124,240	1,127	325,536	–	325,536
Inter-segment sales/transfers	91	162	1,962	2,216	(2,216)	–
Total	200,259	124,403	3,089	327,753	(2,216)	325,536
Costs and expenses	184,980	115,353	3,006	303,340	2,928	306,269
Operating income	15,279	9,050	82	24,412	(5,144)	19,267

Third Quarter of Fiscal Year 2007 (From January 1, 2007 to September 30, 2007) (Millions of yen)

	System Integration business	Service and Support business	Other business	Total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	211,173	138,382	1,598	351,153	–	351,153
Inter-segment sales/transfers	61	204	1,795	2,061	(2,061)	–
Total	211,234	138,586	3,394	353,215	(2,061)	351,153
Costs and expenses	193,419	128,812	3,341	325,573	3,410	328,983
Operating income	17,815	9,774	52	27,641	(5,471)	22,170

Fiscal Year 2006 (From January 1, 2006 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