

Financial Report for the Fiscal Year 2007 Ended 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

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Scheduled date of Ordinary General Meeting of Shareholders: March 27, 2008

Scheduled date of dividend payments: From March 28, 2008

Scheduled date of filing of the Securities Report: March 27, 2008

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

1. Financial Results for the Fiscal Year 2007 (From January 1, 2007 to December 31, 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	%
Fiscal Year 2007	469,481	8.3	30,051	14.9	30,520	15.2	18,856	20.7
Fiscal Year 2006	433,617	5.9	26,158	19.4	26,494	19.3	15,621	33.0

	Net income per share	Diluted net income per share	Net income to equity	Recurring profit to total assets	Operating income to net sales
	yen	yen	%	%	%
Fiscal Year 2007	596.69	596.56	23.6	15.7	6.4
Fiscal Year 2006	494.30	-	23.7	14.6	6.0

Reference) Equity in net income (loss) of unconsolidated subsidiaries and affiliates

Fiscal Year 2007: 43 million yen

Fiscal Year 2006: - million yen

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
December 31, 2007	200,383	88,000	43.5	2,761.20
December 31, 2006	189,357	73,414	38.5	2,305.15

Reference) Equity

Fiscal Year 2007: 87,259 million yen

Fiscal Year 2006: 72,848 million yen

(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
Fiscal Year 2007	16,654	(4,555)	(4,271)	25,374
Fiscal Year 2006	13,909	(7,161)	(1,250)	18,305

2. Dividends

(Record date)	Dividends per share			Total dividend payments (annual)	Dividend Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	Interim	Year-end	Annual			
	Yen	Yen	Yen	Millions of yen	%	%
Fiscal Year 2006	-	115	115	3,634	23.3	5.5
Fiscal Year 2007	-	130	130	4,108	21.8	5.1
Fiscal Year 2008 (forecast)	-	130	130	-	25.6	-

Note) Breakdown of dividends at the end of Fiscal Year 2006
 Normal dividends: 105 yen Commemorating dividends: 10 yen

3. Financial Forecasts for the Fiscal Year 2008 (From January 1, 2008 to December 31, 2008)

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

	Net sales		Operating income		Recurring profit		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Interim	255,500	3.7	18,430	0.5	18,600	0.1	9,685	(3.8)	306.47
Full-Year	489,000	4.2	30,900	2.8	31,200	2.2	16,030	(15.0)	507.25

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.

4. Others

- (1) Changes in significant subsidiaries during the fiscal year (resulting in a change in scope of consolidation): No

- (2) Changes in accounting principles, procedures or presentation related to the preparation of consolidated financial statements (i.e., changes in the basis of significant accounting policies)
 - 1) Changes due to adoption of new accounting standards: Yes
 - 2) Changes other than those included in 1) above: No

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

Fiscal Year 2007:	31,667,020 shares
Fiscal Year 2006:	31,667,020 shares
 - 2) Number of treasury stock at the end of the period:

Fiscal Year 2007:	64,954 shares
Fiscal Year 2006:	64,726 shares

***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 Balance Sheets

(Millions of yen)

	Fiscal Year 2006 (As of December 31, 2006)		Fiscal Year 2007 (As of December 31, 2007)		Increase (Decrease)
	Amount	% of Total	Amount	% of Total	Amount
Assets		%		%	
Current assets					
Cash and time deposits	18,421		24,785		6,364
Notes and accounts receivable	69,259		75,343		6,083
Inventories	16,561		16,923		362
Deferred tax assets	1,984		2,586		601
Others	10,241		10,961		719
Allowance for doubtful accounts	(237)		(247)		(10)
Total current assets	116,232	61.4	130,353	65.1	14,121
Fixed assets					
Tangible fixed assets					
Buildings and structures	66,317		65,318		(998)
Accumulated depreciation	(35,883)		(36,417)		(534)
Land	17,425		16,965		(460)
Others	12,504		13,203		699
Accumulated depreciation	(8,312)		(9,106)		(794)
Total tangible fixed assets	52,051	27.5	49,963	24.9	(2,088)
Intangible fixed assets					
Software	4,306		4,659		352
Others	305		179		(126)
Total intangible fixed assets	4,611	2.4	4,838	2.4	226
Investments and other assets					
Investments in securities	7,669		6,573		(1,095)
Guarantee deposits	2,701		2,824		123
Long-term prepaid expenses	3,146		2,725		(421)
Deferred tax assets	1,581		1,613		32
Others	2,139		2,316		176
Allowance for doubtful accounts	(777)		(824)		(47)
Total investments and other assets	16,461	8.7	15,228	7.6	(1,232)
Total fixed assets	73,124	38.6	70,030	34.9	(3,094)
Total assets	189,357	100.0	200,383	100.0	11,026

(Millions of yen)

	Fiscal Year 2006 (As of December 31, 2006)		Fiscal Year 2007 (As of December 31, 2007)		Increase (Decrease)
	Amount	% of Total	Amount	% of Total	Amount
Liabilities		%		%	
Current liabilities					
Notes and accounts payable	70,036		69,925		(111)
Short-term bank loans	8,272		9,921		1,648
Income taxes payable	5,446		8,429		2,982
Advance received	5,364		4,819		(544)
Allowance for bonuses	2,670		2,727		57
Others	12,488		12,728		239
Total current liabilities	104,279	55.1	108,551	54.2	4,271
Fixed liabilities					
Long-term bank loans	2,581		130		(2,451)
Deferred tax liabilities	42		1,442		1,400
Deferred tax liabilities due to revaluation of land	267		216		(51)
Reserve for employees' retirement benefits	8,107		1,316		(6,791)
Reserve for directors' retirement benefits	441		504		62
Negative goodwill	7		-		(7)
Others	214		221		6
Total fixed liabilities	11,663	6.1	3,831	1.9	(7,831)
Total liabilities	115,942	61.2	112,382	56.1	(3,559)
Net assets					
Owners' equity					
Common stock	10,374	5.5	10,374	5.2	-
Capital surplus	16,254	8.6	16,254	8.1	-
Retained earnings	60,120	31.8	75,389	37.6	15,269
Treasury stock	(117)	(0.1)	(120)	(0.1)	(2)
Total owners' equity	86,632	45.8	101,899	50.8	15,266
Valuation and translation adjustments					
Unrealized gains on investment securities	1,779	0.9	982	0.5	(797)
Deferred losses on hedges	(0)	(0.0)	-	-	0
Revaluation difference on land	(15,500)	(8.2)	(15,574)	(7.8)	(74)
Foreign currency translation adjustments	(63)	(0.0)	(47)	(0.0)	16
Total valuation and translation adjustments	(13,784)	(7.3)	(14,639)	(7.3)	(854)
Minority interests	566	0.3	741	0.4	175
Total net assets	73,414	38.8	88,000	43.9	14,586
Total liabilities and net assets	189,357	100.0	200,383	100.0	11,026

Consolidated Statements of Income

(Millions of yen)

	Fiscal Year 2006 (Year ended December 31, 2006)		Fiscal Year 2007 (Year ended December 31, 2007)		Increase (Decrease)
	Amount	Ratio to Net sales	Amount	Ratio to Net sales	Amount
Net sales	433,617	100.0	469,481	100.0	35,864
Cost of sales	330,173	76.2	360,435	76.8	30,262
Gross profit	103,444	23.8	109,046	23.2	5,601
Selling, general and administrative expenses	77,286	17.8	78,994	16.8	1,708
Operating income	26,158	6.0	30,051	6.4	3,893
Non-operating income					
Interest income	11		49		37
Dividend income	93		88		(4)
Rent income	264		241		(22)
Equity in net income (loss) of unconsolidated subsidiaries and affiliates	-		43		43
Others	142		231		88
Total non-operating income	511	0.1	654	0.1	142
Non-operating expenses					
Interest expenses	131		138		7
Others	44		46		2
Total non-operating expenses	175	0.0	185	0.0	10
Recurring profit	26,494	6.1	30,520	6.5	4,025
Extraordinary gains					
Gain on sales of fixed assets	-		28		28
Gain on sales of stock of subsidiaries and affiliates	-		72		72
Reversal of allowance for doubtful accounts	49		-		(49)
Gain on transition of retirement benefit plan	-		4,298		4,298
Gain on changes in equity interest	344		23		(320)
Total extraordinary gains	393	0.1	4,423	0.9	4,030

	Fiscal Year 2006 (Year ended December 31, 2006)		Fiscal Year 2007 (Year ended December 31, 2007)		Increase (Decrease)
	Amount	Ratio to Net sales	Amount	Ratio to Net sales	Amount
Extraordinary losses		%		%	
Loss on sales of fixed assets	43		106		62
Loss on disposal of fixed assets	223		319		95
Loss on impairment of fixed assets	102		446		343
Loss on valuation of investments in securities	34		93		59
Loss on valuation of stock of subsidiaries and affiliates	132		238		106
Provision of allowance for doubtful accounts	-		142		142
Total extraordinary losses	537	0.1	1,346	0.3	809
Income before income taxes and minority interests	26,350	6.1	33,597	7.1	7,246
Income taxes					
Current	9,972		13,239		3,266
Deferred	693		1,253		559
Total income taxes	10,665	2.5	14,492	3.1	3,826
Minority interests	63	0.0	247	0.0	184
Net income	15,621	3.6	18,856	4.0	3,235

Consolidated Statement 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 Statement of Changes in Net Assets

Fiscal Year 2007 (From January 1, 2007 to December 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 FY2007					
Dividends from surplus			(3,634)		(3,634)
Net income			18,856		18,856
Reversal of revaluation difference on land			74		74
Purchase of treasury stock				(2)	(2)
Others			(27)		(27)
Net changes during FY2007 other than owners' equity					
Total changes during FY2007	-	-	15,269	(2)	15,266
Balance as of December 31, 2007	10,374	16,254	75,389	(120)	101,899

(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 FY2007								
Dividends from surplus								(3,634)
Net income								18,856
Reversal of revaluation difference on land								74
Purchase of treasury stock								(2)
Others								(27)
Net changes during FY2007 other than owners' equity	(797)	0	(74)	16	(854)	-	175	(679)
Total changes during FY2007	(797)	0	(74)	16	(854)	-	175	14,586
Balance as of December 31, 2007	982	-	(15,574)	(47)	(14,639)	-	741	88,000

Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal Year 2006 (Year ended December 31, 2006)	Fiscal Year 2007 (Year ended December 31, 2007)	Increase (Decrease)
	Amount	Amount	Amount
Cash flows from operating activities			
Income before income taxes and minority Interests	26,350	33,597	7,246
Depreciation and amortization	5,883	5,388	(494)
Amortization of (negative) goodwill	132	(4)	(137)
Equity in net income (loss) of unconsolidated subsidiaries and affiliates	-	(43)	(43)
Increase (decrease) in reserve for employees' retirement benefits	(1,666)	(6,331)	(4,665)
Increase (decrease) in allowance for doubtful accounts	(81)	60	141
Interest and dividend income	(105)	(137)	(32)
Interest expenses	131	138	7
Gain on sales of fixed assets	-	(28)	(28)
Loss on sales/disposal of fixed assets	267	425	157
Loss on impairment of fixed assets	102	446	343
Loss on valuation of investments in securities	34	93	59
Gain on sales of stock of subsidiaries and affiliates	-	(72)	(72)
Loss on valuation of stock of subsidiaries and affiliates	132	238	106
Gain on changes in equity interest	(344)	(23)	320
(Increase) decrease in notes and accounts receivable	(11,090)	(6,324)	4,766
(Increase) decrease in inventories	(113)	(465)	(352)
Increase (decrease) in notes and accounts payable	5,961	21	(5,940)
Others	123	(32)	(155)
Subtotal	25,719	26,946	1,227
Interest and dividend income received	102	157	54
Interest expenses paid	(124)	(137)	(12)
Income taxes paid	(11,787)	(10,311)	1,476
Net cash provided by operating activities	13,909	16,654	2,745

(Millions of yen)

	Fiscal Year 2006 (Year ended December 31, 2006)	Fiscal Year 2007 (Year ended December 31, 2007)	Increase (Decrease)
	Amount	Amount	Amount
Cash flows from investing activities			
Payments for acquisition of tangible fixed assets	(2,253)	(2,528)	(275)
Proceeds from sales of tangible fixed assets	206	546	340
Payments for software development	(2,146)	(2,567)	(420)
Payments for purchase of investments in securities	(2,486)	(279)	2,206
Proceeds from sales of investments in securities	39	-	(39)
Proceeds from sales of consolidated subsidiaries' stock	-	470	470
Payments for long-term loans receivable	(6)	(428)	(422)
Proceeds from collection of long-term loans receivable	5	16	11
Others	(520)	214	735
Net cash used in investing activities	(7,161)	(4,555)	2,606
Cash flows from financing activities			
Increase (decrease) in short-term bank loans, net	50	(350)	(400)
Proceeds from long-term bank loans	1,000	200	(800)
Repayments of long-term bank loans	(891)	(652)	239
Proceeds from issuance of common stock	1,008	192	(816)
Cash dividends paid	(2,370)	(3,632)	(1,262)
Others	(46)	(28)	18
Net cash used in financing activities	(1,250)	(4,271)	(3,021)
Effect of exchange rate changes on cash and cash equivalents	7	(25)	(32)
Net increase in cash and cash equivalents	5,504	7,802	2,297
Cash and cash equivalents at beginning of period	13,891	18,305	4,414
Decrease in cash and cash equivalents due to exclusion of subsidiaries from scope of consolidation	(1,090)	(732)	357
Cash and cash equivalents at end of period	18,305	25,374	7,069

Segment Information

1. Information by Business Segment

Fiscal Year 2006 (Year ended 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 (loss)	20,758	12,204	80	33,044	(6,885)	26,158
Assets	90,523	69,290	2,029	161,843	27,513	189,357
Depreciation and amortization	2,938	2,187	29	5,155	727	5,883
Impairment loss	68	34	-	102	(0)	102
Capital expenditure	2,171	2,115	7	4,294	210	4,504

Fiscal Year 2007 (Year ended December 31, 2007)

(Millions of yen)

	System Integration business	Service and Support business	Other business	Total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	279,753	187,358	2,370	469,481	-	469,481
Inter-segment sales/transfers	96	284	2,358	2,738	(2,738)	-
Total	279,850	187,642	4,728	472,220	(2,738)	469,481
Costs and expenses	255,445	174,873	4,587	434,906	4,523	439,430
Operating income (loss)	24,404	12,769	140	37,314	(7,262)	30,051
Assets	88,233	74,147	2,036	164,417	35,966	200,383
Depreciation and amortization	2,529	2,098	24	4,651	737	5,388
Impairment loss	4	5	304	314	131	446
Capital expenditure	2,215	1,712	14	3,942	1,153	5,095

Notes) 1. Business segments are defined in consideration of the operations of the Group.

2. The Group operates principally in three segments: system integration business, service and support business, and other business.

Segment	Major products and services
System integration business	Research, analysis, design, and introduction for comprehensive information system Transport and installation Network construction Introduction for packaged software Development of consigned software Other related services
Service and support business	Supplies for comprehensive information system Telephone support Maintenance Consigned system operation Data recovery IT education Guidance for operation of packaged software Hotel business
Other business	Construction Sale, repair of automobiles Insurance Printing

3. Significant amounts and contents of “elimination or corporate” column are as described below.

(Millions of yen)

	Fiscal Year 2006	Fiscal Year 2007	Major contents
Amount of unallocated operating costs and expenses included in “elimination or corporate” column	6,923	7,326	Expenses relating to administrative departments of parent company
Amount of corporate assets included in “elimination or corporate” column	29,214	37,262	Cash and time deposits and investment in securities of parent company, and assets relating to administrative departments of parent company

4. “Depreciation and amortization” and “capital expenditure” include amortization and increase of long-term prepaid expenses.

2. Segment information for geographic locations

Segment information by geographic area is not disclosed pursuant to regulations on consolidated financial statements in Japan, since both net sales and assets of the Company and its domestic consolidated subsidiaries, taken as a whole, were more than 90% of consolidated net sales and assets.

3. Overseas sales

Information on overseas sales is not disclosed pursuant to regulations on consolidated financial statements in Japan, since the aggregate of the overseas sales of the Company and its domestic consolidated subsidiaries and overseas consolidated subsidiaries, was less than 10% of consolidated net sales.