

Financial Report for the Third Quarter of the Fiscal Year Ending December 31, 2008 (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 2008 (From January 1, 2008 to September 30, 2008)

(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 FY2008	356,802	1.6	21,789	(1.7)	22,217	(1.3)	12,173	(13.7)
3rd Quarter FY2007	351,153	7.9	22,170	15.1	22,511	15.3	14,113	21.0
Fiscal Year 2007	469,481	–	30,051	–	30,520	–	18,856	–

	Net income per share	Diluted net income per share
	yen	yen
3rd Quarter FY2008	385.22	384.91
3rd Quarter FY2007	446.61	446.60
Fiscal Year 2007	596.69	596.56

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
September 30, 2008	198,239	95,584	47.8	2,997.42
September 30, 2007	193,997	84,047	42.7	2,618.88
December 31, 2007	200,383	88,000	43.5	2,761.20

(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 FY2008	12,769	(5,053)	(4,278)	28,812
3rd Quarter FY2007	13,282	(3,114)	(4,215)	24,226
Fiscal Year 2007	16,654	(4,555)	(4,271)	25,374

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

Regarding the financial forecast for the fiscal year ending December 31, 2008, there is no change from the forecast announced on February 5, 2008.

(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	489,000	4.2	30,900	2.8	31,200	2.2

	Net income		Net income per share
	Millions of yen	%	yen
Full-Year	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.

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 FY2007 (As of Sep. 30, 2007)		Third Quarter FY2008 (As of Sep. 30, 2008)		Increase (Decrease)		Fiscal Year 2007 (As of Dec. 31, 2007)	
	Amount	% of Total	Amount	% of Total	Amount	Change	Amount	% of Total
Assets		%		%		%		%
Current assets	124,464	64.2	129,767	65.5	5,302	4.3	130,353	65.1
Cash and time deposits	23,640		23,216		(424)		24,785	
Notes and accounts receivable	70,428		68,291		(2,137)		75,343	
Securities	–		4,996		4,996		–	
Inventories	17,690		18,161		471		16,923	
Others	12,705		15,101		2,396		13,300	
Fixed assets	69,532	35.8	68,471	34.5	(1,060)	(1.5)	70,030	34.9
Tangible fixed assets	50,583		48,436		(2,146)		49,963	
Intangible fixed assets	4,589		4,775		185		4,838	
Investments and other assets	14,358		15,259		900		15,228	
Total assets	193,997	100.0	198,239	100.0	4,242	2.2	200,383	100.0
Liabilities								
Current liabilities	103,569	53.4	99,267	50.1	(4,301)	(4.2)	108,551	54.2
Notes and accounts payable	68,766		65,167		(3,598)		69,925	
Short-term bank loans	7,464		9,840		2,375		9,921	
Others	27,338		24,259		(3,078)		28,705	
Fixed liabilities	6,380	3.3	3,388	1.7	(2,992)	(46.9)	3,831	1.9
Long-term bank loans	2,640		100		(2,540)		130	
Reserve for employees' retirement benefits	1,301		1,387		86		1,316	
Others	2,439		1,900		(538)		2,385	
Total liabilities	109,950	56.7	102,655	51.8	(7,294)	(6.6)	112,382	56.1
Net assets								
Shareholders' equity	97,156	50.1	109,961	55.5	12,805	13.2	101,899	50.8
Common stock	10,374	5.4	10,374	5.2	–	–	10,374	5.2
Capital surplus	16,254	8.4	16,254	8.2	–	–	16,254	8.1
Retained earnings	70,646	36.4	83,454	42.1	12,807	18.1	75,389	37.6
Treasury stock	(119)	(0.1)	(122)	(0.0)	(2)	–	(120)	(0.1)
Valuation and translation adjustments	(14,394)	(7.4)	(15,238)	(7.7)	(843)	–	(14,639)	(7.3)
Unrealized gains on investment securities	1,246	0.6	423	0.2	(822)	(66.0)	982	0.5
Deferred losses on hedges	–	–	(0)	(0.0)	(0)	–	–	–
Revaluation difference on land	(15,574)	(8.0)	(15,574)	(7.9)	–	–	(15,574)	(7.8)
Foreign currency translation adjustments	(66)	(0.0)	(86)	(0.0)	(20)	–	(47)	(0.0)
Share subscription rights	5	0.0	–	–	(5)	–	–	–
Minority interests	1,279	0.6	860	0.4	(418)	(32.8)	741	0.4
Total net assets	84,047	43.3	95,584	48.2	11,537	13.7	88,000	43.9
Total liabilities and net assets	193,997	100.0	198,239	100.0	4,242	2.2	200,383	100.0

Consolidated Statements of Income

(Millions of yen)

	Third Quarter FY2007 (From Jan. 1 to Sep. 30, 2007)		Third Quarter FY2008 (From Jan. 1 to Sep. 30, 2008)		Increase (Decrease)		Fiscal Year 2007 (From Jan. 1 to Dec. 31, 2007)	
	Amount	Ratio to Net sales	Amount	Ratio to Net sales	Amount	Change	Amount	Ratio to Net sales
		%		%		%		%
Net sales	351,153	100.0	356,802	100.0	5,648	1.6	469,481	100.0
Cost of sales	269,362	76.7	274,599	77.0	5,236	1.9	360,435	76.8
Gross profit	81,790	23.3	82,202	23.0	411	0.5	109,046	23.2
Selling, general and administrative expenses	59,620	17.0	60,412	16.9	792	1.3	78,994	16.8
Operating income	22,170	6.3	21,789	6.1	(380)	(1.7)	30,051	6.4
Non-operating income	455	0.1	541	0.1	86	19.0	654	0.1
Non-operating expenses	113	0.0	113	0.0	(0)	(0.3)	185	0.0
Recurring profit	22,511	6.4	22,217	6.2	(293)	(1.3)	30,520	6.5
Extraordinary gains	4,443	1.3	81	0.0	(4,361)	(98.2)	4,423	0.9
Extraordinary losses	1,273	0.4	1,199	0.3	(74)	(5.8)	1,346	0.3
Income before income taxes and minority interests	25,681	7.3	21,099	5.9	(4,581)	(17.8)	33,597	7.1
Income taxes	11,388	3.2	8,746	2.4	(2,641)	(23.2)	14,492	3.1
Minority interests	178	0.1	179	0.1	0	0.4	247	0.0
Net income	14,113	4.0	12,173	3.4	(1,940)	(13.7)	18,856	4.0

Consolidated Statements of Changes in Net Assets

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

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' 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 shareholders' 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 shareholders' 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

Third Quarter of Fiscal Year 2008 (From January 1, 2008 to September 30, 2008)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of December 31, 2007	10,374	16,254	75,389	(120)	101,899
Changes during the third quarter FY2008					
Dividends from surplus			(4,108)		(4,108)
Net income			12,173		12,173
Purchase of treasury stock				(2)	(2)
Net changes during the third quarter FY2008 other than shareholders' equity					
Total changes during the third quarter FY2008	-	-	8,065	(2)	8,062
Balance as of September 30, 2008	10,374	16,254	83,454	(122)	109,961

(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, 2007	982	-	(15,574)	(47)	(14,639)	741	88,000
Changes during the third quarter FY2008							
Dividends from surplus							(4,108)
Net income							12,173
Purchase of treasury stock							(2)
Net changes during the third quarter FY2008 other than shareholders' equity	(559)	(0)	-	(38)	(598)	119	(479)
Total changes during the third quarter FY2008	(559)	(0)	-	(38)	(598)	119	7,583
Balance as of September 30, 2008	423	(0)	(15,574)	(86)	(15,238)	860	95,584

Consolidated Statements of Changes in Net Assets

Fiscal Year 2007 (From January 1, 2007 to December 31, 2007)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' 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 shareholders' 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 shareholders' 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)

	Third Quarter FY2007 (From Jan. 1 to Sep. 30, 2007)	Third Quarter FY2008 (From Jan. 1 to Sep. 30, 2008)	Increase (Decrease)	Fiscal Year 2007 (From Jan. 1 to Dec. 31, 2007)
	Amount	Amount	Amount	Amount
Cash flows from operating activities				
Income before income taxes and minority Interests	25,681	21,099	(4,581)	33,597
Depreciation and amortization	3,906	4,436	530	5,388
Increase (decrease) in reserve for employees' retirement benefits	(5,767)	277	6,044	(6,331)
(Increase) decrease in notes and accounts receivable	(1,398)	7,060	8,459	(6,324)
(Increase) decrease in inventories	(1,138)	(1,237)	(99)	(465)
Increase (decrease) in notes and accounts payable	(1,266)	(4,757)	(3,490)	21
Others	3,504	262	(3,242)	1,059
Subtotal	23,520	27,141	3,621	26,946
Income taxes paid	(10,284)	(14,448)	(4,163)	(10,311)
Others	46	75	29	19
Net cash provided by operating activities	13,282	12,769	(513)	16,654
Cash flows from investing activities				
Payments for purchase of tangible fixed assets	(2,044)	(2,192)	(147)	(2,528)
Payments for software development	(1,709)	(1,745)	(36)	(2,567)
Payments for purchase of investments in securities	(160)	(1,288)	(1,128)	(279)
Others	799	173	(625)	819
Net cash used in investing activities	(3,114)	(5,053)	(1,938)	(4,555)
Cash flows from financing activities				
Increase (decrease) in short-term bank loans, net	(350)	—	350	(350)
Proceeds from long-term bank loans	200	—	(200)	200
Repayments of long-term bank loans	(599)	(111)	488	(652)
Cash dividends paid	(3,629)	(4,104)	(474)	(3,632)
Others	164	(62)	(226)	163
Net cash used in financing activities	(4,215)	(4,278)	(63)	(4,271)
Effect of exchange rate changes on cash and cash equivalents	(31)	—	31	(25)
Net increase (decrease) in cash and cash equivalents	5,920	3,437	(2,483)	7,802
Cash and cash equivalents at beginning of period	18,305	25,374	7,069	18,305
Decrease in cash and cash equivalents due to exclusion of subsidiaries from scope of consolidation	—	—	—	(732)
Cash and cash equivalents at end of period	24,226	28,812	4,586	25,374

Segment Information

Information by Business Segment

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

Third Quarter of Fiscal Year 2008 (From January 1, 2008 to September 30, 2008) (Millions of yen)

	System Integration business	Service and Support business	Other business	Total	Elimination or corporate	Consolidated total
Net sales						
Outside customers	206,973	148,268	1,559	356,802	–	356,802
Inter-segment sales/transfers	141	197	1,685	2,024	(2,024)	–
Total	207,114	148,466	3,245	358,826	(2,024)	356,802
Costs and expenses	188,648	139,450	3,098	331,196	3,815	335,012
Operating income	18,466	9,016	146	27,629	(5,839)	21,789

Fiscal Year 2007 (From January 1, 2007 to 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	24,404	12,769	140	37,314	(7,262)	30,051