

Financial Report for the First Three Months of the Fiscal Year Ending December 31, 2010 (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)

Scheduled date to file Quarterly Report: May 13, 2010

Scheduled date to commence dividend payments: –

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

1. Financial Results for the First Three Months of the Fiscal Year 2010 (From January 1, 2010 to March 31, 2010)

(1) Results of operations (cumulative) (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	%
Three months ended								
March 31, 2010	124,734	8.5	4,883	6.2	5,079	11.2	2,822	13.1
March 31, 2009	114,910	–	4,599	–	4,569	–	2,494	–

	Net income per share	Diluted net income per share
	yen	yen
Three months ended		
March 31, 2010	89.30	89.16
March 31, 2009	78.93	–

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
As of				
March 31, 2010	218,386	101,188	46.0	3,182.02
December 31, 2009	198,076	102,779	51.4	3,219.46

Reference) Equity:

As of March 31, 2010: 100,556 million yen; As of December 31, 2009: 101,740 million yen

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
	yen	yen	yen	yen	yen
Fiscal Year 2009	–	0.00	–	130.00	130.00
Fiscal Year 2010	–				
Fiscal Year 2010 (forecast)		0.00	–	130.00	130.00

Note) Revision of the forecasts in the first quarter of the fiscal year 2010: No

3. Financial Forecasts for the Fiscal Year 2010 (From January 1, 2010 to December 31, 2010)

(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
Six months ending June 30, 2010	234,600	2.8	11,100	0.1	11,340	0.8	6,230	(1.9)	197.14
Full-Year	451,000	4.9	16,700	3.8	17,000	3.5	9,160	4.3	289.86

- Notes) 1. Revision of the forecasts in the first quarter of the fiscal year 2010: No
 2. 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 period (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of simplified accounting and specific accounting for preparing the quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements (changes described in the section indicating changes in significant matters forming the basis of preparing the quarterly consolidated financial statements)
- 1) Changes due to revisions to accounting standards and other regulations: Yes
- 2) Changes due to other reasons: No
- (4) Number of shares issued (common stock)
- 1) Number of shares issued at the end of the period (including treasury stock):
- | | |
|--------------------------|-------------------|
| As of March 31, 2010: | 31,667,020 shares |
| As of December 31, 2009: | 31,667,020 shares |
- 2) Number of treasury shares at the end of the period:
- | | |
|--------------------------|---------------|
| As of March 31, 2010: | 65,558 shares |
| As of December 31, 2009: | 65,425 shares |
- 3) Average number of shares during the period (cumulative from the beginning of the fiscal year):
- | | |
|------------------------------------|-------------------|
| Three months ended March 31, 2010: | 31,601,477 shares |
| Three months ended March 31, 2009: | 31,601,678 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)

	As of March 31, 2010	As of December 31, 2009 (Summary)
Assets		
Current assets		
Cash and deposits	24,688	27,716
Notes and accounts receivable-trade	89,376	70,540
Short-term investment securities	4,998	4,998
Merchandise	15,306	14,191
Work in process	1,424	1,179
Raw materials and supplies	1,054	1,065
Other	16,300	14,497
Allowance for doubtful accounts	(633)	(459)
Total current assets	152,516	133,729
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	25,246	25,399
Other, net	22,138	20,864
Total property, plant and equipment	47,385	46,264
Intangible assets	5,837	5,604
Investments and other assets		
Investment securities	5,919	5,824
Other	7,778	7,726
Allowance for doubtful accounts	(1,016)	(1,037)
Allowance for investment loss	(34)	(34)
Total investments and other assets	12,647	12,478
Total noncurrent assets	65,870	64,347
Total assets	218,386	198,076

(Millions of yen)

	As of March 31, 2010	As of December 31, 2009 (Summary)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	81,919	63,490
Short-term loans payable	8,340	8,340
Income taxes payable	2,132	2,516
Provision for bonuses	6,292	2,398
Other	15,394	15,548
Total current liabilities	114,078	92,293
Noncurrent liabilities		
Long-term loans payable	40	50
Provision for retirement benefits	1,667	1,641
Provision for directors' retirement benefits	496	483
Other	915	828
Total noncurrent liabilities	3,119	3,004
Total liabilities	117,197	95,297
Net assets		
Shareholders' equity		
Capital stock	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	88,020	89,307
Treasury stock	(123)	(123)
Total shareholders' equity	114,526	115,813
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	471	380
Revaluation reserve for land	(14,331)	(14,331)
Foreign currency translation adjustment	(110)	(122)
Total valuation and translation adjustments	(13,970)	(14,073)
Minority interests	631	1,039
Total net assets	101,188	102,779
Total liabilities and net assets	218,386	198,076

Consolidated Statements of Income

(Millions of yen)

	Three months ended March 31, 2009	Three months ended March 31, 2010
Net sales	114,910	124,734
Cost of sales	90,360	99,359
Gross profit	24,549	25,375
Selling, general and administrative expenses	19,949	20,492
Operating income	4,599	4,883
Non-operating income		
Interest income	12	10
Interest on securities	9	4
Dividends income	11	9
House rent income	53	52
Equity in earnings of affiliates	–	101
Other	31	55
Total non-operating income	117	233
Non-operating expenses		
Interest expenses	31	23
Equity in losses of affiliates	105	–
Foreign exchange losses	–	13
Other	10	0
Total non-operating expenses	147	37
Ordinary income	4,569	5,079
Extraordinary income		
Reversal of allowance for doubtful accounts	–	1
Gain on change in equity	6	–
Total extraordinary income	6	1
Extraordinary loss		
Loss on retirement of noncurrent assets	6	35
Impairment loss	1	6
Loss on valuation of investment securities	5	–
Provision of allowance for doubtful accounts	33	6
Other	–	18
Total extraordinary losses	47	65
Income before income taxes and minority interests	4,528	5,014
Income taxes	1,954	2,150
Minority interests in income	79	42
Net income	2,494	2,822

Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended March 31, 2009	Three months ended March 31, 2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	4,528	5,014
Depreciation and amortization	1,334	1,378
Impairment loss	1	6
Increase (decrease) in allowance for doubtful accounts	211	153
Interest and dividends income	(23)	(19)
Interest income on securities	(9)	(4)
Interest expenses	31	23
Equity in (earnings) losses of affiliates	105	(101)
Loss on retirement of noncurrent assets	6	35
Decrease (increase) in notes and accounts receivable-trade	(9,735)	(18,858)
Decrease (increase) in inventories	(436)	(1,345)
Increase (decrease) in notes and accounts payable-trade	11,084	18,499
Loss (gain) on valuation of investment securities	5	–
Loss (gain) on change in equity	(6)	–
Increase (decrease) in provision for retirement benefits	641	49
Other, net	1,898	1,832
Subtotal	9,639	6,663
Interest and dividends income received	32	24
Interest expenses paid	(9)	(7)
Income taxes paid	(5,042)	(2,304)
Net cash provided by (used in) operating activities	4,619	4,376
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(443)	(1,884)
Purchase of software	(844)	(798)
Purchase of investment securities	(6)	(6)
Purchase of investments in subsidiaries	–	(490)
Payments of long-term loans receivable	(3)	(5)
Collection of long-term loans receivable	51	39
Other, net	(171)	330
Net cash provided by (used in) investing activities	(1,417)	(2,815)

(Millions of yen)

	Three months ended March 31, 2009	Three months ended March 31, 2010
Net cash provided by (used in) financing activities		
Repayment of long-term loans payable	(10)	(10)
Cash dividends paid	(4,109)	(4,109)
Other, net	(70)	(59)
Net cash provided by (used in) financing activities	(4,189)	(4,178)
Effect of exchange rate change on cash and cash equivalents	(0)	0
Net increase (decrease) in cash and cash equivalents	(987)	(2,617)
Cash and cash equivalents at beginning of period	27,169	32,806
Cash and cash equivalents at end of period	26,182	30,188

Segment Information

Information by Business Segment

Three months ended March 31, 2009

(Millions of yen)

	System Integration business	Service and Support business	Other business	Total	Elimination or corporate	Consolidated total
Net sales						
(1) Outside customers	63,956	50,641	311	114,910	–	114,910
(2) Inter-segment sales/transfers	56	82	510	650	(650)	–
Total	64,013	50,724	822	115,560	(650)	114,910
Operating income (loss)	4,545	2,013	(4)	6,554	(1,954)	4,599

Three months ended March 31, 2010

(Millions of yen)

	System Integration business	Service and Support business	Other business	Total	Elimination or corporate	Consolidated total
Net sales						
(1) Outside customers	72,196	52,171	366	124,734	–	124,734
(2) Inter-segment sales/transfers	46	74	587	708	(708)	–
Total	72,243	52,245	954	125,443	(708)	124,734
Operating income (loss)	4,907	1,865	49	6,821	(1,938)	4,883