

**Financial Report for the Six Months of
the Fiscal Year Ending December 31, 2014 (Consolidated)
<under Japanese GAAP>**

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: Yasuhiro Wakamatsu, Managing Director & Operating Officer (Tel: +81-3-3264-7111)

Scheduled date to file Quarterly Securities Report: August 11, 2014

Scheduled date to commence dividend payments: —

Preparation of supplementary material on quarterly financial results: Yes

Holding of quarterly financial results presentation meeting: Yes (for analysts)

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

1. Financial Results for the Six Months of the Fiscal Year 2014 (From January 1, 2014 to June 30, 2014)

(1) Results of operations (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	%
Six months ended								
June 30, 2014	332,411	16.8	24,286	24.6	24,796	32.9	15,016	34.2
June 30, 2013	284,623	6.8	19,486	15.4	18,656	7.3	11,189	12.7

Notes) Comprehensive Income: Six months ended June 30, 2014: 15,467 million yen [25.5%]

Six months ended June 30, 2013: 12,323 million yen [20.7%]

	Net income per share	Diluted net income per share
Six months ended	yen	yen
June 30, 2014	158.40	—
June 30, 2013	118.03	—

* The Company conducted a 3-for-1 stock split for shares of common stock of the Company with July 1, 2014 as the effective date. Accordingly, the amount of net income per share is calculated based on the assumption that the share split was conducted at the beginning of the previous fiscal year (fiscal year 2013). The net income per share, calculated without considering the share split, are 475.19 yen for the six months ended June 30, 2014 and 354.08 yen for the six months ended June 30, 2013.

(2) Financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2014	313,916	152,905	48.4
December 31, 2013	279,589	145,066	51.6

Reference) Equity: As of June 30, 2014: 151,941 million yen; As of December 31, 2013: 144,150 million yen

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
Fiscal Year 2013	— yen	0.00 yen	— yen	235.00 yen	235.00 yen
Fiscal Year 2014	—	0.00			
Fiscal Year 2014 (forecast)			—	80.00	80.00

Note) Revision of the forecasts from recently announced figures: No

* The Company conducted a 3-for-1 stock split for shares of common stock of the Company with July 1, 2014 as the effective date. Accordingly, the amounts stated for the year-end dividends per share for the fiscal year 2014 (forecast) are calculated after taking the share split into consideration. The year-end dividend per share for the fiscal year 2014 (forecast), calculated without considering the share split, is 240 yen.

3. Financial Forecasts for the Fiscal Year 2014 (From January 1, 2014 to December 31, 2014)

(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
Full-Year	600,000	6.3	37,000	9.1	37,500	11.9	21,980	8.4	231.85

Notes) 1. Revision of the forecasts from recently announced figures: No

2. The above forecasts are based on the information available as of the date of publication of this document.

Actual results are subject to change due to various future events and may differ from these figures.

* The Company conducted a 3-for-1 stock split for shares of common stock of the Company with July 1, 2014 as the effective date. Accordingly, the amounts stated for net income per share in the financial forecast for the fiscal year 2014 are calculated after taking the share split into consideration. The net income per share in the financial forecast for the fiscal year 2014, calculated without considering the share split is 695.55 yen.

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of specific accounting for preparing the quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatements
- 1) Changes in accounting policies due to revisions to accounting standards, etc.: No
 - 2) Changes due to accounting policies other than 1): No
 - 3) Changes in accounting estimates: No
 - 4) Restatements: No
- (4) Number of shares issued (common shares)
- 1) Number of shares issued at the end of the period (including treasury shares):

As of June 30, 2014:	95,001,060 shares
As of December 31, 2013:	95,001,060 shares
 - 2) Number of shares of treasury shares at the end of the period:

As of June 30, 2014:	198,279 shares
As of December 31, 2013:	198,279 shares
 - 3) Average number of shares during the period:

Six months ended June 30, 2014:	94,802,781 shares
Six months ended June 30, 2013:	94,802,988 shares

* The Company conducted a 3-for-1 stock split for shares of common stock of the Company with July 1, 2014 as the effective date. Accordingly, the number of shares is calculated based on the assumption that the share split was conducted at the beginning of the previous fiscal year (fiscal year 2013).

*** Indication regarding execution of quarterly review procedures**

This quarterly financial report is not subject to the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial report, the quarterly review procedures are in progress.

*** 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.**

Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2013	As of June 30, 2014
<hr/>		
Assets		
Current assets		
Cash and deposits	69,347	91,989
Notes and accounts receivable - trade	99,664	103,568
Securities	5,700	5,800
Merchandise	18,864	20,677
Work in process	934	675
Raw materials and supplies	843	751
Other	20,747	23,482
Allowance for doubtful accounts	(160)	(160)
Total current assets	<hr/> 215,940	<hr/> 246,784
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	23,772	23,141
Other, net	20,202	20,557
Total property, plant and equipment	<hr/> 43,974	<hr/> 43,698
Intangible assets	5,172	6,396
Investments and other assets		
Investment securities	7,584	9,323
Other	8,419	8,044
Allowance for doubtful accounts	(1,501)	(331)
Total investments and other assets	<hr/> 14,502	<hr/> 17,036
Total non-current assets	<hr/> 63,648	<hr/> 67,131
Total assets	<hr/> 279,589	<hr/> 313,916

(Millions of yen)

	As of December 31, 2013	As of June 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	70,509	74,979
Electronically recorded obligations - operating	14,546	18,712
Short-term loans payable	6,950	6,950
Income taxes payable	7,034	10,074
Provision for bonuses	3,097	3,473
Other	26,764	40,477
Total current liabilities	128,903	154,666
Non-current liabilities		
Provision for retirement benefits	2,288	2,385
Provision for directors' retirement benefits	535	545
Asset retirement obligations	227	220
Other	2,567	3,192
Total non-current liabilities	5,618	6,344
Total liabilities	134,522	161,010
Net assets		
Shareholders' equity		
Capital stock	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	129,640	137,076
Treasury shares	(127)	(127)
Total shareholders' equity	156,142	163,578
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,314	2,645
Revaluation reserve for land	(14,304)	(14,257)
Foreign currency translation adjustment	(0)	(23)
Total valuation and translation adjustments	(11,991)	(11,636)
Minority interests	915	963
Total net assets	145,066	152,905
Total liabilities and net assets	279,589	313,916

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen)

	Six months ended June 30, 2013	Six months ended June 30, 2014
Net sales	284,623	332,411
Cost of sales	220,706	260,334
Gross profit	63,917	72,076
Selling, general and administrative expenses	44,431	47,789
Operating income	19,486	24,286
Non-operating income		
Interest income	28	21
Dividend income	37	38
House rent income	116	110
Share of profit of entities accounted for using equity method	—	171
Other	168	203
Total non-operating income	351	545
Non-operating expenses		
Interest expenses	33	31
Provision of allowance for doubtful accounts	1,066	—
Share of loss of entities accounted for using equity method	79	—
Other	1	3
Total non-operating expenses	1,181	35
Ordinary income	18,656	24,796
Extraordinary income		
Gain on sales of investment securities	105	29
Gain on sales of non-current assets	—	28
Compensation income	32	52
Other	0	—
Total extraordinary income	138	110
Extraordinary losses		
Loss on retirement of non-current assets	23	28
Provision of allowance for doubtful accounts	96	—
Other	2	5
Total extraordinary losses	122	34
Income before income taxes	18,672	24,873
Income taxes	7,405	9,760
Income before minority interests	11,266	15,112
Minority interests in income	77	95
Net income	11,189	15,016

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2013	Six months ended June 30, 2014
Income before minority interests	11,266	15,112
Other comprehensive income		
Valuation difference on available-for-sale securities	999	333
Share of other comprehensive income of entities accounted for using equity method	56	(25)
Revaluation reserve for land	—	46
Total other comprehensive income	1,056	354
Comprehensive income	12,323	15,467
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,245	15,371
Comprehensive income attributable to minority interests	78	95

Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended June 30, 2013	Six months ended June 30, 2014
Cash flows from operating activities		
Income before income taxes	18,672	24,873
Depreciation	2,730	2,504
Increase (decrease) in allowance for doubtful accounts	966	(103)
Interest and dividend income	(66)	(59)
Interest expenses	33	31
Share of (profit) loss of entities accounted for using equity method	79	(171)
Loss (gain) on sales of investment securities	(105)	(29)
Loss (gain) on sales of non-current assets	—	(28)
Loss on retirement of non-current assets	23	28
Decrease (increase) in notes and accounts receivable - trade	(8,750)	(3,970)
Decrease (increase) in inventories	(42)	(1,476)
Increase (decrease) in notes and accounts payable - trade	12,106	8,677
Increase (decrease) in accrued expenses	8,451	9,500
Increase (decrease) in provision for retirement benefits	(31)	(210)
Other, net	(439)	1,753
Subtotal	33,627	41,317
Interest and dividend income received	65	57
Interest expenses paid	(33)	(31)
Income taxes paid	(7,605)	(6,764)
Net cash provided by (used in) operating activities	26,054	34,579
Cash flows from investing activities		
Purchase of property, plant and equipment	(872)	(1,106)
Purchase of software	(1,548)	(2,331)
Proceeds from sales of investment securities	120	29
Payments of long-term loans receivable	(218)	(1)
Collection of long-term loans receivable	15	11
Other, net	331	125
Net cash provided by (used in) investing activities	(2,171)	(3,272)

(Millions of yen)

	Six months ended June 30, 2013	Six months ended June 30, 2014
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(50)	—
Cash dividends paid	(6,316)	(7,421)
Other, net	(39)	(47)
Net cash provided by (used in) financing activities	(6,406)	(7,469)
Net increase (decrease) in cash and cash equivalents	17,475	23,837
Cash and cash equivalents at beginning of period	68,113	76,863
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(60)
Cash and cash equivalents at end of period	85,589	100,641

Segment Information

Information concerning net sales and income/loss by reportable segment

Six months ended June 30, 2013

(Millions of yen)

	Reportable segment			Other	Total	Adjustment	Amount recorded in quarterly consolidated statements of income
	System Integration business	Service and Support business	Total				
Net sales							
Outside customers	168,260	116,026	284,287	336	284,623	—	284,623
Inter-segment sales/transfers	35	241	276	763	1,040	(1,040)	—
Total	168,296	116,267	284,564	1,099	285,663	(1,040)	284,623
Segment profit	17,747	5,734	23,482	37	23,519	(4,033)	19,486

Six months ended June 30, 2014

(Millions of yen)

	Reportable segment			Other	Total	Adjustment	Amount recorded in quarterly consolidated statements of income
	System Integration business	Service and Support business	Total				
Net sales							
Outside customers	210,004	122,216	332,221	190	332,411	—	332,411
Inter-segment sales/transfers	49	222	271	65	337	(337)	—
Total	210,054	122,438	332,492	255	332,748	(337)	332,411
Segment profit	21,562	6,743	28,305	27	28,332	(4,045)	24,286