

**Financial Report for the Nine 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: November 12, 2014

Scheduled date to commence dividend payments: —

Preparation of supplementary material on quarterly financial results: Yes

Holding of quarterly financial results presentation meeting: No

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

1. Financial Results for the Nine Months of the Fiscal Year 2014 (From January 1, 2014 to September 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	%
Nine months ended								
September 30, 2014	463,210	11.9	28,567	16.5	29,326	22.8	17,454	21.3
September 30, 2013	413,906	7.7	24,519	16.6	23,877	9.7	14,392	15.8

Notes) Comprehensive Income: Nine months ended September 30, 2014: 17,906 million yen [10.0%]

Nine months ended September 30, 2013: 16,279 million yen [27.8%]

	Net income per share	Diluted net income per share
Nine months ended	yen	yen
September 30, 2014	184.11	—
September 30, 2013	151.81	—

* 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 552.33 yen for the nine months ended September 30, 2014 and 455.44 yen for the nine months ended September 30, 2013.

(2) Financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2014	286,431	155,415	53.9
December 31, 2013	279,589	145,066	51.6

Reference) Equity: As of September 30, 2014: 154,395 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 September 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 September 30, 2014: | 199,910 shares |
| As of December 31, 2013: | 198,279 shares |
- 3) Average number of shares during the period:
- | | |
|---------------------------------------|-------------------|
| Nine months ended September 30, 2014: | 94,802,279 shares |
| Nine months ended September 30, 2013: | 94,802,934 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 September 30, 2014
<hr/>		
Assets		
Current assets		
Cash and deposits	69,347	83,072
Notes and accounts receivable - trade	99,664	89,247
Securities	5,700	5,800
Merchandise	18,864	18,157
Work in process	934	884
Raw materials and supplies	843	735
Other	20,747	21,665
Allowance for doubtful accounts	(160)	(144)
Total current assets	<hr/> 215,940	<hr/> 219,418
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	23,772	22,316
Other, net	20,202	20,289
Total property, plant and equipment	<hr/> 43,974	<hr/> 42,606
Intangible assets	5,172	7,547
Investments and other assets		
Investment securities	7,584	9,238
Other	8,419	7,903
Allowance for doubtful accounts	(1,501)	(282)
Total investments and other assets	<hr/> 14,502	<hr/> 16,859
Total non-current assets	<hr/> 63,648	<hr/> 67,013
Total assets	<hr/> 279,589	<hr/> 286,431

(Millions of yen)

As of December 31, 2013 As of September 30, 2014

	As of December 31, 2013	As of September 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable - trade	70,509	60,112
Electronically recorded obligations - operating	14,546	15,845
Short-term loans payable	6,950	6,950
Income taxes payable	7,034	5,625
Provision for bonuses	3,097	8,106
Other	26,764	28,096
Total current liabilities	128,903	124,735
Non-current liabilities		
Provision for retirement benefits	2,288	2,405
Provision for directors' retirement benefits	535	563
Asset retirement obligations	227	215
Other	2,567	3,096
Total non-current liabilities	5,618	6,280
Total liabilities	134,522	131,016
Net assets		
Shareholders' equity		
Capital stock	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	129,640	139,592
Treasury shares	(127)	(135)
Total shareholders' equity	156,142	166,085
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,314	2,627
Revaluation reserve for land	(14,304)	(14,335)
Foreign currency translation adjustment	(0)	17
Total accumulated other comprehensive income	(11,991)	(11,690)
Minority interests	915	1,020
Total net assets	145,066	155,415
Total liabilities and net assets	279,589	286,431

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen)

	Nine months ended September 30, 2013	Nine months ended September 30, 2014
Net sales	413,906	463,210
Cost of sales	322,731	363,577
Gross profit	91,174	99,633
Selling, general and administrative expenses	66,654	71,066
Operating income	24,519	28,567
Non-operating income		
Interest income	39	32
Dividend income	42	44
House rent income	175	174
Share of profit of entities accounted for using equity method	—	175
Other	244	382
Total non-operating income	501	808
Non-operating expenses		
Interest expenses	49	48
Provision of allowance for doubtful accounts	1,066	—
Share of loss of entities accounted for using equity method	23	—
Other	4	1
Total non-operating expenses	1,143	49
Ordinary income	23,877	29,326
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	111
Extraordinary losses		
Loss on sales of non-current assets	—	393
Loss on retirement of non-current assets	30	40
Provision of allowance for doubtful accounts	96	—
Other	21	6
Total extraordinary losses	148	439
Income before income taxes and minority interests	23,867	28,997
Income taxes	9,359	11,391
Income before minority interests	14,508	17,606
Minority interests in income	115	151
Net income	14,392	17,454

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended September 30, 2013	Nine months ended September 30, 2014
Income before minority interests	14,508	17,606
Other comprehensive income		
Valuation difference on available-for-sale securities	1,710	316
Share of other comprehensive income of entities accounted for using equity method	61	15
Revaluation reserve for land	—	(31)
Total other comprehensive income	1,771	300
Comprehensive income	16,279	17,906
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	16,162	17,754
Comprehensive income attributable to minority interests	116	151

Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended September 30, 2013	Nine months ended September 30, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	23,867	28,997
Depreciation	3,994	3,871
Increase (decrease) in allowance for doubtful accounts	904	(170)
Interest and dividend income	(81)	(76)
Interest expenses	49	48
Share of (profit) loss of entities accounted for using equity method	23	(175)
Loss (gain) on sales of investment securities	(105)	(29)
Compensation income	(32)	(52)
Loss (gain) on sales of non-current assets	—	365
Loss on retirement of non-current assets	30	40
Decrease (increase) in notes and accounts receivable - trade	3,441	10,395
Decrease (increase) in inventories	(3,292)	849
Increase (decrease) in notes and accounts payable - trade	(384)	(9,056)
Other, net	1,837	3,751
Subtotal	<u>30,252</u>	<u>38,757</u>
Interest and dividend income received	129	146
Interest expenses paid	(38)	(37)
Proceeds from compensation	32	52
Income taxes paid	(13,625)	(12,775)
Net cash provided by (used in) operating activities	<u>16,750</u>	<u>26,143</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,149)	(1,592)
Proceeds from sales of property, plant and equipment	—	465
Purchase of software	(2,264)	(3,545)
Proceeds from sales of investment securities	120	30
Payments of long-term loans receivable	(218)	(7)
Collection of long-term loans receivable	24	18
Other, net	241	(154)
Net cash provided by (used in) investing activities	<u>(3,246)</u>	<u>(4,785)</u>

(Millions of yen)

	Nine months ended September 30, 2013	Nine months ended September 30, 2014
Cash flows from financing activities		
Cash dividends paid	(6,319)	(7,424)
Other, net	(90)	(55)
Net cash provided by (used in) financing activities	(6,409)	(7,480)
Net increase (decrease) in cash and cash equivalents	7,094	13,877
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	75,208	90,681

Segment Information

Information concerning net sales and income/loss by reportable segment

Nine months ended September 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	241,666	171,755	413,421	484	413,906	—	413,906
Inter-segment sales/transfers	46	369	415	1,148	1,564	(1,564)	—
Total	241,712	172,125	413,837	1,632	415,470	(1,564)	413,906
Segment profit	22,961	7,455	30,417	46	30,463	(5,944)	24,519

Nine months ended September 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	282,086	180,838	462,924	286	463,210	—	463,210
Inter-segment sales/transfers	66	316	382	103	486	(486)	—
Total	282,152	181,154	463,307	389	463,697	(486)	463,210
Segment profit	26,393	8,004	34,398	44	34,442	(5,875)	28,567