

**Financial Report for the Six Months of  
the Fiscal Year Ending December 31, 2015 (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, 2015

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 2015 (From January 1, 2015 to June 30, 2015)**

**(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, 2015	317,933	(4.4)	23,173	(4.6)	23,697	(4.4)	14,649	(2.4)
June 30, 2014	332,411	16.8	24,286	24.6	24,796	32.9	15,016	34.2

Notes) Comprehensive Income: Six months ended June 30, 2015: 15,346 million yen [(0.8)%]

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

	Net income per share	Diluted net income per share
Six months ended	yen	yen
June 30, 2015	154.53	—
June 30, 2014	158.40	—

\* 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 for the six months ended June 30, 2014 is calculated based on the assumption that the share split was conducted at the beginning of the previous fiscal year (fiscal year 2014).

**(2) Financial position**

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2015	329,245	164,978	49.8
December 31, 2014	305,513	164,347	53.4

Reference) Equity: As of June 30, 2015: 163,856 million yen; As of December 31, 2014: 163,277 million yen

## 2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
	yen	yen	yen	yen	yen
Fiscal Year 2014	—	0.00	—	90.00	90.00
Fiscal Year 2015	—	0.00			
Fiscal Year 2015 (forecast)			—	95.00	95.00

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

## 3. Financial Forecasts for the Fiscal Year 2015 (From January 1, 2015 to December 31, 2015)

(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	618,000	2.0	37,600	1.4	38,300	0.4	23,600	0.6	248.94

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.

**\* 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.: Yes

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, 2015: 95,001,060 shares

As of December 31, 2014: 95,001,060 shares

2) Number of shares of treasury shares at the end of the period:

As of June 30, 2015: 199,980 shares

As of December 31, 2014: 199,910 shares

3) Average number of shares during the period:

Six months ended June 30, 2015: 94,801,115 shares

Six months ended June 30, 2014: 94,802,781 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 average number of shares during the six months ended June 30, 2014 is calculated based on the assumption that the share split was conducted at the beginning of the previous fiscal year (fiscal year 2014).

**\* 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, 2014	As of June 30, 2015
<b>Assets</b>		
Current assets		
Cash and deposits	90,234	105,089
Notes and accounts receivable - trade	98,066	105,780
Securities	5,900	6,500
Merchandise	17,822	18,795
Work in process	993	570
Raw materials and supplies	810	717
Other	21,251	23,405
Allowance for doubtful accounts	(146)	(123)
Total current assets	234,931	260,735
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	22,270	21,721
Other, net	20,092	20,148
Total property, plant and equipment	42,363	41,870
Intangible assets	8,192	9,370
Investments and other assets		
Investment securities	8,671	9,783
Other	11,550	7,662
Allowance for doubtful accounts	(196)	(176)
Total investments and other assets	20,025	17,269
Total non-current assets	70,581	68,510
Total assets	305,513	329,245

(Millions of yen)

	As of December 31, 2014	As of June 30, 2015
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	67,066	75,344
Electronically recorded obligations - operating	15,389	18,727
Short-term loans payable	6,850	6,850
Income taxes payable	8,007	9,263
Provision for bonuses	3,126	3,513
Other	32,841	39,102
Total current liabilities	133,282	152,800
Non-current liabilities		
Provision for directors' retirement benefits	582	611
Net defined benefit liability	2,533	8,098
Asset retirement obligations	215	216
Other	4,551	2,540
Total non-current liabilities	7,882	11,467
Total liabilities	141,165	164,267
Net assets		
Shareholders' equity		
Capital stock	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	145,326	145,332
Treasury shares	(135)	(136)
Total shareholders' equity	171,820	171,826
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,974	3,701
Revaluation reserve for land	(14,069)	(14,056)
Foreign currency translation adjustment	52	87
Remeasurements of defined benefit plans	2,499	2,297
Total accumulated other comprehensive income	(8,543)	(7,969)
Minority interests	1,070	1,121
Total net assets	164,347	164,978
Total liabilities and net assets	305,513	329,245

## **Quarterly Consolidated Statements of Income and Comprehensive Income**

### Quarterly Consolidated Statements of Income

(Millions of yen)

	Six months ended June 30, 2014	Six months ended June 30, 2015
Net sales	332,411	317,933
Cost of sales	260,334	246,542
Gross profit	72,076	71,390
Selling, general and administrative expenses	47,789	48,216
Operating income	24,286	23,173
Non-operating income		
Interest income	21	21
Dividend income	38	43
House rent income	110	126
Share of profit of entities accounted for using equity method	171	192
Other	203	167
Total non-operating income	545	551
Non-operating expenses		
Interest expenses	31	27
Other	3	0
Total non-operating expenses	35	27
Ordinary income	24,796	23,697
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	—	3
Gain on sales of investment securities	29	—
Gain on sales of non-current assets	28	—
Compensation income	52	—
Total extraordinary income	110	3
Extraordinary losses		
Loss on retirement of non-current assets	28	19
Other	5	—
Total extraordinary losses	34	19
Income before income taxes and minority interests	24,873	23,681
Income taxes	9,760	8,908
Income before minority interests	15,112	14,772
Minority interests in income	95	122
Net income	15,016	14,649

## Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2014	Six months ended June 30, 2015
Income before minority interests	15,112	14,772
Other comprehensive income		
Valuation difference on available-for-sale securities	333	720
Remeasurements of defined benefit plans, net of tax	—	(202)
Revaluation reserve for land	46	13
Share of other comprehensive income of entities accounted for using equity method	(25)	42
Total other comprehensive income	354	573
Comprehensive income	15,467	15,346
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15,371	15,223
Comprehensive income attributable to minority interests	95	122

## Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended June 30, 2014	Six months ended June 30, 2015
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	24,873	23,681
Depreciation	2,504	2,845
Increase (decrease) in allowance for doubtful accounts	(103)	(42)
Interest and dividend income	(59)	(65)
Interest expenses	31	27
Share of (profit) loss of entities accounted for using equity method	(171)	(192)
Loss (gain) on sales of investment securities	(29)	—
Loss (gain) on sales of shares of subsidiaries and associates	—	(3)
Loss (gain) on sales of non-current assets	(28)	—
Loss on retirement of non-current assets	28	19
Decrease (increase) in notes and accounts receivable - trade	(3,970)	(7,694)
Decrease (increase) in inventories	(1,476)	(457)
Increase (decrease) in notes and accounts payable - trade	8,677	11,615
Increase (decrease) in accrued expenses	9,500	8,531
Other, net	1,542	(1,859)
Subtotal	41,317	36,406
Interest and dividend income received	57	64
Interest expenses paid	(31)	(27)
Income taxes paid	(6,764)	(7,793)
Net cash provided by (used in) operating activities	34,579	28,649
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,106)	(856)
Purchase of software	(2,331)	(3,207)
Proceeds from sales of investment securities	29	—
Proceeds from sales of shares of subsidiaries and associates	—	21
Collection of long-term loans receivable	11	6
Other, net	124	18
Net cash provided by (used in) investing activities	(3,272)	(4,018)
<b>Cash flows from financing activities</b>		
Cash dividends paid	(7,421)	(8,525)
Other, net	(47)	(62)
Net cash provided by (used in) financing activities	(7,469)	(8,588)
Net increase (decrease) in cash and cash equivalents	23,837	16,042
Cash and cash equivalents at beginning of period	76,863	97,943
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(60)	—
Cash and cash equivalents at end of period	100,641	113,986



## **Segment Information**

### **Information concerning net sales and income/loss by reportable segment**

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

Six months ended June 30, 2015

(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	190,720	127,034	317,755	178	317,933	—	317,933
Inter-segment sales/transfers	53	137	190	90	281	(281)	—
Total	190,774	127,171	317,945	268	318,214	(281)	317,933
Segment profit	20,520	6,513	27,033	31	27,065	(3,891)	23,173