

**Financial Report for the First Three Months of  
the Fiscal Year Ending December 31, 2016 (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: May 12, 2016

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 First Three Months of the Fiscal Year 2016 (From January 1, 2016 to March 31, 2016)**

**(1) Results of operations** (Percentages indicate changes from the same period of the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
March 31, 2016	171,130	7.4	10,031	8.7	10,360	9.0	6,496	13.6
March 31, 2015	159,411	(9.9)	9,225	(24.0)	9,502	(23.8)	5,716	(23.9)

Notes) Comprehensive Income: Three months ended March 31, 2016: 5,825 million yen [(6.1)%]

Three months ended March 31, 2015: 6,201 million yen [(15.2)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	yen	yen
March 31, 2016	68.52	—
March 31, 2015	60.30	—

**(2) Financial position**

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
March 31, 2016	338,554	170,693	50.1
December 31, 2015	324,755	174,402	53.3

Reference) Equity: As of March 31, 2016: 169,523 million yen; As of December 31, 2015: 173,229 million yen

## 2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
	yen	yen	yen	yen	yen
Fiscal Year 2015	—	0.00	—	100.00	100.00
Fiscal Year 2016	—				
Fiscal Year 2016 (forecast)		0.00	—	105.00	105.00

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

## 3. Financial Forecasts for the Fiscal Year 2016 (From January 1, 2016 to December 31, 2016)

(Percentages indicate changes from the same period of the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Six months ending June 30, 2016	336,130	5.7	24,970	7.8	25,224	6.4	15,684	7.1	165.44
Full-Year	639,000	4.9	40,000	7.2	40,500	5.9	25,180	6.2	265.61

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 March 31, 2016: 95,001,060 shares

As of December 31, 2015: 95,001,060 shares

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

As of March 31, 2016: 200,104 shares

As of December 31, 2015: 200,104 shares

3) Average number of shares during the period:

Three months ended March 31, 2016: 94,800,956 shares

Three months ended March 31, 2015: 94,801,150 shares

**\* 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, 2015	As of March 31, 2016
<hr/>		
Assets		
Current assets		
Cash and deposits	100,676	104,012
Notes and accounts receivable - trade	105,055	121,051
Securities	6,900	—
Merchandise	19,499	20,129
Work in process	744	837
Raw materials and supplies	780	793
Other	22,160	22,743
Allowance for doubtful accounts	(135)	(139)
Total current assets	<hr/> 255,679	<hr/> 269,427
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,131	20,596
Other, net	19,996	20,044
Total property, plant and equipment	<hr/> 41,127	<hr/> 40,640
Intangible assets	9,569	10,535
Investments and other assets		
Investment securities	11,013	10,175
Other	7,548	7,962
Allowance for doubtful accounts	(185)	(186)
Total investments and other assets	<hr/> 18,377	<hr/> 17,951
Total non-current assets	<hr/> 69,075	<hr/> 69,127
Total assets	<hr/> 324,755	<hr/> 338,554

(Millions of yen)

	As of December 31, 2015	As of March 31, 2016
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	74,542	88,844
Electronically recorded obligations - operating	17,095	18,410
Short-term loans payable	6,700	7,262
Income taxes payable	7,916	3,584
Provision for bonuses	3,184	8,090
Other	30,085	30,175
Total current liabilities	139,523	156,367
Non-current liabilities		
Provision for directors' retirement benefits	588	596
Net defined benefit liability	7,640	8,307
Asset retirement obligations	217	218
Other	2,383	2,371
Total non-current liabilities	10,829	11,493
Total liabilities	150,352	167,861
Net assets		
Shareholders' equity		
Capital stock	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	154,389	151,405
Treasury shares	(136)	(136)
Total shareholders' equity	180,881	177,897
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,617	4,037
Revaluation reserve for land	(14,055)	(14,049)
Foreign currency translation adjustment	25	(8)
Remeasurements of defined benefit plans	1,759	1,646
Total accumulated other comprehensive income	(7,652)	(8,374)
Non-controlling interests	1,173	1,170
Total net assets	174,402	170,693
Total liabilities and net assets	324,755	338,554

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

### Quarterly Consolidated Statements of Income

(Millions of yen)

	Three months ended March 31, 2015	Three months ended March 31, 2016
Net sales	159,411	171,130
Cost of sales	126,107	136,191
Gross profit	33,303	34,939
Selling, general and administrative expenses	24,078	24,907
Operating income	9,225	10,031
Non-operating income		
Interest income	10	10
Dividend income	10	2
House rent income	63	64
Share of profit of entities accounted for using equity method	170	172
Other	56	93
Total non-operating income	311	343
Non-operating expenses		
Interest expenses	13	13
Foreign exchange losses	20	—
Other	0	1
Total non-operating expenses	34	14
Ordinary income	9,502	10,360
Extraordinary losses		
Impairment loss	—	261
Other	0	0
Total extraordinary losses	0	261
Profit before income taxes	9,502	10,099
Income taxes	3,707	3,552
Profit	5,795	6,547
Profit attributable to non-controlling interests	78	51
Profit attributable to owners of parent	5,716	6,496

## Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended March 31, 2015	Three months ended March 31, 2016
Profit	5,795	6,547
Other comprehensive income		
Valuation difference on available-for-sale securities	415	(573)
Revaluation reserve for land	13	6
Remeasurements of defined benefit plans, net of tax	(36)	(115)
Share of other comprehensive income of entities accounted for using equity method	13	(40)
Total other comprehensive income	406	(722)
Comprehensive income	6,201	5,825
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,123	5,773
Comprehensive income attributable to non-controlling interests	78	51

## Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended March 31, 2015	Three months ended March 31, 2016
<b>Cash flows from operating activities</b>		
Profit before income taxes	9,502	10,099
Depreciation	1,376	1,406
Impairment loss	—	261
Increase (decrease) in allowance for doubtful accounts	(18)	5
Interest and dividend income	(20)	(13)
Interest expenses	13	13
Share of (profit) loss of entities accounted for using equity method	(170)	(172)
Decrease (increase) in notes and accounts receivable - trade	(16,180)	(15,999)
Decrease (increase) in inventories	(593)	(736)
Increase (decrease) in notes and accounts payable - trade	18,821	15,617
Other, net	164	3,434
Subtotal	12,894	13,917
Interest and dividend income received	20	14
Interest expenses paid	(2)	(2)
Income taxes paid	(7,793)	(7,818)
Net cash provided by (used in) operating activities	5,118	6,110
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(478)	(222)
Purchase of software	(1,590)	(984)
Other, net	2	(3)
Net cash provided by (used in) investing activities	(2,066)	(1,210)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	—	569
Cash dividends paid	(8,532)	(9,480)
Other, net	(62)	(54)
Net cash provided by (used in) financing activities	(8,595)	(8,965)
Net increase (decrease) in cash and cash equivalents	(5,542)	(4,065)
Cash and cash equivalents at beginning of period	97,943	109,587
Cash and cash equivalents at end of period	92,400	105,521



## **Segment Information**

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

Three months ended March 31, 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	95,668	63,651	159,319	91	159,411	—	159,411
Inter-segment sales/transfers	40	67	107	45	152	(152)	—
Total	95,708	63,719	159,427	136	159,563	(152)	159,411
Segment profit	8,502	2,799	11,301	18	11,320	(2,095)	9,225

Three months ended March 31, 2016

(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	103,079	67,950	171,029	100	171,130	—	171,130
Inter-segment sales/transfers	10	65	75	36	112	(112)	—
Total	103,089	68,015	171,105	137	171,242	(112)	171,130
Segment profit	8,772	3,344	12,116	17	12,133	(2,101)	10,031