

**Financial Report for the First Six Months of  
the Fiscal Year Ending December 31, 2018 (Consolidated)  
<Under Japanese GAAP>**

**OTSUKA CORPORATION (URL: <https://www.otsuka-shokai.co.jp/>)**

Listing: The First Section of Tokyo Stock Exchange, Code 4768

Representative: Yuji Otsuka, President & Chief Executive Officer

Contact: Norihiko Moriya, Managing Director & Operating Officer (Tel: +81-3-3264-7111)

Scheduled date to file Quarterly Securities Report: August 9, 2018

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 2018 (From January 1, 2018 to June 30, 2018)**

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2018	389,863	9.0	27,178	1.3	27,868	1.8	18,791	1.3
June 30, 2017	357,585	5.6	26,827	12.0	27,387	11.5	18,541	16.2

Note) Comprehensive Income: Six months ended June 30, 2018: 18,414 million yen [(6.1)%]  
Six months ended June 30, 2017: 19,605 million yen [27.5%]

	Basic earnings per share	Diluted earnings per share
Six months ended	yen	yen
June 30, 2018	99.11	—
June 30, 2017	97.79	—

\* The Company implemented a two-for-one stock split of its common stock with an effective date of April 1, 2018. Accordingly, basic earnings per share stated above are calculated on the assumption that the stock split was implemented at the beginning of the previous fiscal year (Fiscal Year 2017). Basic earnings per share for the six months ended June 30, 2018 and the six months ended June 30, 2017, not considering the stock split, are 198.22 yen and 195.58 yen, respectively.

**(2) Financial position**

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2018	414,536	219,204	52.4
December 31, 2017	380,317	214,532	56.0

Reference) Equity: As of June 30, 2018: 217,416 million yen  
As of December 31, 2017: 212,897 million yen

## 2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
Fiscal Year 2017	yen —	yen 0.00	yen —	yen 140.00	yen 140.00
Fiscal Year 2018	—	0.00			
Fiscal Year 2018 (forecast)			—	72.50	72.50

Note) Revision of the recently announced forecasts: No

\* The annual dividends per share for Fiscal Year 2018 (forecast) stated above indicates amounts calculated in consideration of the stock split described in "1. Financial Results." The annual dividends per share for Fiscal Year 2018 (forecast) not considering the stock split is 145.00 yen.

## 3. Financial Forecasts for the Fiscal Year 2018 (From January 1, 2018 to December 31, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Full-Year	720,000	4.2	47,300	6.6	48,000	5.6	31,880	1.0	168.14

Notes) 1. Revision of the recently announced forecasts: 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.

\* Basic earnings per share in Financial Forecasts for the Fiscal Year 2018 stated above indicates amounts calculated in consideration of the stock split described in "1. Financial Results." Basic earnings per share in Financial Forecasts for the Fiscal Year 2018 not considering the stock split is 336.28 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 in 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, 2018:	190,002,120 shares
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As of December 31, 2017:	190,002,120 shares
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2) Number of treasury shares at the end of the period:

As of June 30, 2018:	400,868 shares
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As of December 31, 2017:	400,454 shares
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3) Average number of shares during the period:

Six months ended June 30, 2018:	189,601,457 shares
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Six months ended June 30, 2017:	189,601,666 shares
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\* The number of shares stated above is calculated on the assumption that the stock split described in "1. Financial Results" was implemented at the beginning of the previous fiscal year (Fiscal Year 2017).

**\* Quarterly financial reports are not subject to quarterly review procedures to be conducted by certified public accountants or an audit firm.**

**\* This financial report is an abridged translation of 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, 2017	As of June 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	136,410	154,483
Notes and accounts receivable - trade	122,144	135,658
Merchandise	24,999	26,144
Work in process	762	662
Raw materials and supplies	837	756
Other	24,212	25,764
Allowance for doubtful accounts	(120)	(122)
Total current assets	309,245	343,347
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,255	17,808
Other, net	19,355	19,253
Total property, plant and equipment	37,610	37,061
Intangible assets	12,166	13,545
Investments and other assets		
Investment securities	15,306	14,701
Other	6,158	6,058
Allowance for doubtful accounts	(170)	(179)
Total investments and other assets	21,294	20,580
Total non-current assets	71,071	71,188
Total assets	380,317	414,536

(Millions of yen)

	As of December 31, 2017	As of June 30, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	83,107	97,452
Electronically recorded obligations - operating	17,887	21,217
Short-term loans payable	4,900	4,800
Income taxes payable	8,274	9,361
Provision for bonuses	3,379	3,588
Other	34,785	44,461
Total current liabilities	152,334	180,882
Non-current liabilities		
Long-term loans payable	1,700	1,700
Provision for directors' retirement benefits	647	658
Net defined benefit liability	8,533	9,760
Asset retirement obligations	214	214
Other	2,356	2,115
Total non-current liabilities	13,451	14,449
Total liabilities	165,785	195,331
<b>Net assets</b>		
Shareholders' equity		
Capital stock	10,374	10,374
Capital surplus	16,254	16,254
Retained earnings	189,816	194,970
Treasury shares	(137)	(139)
Total shareholders' equity	216,308	221,460
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,348	6,727
Deferred gains or losses on hedges	2	(0)
Revaluation reserve for land	(12,097)	(12,097)
Foreign currency translation adjustment	45	9
Remeasurements of defined benefit plans	1,289	1,315
Total accumulated other comprehensive income	(3,411)	(4,044)
Non-controlling interests	1,634	1,788
Total net assets	214,532	219,204
Total liabilities and net assets	380,317	414,536

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

### Quarterly Consolidated Statements of Income

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Net sales	357,585	389,863
Cost of sales	278,169	307,912
Gross profit	79,416	81,951
Selling, general and administrative expenses	52,588	54,772
Operating profit	26,827	27,178
Non-operating income		
Interest income	11	7
Dividend income	48	96
House rent income	116	125
Share of profit of entities accounted for using equity method	174	178
Other	241	313
Total non-operating income	592	720
Non-operating expenses		
Interest expenses	27	25
Other	4	5
Total non-operating expenses	32	31
Ordinary profit	27,387	27,868
Extraordinary losses		
Loss on retirement of non-current assets	16	17
Total extraordinary losses	16	17
Profit before income taxes	27,370	27,850
Income taxes	8,654	8,851
Profit	18,716	18,999
Profit attributable to non-controlling interests	174	207
Profit attributable to owners of parent	18,541	18,791

## Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Profit	18,716	18,999
Other comprehensive income		
Valuation difference on available-for-sale securities	965	(569)
Deferred gains or losses on hedges	11	(3)
Remeasurements of defined benefit plans, net of tax	(95)	25
Share of other comprehensive income of entities accounted for using equity method	8	(37)
Total other comprehensive income	889	(584)
Comprehensive income	19,605	18,414
(Breakdown)		
Comprehensive income attributable to owners of parent	19,402	18,158
Comprehensive income attributable to non-controlling interests	203	256

## Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
<b>Cash flows from operating activities</b>		
Profit before income taxes	27,370	27,850
Depreciation	3,040	3,095
Increase (decrease) in allowance for doubtful accounts	(24)	10
Interest and dividend income	(60)	(103)
Interest expenses	27	25
Share of (profit) loss of entities accounted for using equity method	(174)	(178)
Loss on retirement of non-current assets	16	17
Decrease (increase) in notes and accounts receivable - trade	(10,186)	(13,554)
Decrease (increase) in inventories	1,121	(965)
Increase (decrease) in notes and accounts payable - trade	14,738	17,689
Increase (decrease) in accrued expenses	9,854	9,630
Other, net	779	439
Subtotal	46,502	43,955
Interest and dividend income received	59	102
Interest expenses paid	(27)	(25)
Income taxes paid	(6,201)	(7,567)
Net cash provided by (used in) operating activities	40,332	36,465
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(465)	(1,169)
Purchase of software	(2,382)	(3,498)
Other, net	(86)	(18)
Net cash provided by (used in) investing activities	(2,934)	(4,685)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	-	(100)
Cash dividends paid	(11,364)	(13,262)
Other, net	(60)	(105)
Net cash provided by (used in) financing activities	(11,425)	(13,468)
Effect of exchange rate change on cash and cash equivalents	(22)	(2)
Net increase (decrease) in cash and cash equivalents	25,951	18,309
Cash and cash equivalents at beginning of period	118,183	137,545
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(31)
Cash and cash equivalents at end of period	144,135	155,823

## Segment Information

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

Six months ended June 30, 2017

(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 sales	216,604	140,789	357,393	191	357,585	—	357,585
Inter-segment sales/transfers	48	182	230	51	282	(282)	—
Total	216,652	140,971	357,624	243	357,867	(282)	357,585
Segment profit	22,827	8,094	30,922	24	30,946	(4,119)	26,827

Six months ended June 30, 2018

(Millions of yen)

	Reportable segment		Total	Adjustment	Amount recorded in quarterly consolidated statements of income
	System Integration business	Service and Support business			
Net sales					
Outside customers sales	241,981	147,881	389,863	—	389,863
Inter-segment sales/transfers	56	202	258	(258)	—
Total	242,037	148,084	390,122	(258)	389,863
Segment profit	23,281	8,215	31,497	(4,319)	27,178

Note) Because Otsuka Auto Service Co., LTD., which was one of the consolidated subsidiaries as of December 31, 2017, has little impact on total assets, net sales, profit (loss), retained earnings, etc. and its overall materiality has declined, it was excluded from scope of consolidation from the first quarter ended March 31, 2018. Consequently, "Other" column is not presented herein as this business segment has no actual results.